Destron Fearing A/S

Bakkegårds Allé 23, 5550 Langeskov

CVR-number: 19189597

Annual report 2015

(20. fiscal year)

Disclosed and approved on the Annual General Meeting of the company, the __/__ 2016

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Chairman
Mathieu Van Delden

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COMPANY INFORMATION

The Company	Destron Fearing A/S Bakkegårds Allé 23 5550 Langeskov	
	Phone:	+4 53 64 93 344
	Fax:	+4 53 64 95 725
	Homepage:	www.destronfearing.com
	E-mail:	info@destronfearing.com
	CVR-no.:	19 18 95 97
	Financial year:	1. January - 31. December
	Customer number:	14367261
Board of directors	Grégoire Claude Jacques Wambergue, formand Louis-Marie Allain Mathieu Van Delden	
Executive board	Mathieu Van Delden	
Accountant	Revision København Godkendt Revisionspartnerselskab Finsensvej 80 A 2000 Frederiksberg	
Ownership	DSD Holding A/S, Bakkegårds Allé 23, 5550 Langeskov	

MANAGEMENT'S STATEMENT

Today the Board of Directors and the Executive Board have discussed and approved the Annual Report of Destron Fearing A/S for the period 1. January - 31. December 2015.

The Annual Report has been prepared in conformity with the Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, equity, liabilities and financial position at 31. December 2015 and of its financial performance for the period 1. January - 31. December 2015.

In our opinion the Management commentary includes a fair review of the matters described.

We recommend that the Annual Report be approved by the Annual General Meeting.

Langeskov, April 12th 2016

Management

Mathieu Van Delden

Board of Directors

Grégoire Claude Jacques Wambergue	Louis-Marie Allain	Mathieu Van Delden

INDEPENDENT AUDITOR'S REPORTS AND STATEMENTS

To the shareholders of Destron Fearing A/S

Auditor's report on the financial statements

We have audited the financial statements of Destron Fearing A/S for the period 1. January - 31. December 2015 , including accounting policies, income statement, balance sheet and notes. The financial statements have been prepared in conformity with the Danish Financial Statements Act.

Management's responsibility for the financial statements

The Company's Management is responsible for the preparation and fair presentation of financial statements in conformity with the Danish Financial Statements Act. Management is also responsible for the internal control that it deems necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We have performed the audit in accordance with international auditing standards and additional requirements under Danish audit regulations. That requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

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

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

The audit did not result in a qualification.

INDEPENDENT AUDITOR'S REPORTS AND STATEMENTS

Conclusion
In our opinion, the financial statements give a true and fair view of the Company's assets, equity, liabilities and financial position at 31. December 2015 and of its financial performance for the period 1. January - 31. December 2015 in conformity with the Danish Financial Statements Act.

Statement on Management commentary
As required by the Danish Financial Statements Act, we have read the Management commentary. We have carried out no procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information given in the Management commentary is consistent with the financial statements.

Frederiksberg, April 12th 2016

Revision København
Godkendt Revisionspartnerselskab
Certified Public Accountant

Mads Lutz Jørgensen
Registreret revisor, Cand.merc.aud. FSR - Danske Revisorer
Certified Public Accountant

MANAGEMENT COMMENTARY

Main activities of the Company
DSD-Holding A/S is the parent company of Destron Fearing A/S.

Destron Fearing A/S (before Daploma International A/S) produces and sells plastic visual and electronic ear tags to identify livestock. The ear tags are sold under the trademarks SnapTag® and DigiTag®. In addition the products for animal identification manufactured by the US mother company are sold by Destron Fearing A/S on international markets. These include companion animal products involving electronic chips that are implanted in companion pets, enabling lost pets to be reunited with their owners.

Development in the activities and the financial situation of the Company
Following the reorganization of the subsidiary results have demonstrated a positive trend and continue to show increased profitability.

Furthermore the company's ultimate parent expresses a continuing support to the company.

Outlook for 2016
In 2016 the company will further develop the product lines and expects a further improvement of operating profit.

Material events after the reporting date
No events have occurred after the reporting date that may materially affect the financial position of the company.

ACCOUNTING POLICIES

GENERAL INFORMATION

The financial statements of Destron Fearing A/S for the financial year 2015 have been prepared in conformity with the provisions of the Financial Statements Act on class B enterprises combined with a few rules on class C enterprises.

The accounting policies applied in the financial statements are consistent with those of the previous year. The reporting currency is Danish kroner.

Recognition and measurement in general

The financial statements have been prepared under the historical cost convention.

Income is recognised in the income statement when earned. Value adjustments of financial assets and liabilities measured at fair value or amortised cost are also recognised in the income statement. Costs incurred to generate the earnings for the year are also recognised in the income statement, including amortisation, depreciation, impairment losses and provisions as well as reversals resulting from changed accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future financial benefits will flow to the Company and it is possible to obtain a reliable measurement of the individual assets.

Liabilities are recognised in the balance sheet when it is probable that future financial benefits will flow from the Company and it is possible to obtain a reliable measurement of the individual liabilities.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item.

Certain financial assets and liabilities are measured at amortised cost, whereby a constant effective interest rate is recognised over the life of the individual asset or liability. Amortised cost is determined as original cost less any repayments and with the addition/deduction of the accumulated amortisation of the difference between cost and nominal amount.

Anticipated losses and risks arising before the presentation of the financial statements and confirming or disconfirming facts and circumstances known at the reporting date are taken into consideration at recognition and measurement.

Leases

Lease payments under operating leases are recognised in the income statement on a straight-line basis over the lease term. The remaining liability is stated under contingent liabilities.

ACCOUNTING POLICIES

Foreign currency translation
Foreign currency transactions are translated at the exchange rates ruling at the transaction dates. Gains and losses arising from movements between the exchange rates at the date of the individual transaction and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, accounts payable and other monetary items denominated in a foreign currency, but not settled at the reporting date, are translated at the exchange rates ruling at the reporting date. Exchange rate differences between the exchange rates at the reporting date and the date of the individual transaction are recognised in the income statement as financial income or financial expenses.

Income statement items of foreign subsidiaries and associates which are independent entities are translated at the exchange rates ruling at the date of the individual transaction or an approximate average exchange rate. Balance sheet items are translated at the exchange rates ruling at the reporting date. Foreign currency translation adjustments occurring at the translation of opening balance equity and foreign currency translation adjustments occurring from the translation of income statement items at the exchange rates ruling at the reporting date are recognised directly in equity.

INCOME STATEMENT

General information
Certain income and expenses have been aggregated in the item designated 'Gross profit' with reference to section 32 of the Financial Statements Act.

Gross profit
Gross profit is a combination of the items of 'Revenue', 'Change in inventories of finished goods, work in progress and goods for resale', 'Other operating income', 'Cost of raw materials and consumables' and 'Other external costs'.

Revenue
Revenue from the sale of goods for resale and finished goods is recognised in the income statement if the goods have been delivered and the risk has passed to the buyer before year-end. Revenue is recognised exclusive of VAT and net of sales discounts.

Cost of raw materials and consumables
Cost of raw materials and consumables includes the cost of goods purchased less discounts and changes in inventories for the year.

Other external expenses
Other external expenses include costs for sales, advertising, administration, premises, bad debts, rental expenses under operating leases, etc.

ACCOUNTING POLICIES

Staff costs
Staff costs include wages, salaries and other pay-related costs, such as sickness benefits for enterprise employees less wage/salary reimbursement from the Government.

Income or loss from investments in subsidiaries and associates
The proportionate share of post-tax profit or loss of the individual subsidiaries and associates is recognised in the income statement.

Financial income and expenses
Financial income and expenses are recognised in the income statement based on the amounts which relate to the financial year. Financial income and expenses include interest revenue and expenses, finance charges in respect of finance leases, realised and unrealised capital gains and losses on securities, accounts payable and transactions in foreign currencies, repayment on mortgage loans, and surcharges and allowances under the tax prepayment scheme. Dividends from other equity investments are recognised as income in the financial year in which the dividends are declared.

Tax on net profit for the year
Tax for the year comprises current tax and changes in deferred tax. The share attributable to the profit or loss for the year is recognised in the income statement, and the share attributable directly to equity is recognised directly in equity.

Any change in deferred tax as a result of changes in the tax rate, the share attributable to the profit is recognised in the income statement, and the share attributable directly to equity is recognised directly in equity.

BALANCE SHEET

Patents and licences
Acquired product rights are measured at cost less accumulated depreciation and amortized straight-line basis over the estimated economic useful lives. Estimated economic life is 10 years.

Property, plant and equipment
Plant and machinery and other fixtures, fittings, tools and equipment are measured at cost less accumulated depreciation.

The cost includes the cost of acquisition and expenses directly related to the acquisition until the time when the asset is ready to be put into use.

Straight-line depreciation is made on the basis of the following assessment of the expected useful life of the individual assets and for standard machinery, including a scrap value of approx. 20%.

Property, plant and machinery	8 years
Other plants, operating equipment, fixtures and fittings	5 years
IT equipment	5 years

Assets at a cost of less than DKK 20,000 each are expensed in the income statement in the year of acquisition.

Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the sales price less cost of sales and the net book value at the time of sale. Gains and losses are included in the income statement.

Leasing contracts concerning tangible fixed assets, by which the company holds all essential risks and advantages attached to the proprietary right (capital leasing), are at the first recognition in the balance sheet measured at either the fair value or the present value of the future leasing services, whichever is the lowest. When calculating the present value, the internal interest rate of the leasing contract or an approximate value for the same is used as the capitalisation rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalized residual leasing liability is recognized in the balance sheet as a liability, and the interest part of the leasing contract is recognized in the profit and loss account during the continuance of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rent agreements are recognized in the profit and loss account during the lifetime of the contract. The company's total liabilities concerning operational leasing and rent agreements are recognized under contingencies etc.

ACCOUNTING POLICIES

Investments in subsidiaries and associates

Investments in subsidiaries are recognised in the balance sheet at the proportionate share of the equity value of the enterprises, calculated according to the parent's accounting policies with the deduction or addition of unrealised intercompany profits or losses and with the addition or deduction of the remaining value of positive or negative goodwill, calculated according to the purchase method.

Subsidiaries having a negative equity value are recognised at DKK 0, and any amounts receivable from those enterprises are written down by the parent's share of the negative equity value to the extent that the amounts are deemed to be uncollectible.

Positive balances (goodwill) between the original cost and the fair value of assets and liabilities acquired, including provisions for restructuring costs, are recognised under investments in Group enterprises and amortised over their estimated economic lives determined on the basis of Management's experience in the relevant lines of business. The amortisation period cannot exceed 20 years, and is longest for strategically acquired enterprises with strong market positions and long-term earnings profiles. The carrying amount of goodwill is assessed for impairment on an ongoing basis and any impairment loss is recognised in the income statement if the carrying amount exceeds the expected future net income from the enterprise or activity to which the goodwill relates.

Inventories

Inventories are measured at cost according to the FIFO method. Where the net realisable value is lower than cost, the inventories are written down to this lower value.

The cost of goods for resale, raw materials and consumables is the landed cost.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to perform sales. The value is determined taking into consideration marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost, which normally corresponds to the nominal value. The value is reduced by an allowance for expected impairment losses.

Impairment of accounts receivable past due is established on individual assessment of receivables.

Prepayments

Prepayments recognised under assets include costs already defrayed but relating to the subsequent financial year.

Corporate income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as tax calculated on the taxable income for the year adjusted for tax on the taxable income for previous years and for prepaid taxes.

Deferred tax is measured using the balance-sheet liability method on any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In cases where the tax base can be determined under alternative taxation rules, such as in relation to shares, deferred tax is measured on the basis of the intended use of the relevant asset or settlement of the liability.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are measured at their anticipated realisable values, either by elimination in tax on future earnings or by being offset against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at their net realisable values.

Payables

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest method, so that the difference between proceeds and nominal value is recognised in the income statement over the life of the financial instrument(s).

INCOME STATEMENT 1. JANUARY - 31. DECEMBER 2015

Note		2015 kr.	2014 kr.
	GROSS PROFIT	**2.845.368**	**2.051.087**
1	Staff costs	-825.195	-783.285
2	Amortisation, depreciation and impairment losses - intangible assets and property, plant and equipment	-9.162	-9.167
	OPERATING PROFIT OR LOSS	**2.011.011**	**1.258.635**
	Income or loss from equity investments in group enterprises	654.021	2.186.744
	Other financial expenses	245.727	102.333
	PROFIT OR LOSS BEFORE TAX	**2.910.759**	**3.547.712**
3	Tax on net profit for the year	-524.108	-374.096
	PROFIT OR LOSS FOR THE YEAR	**2.386.651**	**3.173.616**
	PROPOSED DISTRIBUTION OF NET PROFIT		
	Proposed dividends for the year	2.790.186	0
	Net revaluation under the equity method	-4.335.581	2.007.113
	Retained earnings	3.932.046	1.166.503
	SETTLEMENT OF DISTRIBUTION TOTAL	**2.386.651**	**3.173.616**

BALANCE SHEET AT 31. DECEMBER 2015 ASSETS

Note		2015 kr.	2014 kr.
	Other plant, fixtures and operating equipment	8.002	17.163
	Property, plant and equipment	**8.002**	**17.163**
4	Equity investments in group enterprises	1.119.241	5.080.199
	Investments	**1.119.241**	**5.080.199**
	NON-CURRENT ASSETS	**1.127.243**	**5.097.362**
	Finished goods and goods for resale	33.865	15.000
	Inventories	**33.865**	**15.000**
	Trade receivables	1.225.304	866.204
	Receivables from group enterprises	12.823.717	5.104.317
	Deferred tax asset	1.116.792	1.640.900
	Receivables	**15.165.813**	**7.611.421**
	Cash	**1.084.876**	**2.506.377**
	CURRENT ASSETS	**16.284.554**	**10.132.798**
	ASSETS	**17.411.797**	**15.230.160**

BALANCE SHEET AT 31. DECEMBER 2015 EQUITY AND LIABILITIES

Note		2015 kr.	2014 kr.
	Contributed capital	7.831.161	7.831.161
	Net revaluation reserve according to the equity method	0	4.621.266
	Retained earnings	5.953.712	2.021.666
	Proposed dividends for the year	2.790.186	0
5	**EQUITY**	**16.575.059**	**14.474.093**
	Trade creditors	370.493	359.535
	Other accounts payable	466.245	396.532
	Short-term payables	**836.738**	**756.067**
	PAYABLES	**836.738**	**756.067**
	EQUITY AND LIABILITIES	**17.411.797**	**15.230.160**

6 Contingencies, etc.
7 Related parties

NOTES

		2015	2014
		kr.	kr.
1	**Staff costs**		
	Wages and salaries	773.396	728.359
	Pensions	49.639	49.728
	Other social security costs	2.160	5.198
		825.195	**783.285**
2	**Amortisation, depreciation and impairment losses - intangible assets and property, plant and equipment**		
	Plant and machinery	9.162	9.167
		9.162	**9.167**
3	**Tax on net profit for the year**		
	Adjustment of deferred tax	524.108	374.096
		524.108	**374.096**

NOTES

		2015 kr.	2014 kr.
4	**Equity investments in group enterprises**		
	Cost at beginning of period	1.504.960	1.504.960
	Cost 31. December 2015	1.504.960	1.504.960
	Revaluation and impairment losses at beginning of period	3.288.372	2.424.635
	Share of profit or loss	686.726	2.219.449
	Dividends distributed	-4.328.112	-1.036.140
	Depreciation goodwill on consolidation	-32.705	-32.705
	Revaluation and impairment losses 31. December 2015	-385.719	3.575.239
	Book value 31. December 2015	**1.119.241**	**5.080.199**

Breakdown of investments in Group enterprises:

Name, Registered office	**Equity**	**Goodwill**	**Profit/loss**
Destron Fearing Polska Sp. zo.o Mala 5b, 66-200 Swiebodzin, Polska	1.119.241	98.115	686.726

NOTES

	Opening balance	Proposed distribution of net profit	Closing balance

5 Equity

	Opening balance	Proposed distribution of net profit	Closing balance
Contributed capital	7.831.161	0	7.831.161
Net revaluation reserve according to the equity method	4.621.266	-4.621.266	0
Retained earnings	2.021.666	3.932.046	5.953.712
Proposed dividends for the year	0	2.790.186	2.790.186
	14.474.093	**2.100.966**	**16.575.059**

Share Capital of DKK 7.831.161 consists of shares of a nominal value of DKK 100.

Special rights are not assigned to any shares.

6 Contingencies, etc.

Joint taxation

The company is taxed jointly with other Group companies and liable for tax on consolidated taxable income. The Company is assessed for tax purposes jointly with other domestic enterprises of the Destron Fearing Group. As DSD-Holding A/S, the Company and the other companies participating in joint taxation are fully, jointly and severally liable for Danish corporate income taxes and withholding taxes on dividends, interests and royalties payable by the jointly taxed companies.

7 Related parties

Ownership:

The following shareholders are listed in the Company's list of shareholders as owners of at least 5% of the votes or at least 5% of the share capital:

DSD Holding A/S
Bakkegårds Allé 23
5550 Langeskov