Destron Fearing A/S

Bakkegårds Allé 23, 5550 Langeskov

CVR-number: 19189597

Annual report 2016

(21. fiscal year)

Disclosed and approved on the Annual General Meeting of the company, the __/__ 2017

Chairman
Mathieu Van Delden

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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 2016.

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 2016 and of its financial performance for the period 1. January - 31. December 2016.

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, / 2017

Management

Mathieu Van Delden

Board of Directors

Grégoire Claude Jacques Wam- bergue	Louis-Marie Allain	Mathieu Van Delden

INDEPENDENT AUDITOR'S REPORT

To the shareholders in Destron Fearing A/S

Conclusion

We have audited the Financial Statements of Destron Fearing A/S for the period 1. January - 31. December 2016, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies. The Financial Statements are prepared under the Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31. December 2016, and of the results of the Company operations for the period 1. January - 31. December 2016 in accordance with the Danish Financial Statements Act.

Basis for conclusion

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

Management's responsibility for the financial statements

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.

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 responsible for auditing 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.

INDEPENDENT AUDITOR'S REPORT

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 company 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.

INDEPENDENT AUDITOR'S REPORT

Statement on Management commentary
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 Financial Statements Act.

Except for this matter and based on the procedures performed, it is our opinion that the management commentary is consistent with the financial statements and has been prepared in accordance with the criteria laid down in the Financial Statements Act.

As appears from the Basis for qualified opinion paragraph, our audit opinion on the financial statements has been qualified due to insufficient information about material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. When reading the management commentary, we observed that the management commentary does not provide sufficient information about material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

Frederiksberg, / 2017

Revision København
Godkendt Revisionspartnerselskab
CVR.: 34619654

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

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 Louis-Marie Allain Mathieu Van Delden	
Executive board	Mathieu Van Delden	
Accountant	Revision København Godkendt Revisionspartnerselskab Nimbusparken 24, 3. 2000 Frederiksberg	
Ownership	DSD Holding A/S, Bakkegårds Allé 23, 5550 Langeskov	

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 2017

In 2017 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 2016 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.

Changes in accounting policies
The accounting policies have changed as follows:

Investments in subsidiaries and associates were previously recognised in the balance sheet at the proportionate share of the equity value of the enterprises while from now on are recognised at cost.

Except for the above-mentioned fields of the accounting policies, the accounting policies 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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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.

Investments in subsidiaries and associates
Investments in subsidiaries are recognised in the balance sheet at cost. Cost includes the acquisition price measured at fair value with addition of direct costs of purchase. Where the recoverable amount is lower than cost, the investments are written down to this lower value.

ACCOUNTING POLICIES

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

Deferred tax is measured using the balance-sheet liability method on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. 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 asset or settlement of the liability.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are measured at their anticipated net realisable value, either by elimination in tax on future earnings or by offsetting 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 2016

Note		2016 kr.	2015 kr.
	GROSS PROFIT	**2.261.979**	**2.845.368**
1	Staff costs	-848.016	-825.195
2	Amortisation, depreciation and impairment losses - intangible assets and property, plant and equipment	-8.003	-9.162
	OPERATING PROFIT OR LOSS	**1.405.960**	**2.011.011**
	Income or loss from equity investments in group enterprises	0	654.021
		480.631	0
	Other financial expenses	177.701	245.727
	PROFIT OR LOSS BEFORE TAX	**2.064.292**	**2.910.759**
3	Tax on net profit for the year	-348.325	-524.108
	PROFIT OR LOSS FOR THE YEAR	**1.715.967**	**2.386.651**
	PROPOSED DISTRIBUTION OF NET PROFIT		
	Proposed dividends for the year	0	2.790.186
	Extraordinary dividends paid in the financial year	2.388.400	0
	Net revaluation under the equity method	0	-4.335.581
	Retained earnings	-672.433	3.932.046
	SETTLEMENT OF DISTRIBUTION TOTAL	**1.715.967**	**2.386.651**

BALANCE SHEET AT 31. DECEMBER 2016 ASSETS

Note		2016 kr.	2015 kr.
	Other plant, fixtures and operating equipment	0	8.000
	Property, plant and equipment	**0**	**8.000**
4	Equity investments in group enterprises	1.504.960	1.119.241
	Investments	**1.504.960**	**1.119.241**
	NON-CURRENT ASSETS	**1.504.960**	**1.127.241**
	Finished goods and goods for resale	56.416	33.867
	Inventories	**56.416**	**33.867**
	Trade receivables	1.120.550	1.225.304
	Receivables from group enterprises	10.222.171	12.823.717
	Deferred tax asset	768.467	1.116.792
	Receivables	**12.111.188**	**15.165.813**
	Cash	**571.897**	**1.084.876**
	CURRENT ASSETS	**12.739.501**	**16.284.556**
	ASSETS	**14.244.461**	**17.411.797**

BALANCE SHEET AT 31. DECEMBER 2016 EQUITY AND LIABILITIES

Note		2016 kr.	2015 kr.
	Contributed capital	7.831.161	7.831.161
	Retained earnings	5.666.998	5.953.712
	Proposed dividends for the year	0	2.790.186
5	**EQUITY**	**13.498.159**	**16.575.059**
	Trade creditors	99.764	370.493
	Amounts owed to group enterprises	221.103	0
	Other accounts payable	425.435	466.245
	Short-term payables	**746.302**	**836.738**
	PAYABLES	**746.302**	**836.738**
	EQUITY AND LIABILITIES	**14.244.461**	**17.411.797**

6 Contingencies, etc.
7 Related parties

NOTES

		2016 kr.	2015 kr.
1	**Staff costs**		
	Wages and salaries	753.212	773.396
	Pensions	92.532	49.639
	Other social security costs	2.272	2.160
		848.016	**825.195**
2	**Amortisation, depreciation and impairment losses - intangible assets and property, plant and equipment**		
	Plant and machinery	8.003	9.162
		8.003	**9.162**
3	**Tax on net profit for the year**		
	Adjustment of deferred tax	348.325	524.108
		348.325	**524.108**

NOTES

		2016 kr.	2015 kr.
4	**Equity investments in group enterprises**		
	Cost at beginning of period	1.504.960	1.504.960
	Cost 31. December 2016	1.504.960	1.504.960
	Revaluation and impairment losses at beginning of period	0	3.288.372
	Share of profit or loss	0	686.726
	Dividends distributed	0	-4.328.112
	Depreciation goodwill on consolidation	0	-32.705
	Revaluation and impairment losses 31. December 2016	0	-385.719
	Book value 31. December 2016	**1.504.960**	**1.119.241**

Breakdown of investments in Group enterprises:

Name, Registered office	Equity 100%	Profit/loss
Destron Fearing Polska Sp. zo.o Mala 5b, 66-200 Swiebodzin, Polska	1.856.909	1.136.705

NOTES

	Opening balance	Capital account adjustment	Dividends distributed	Proposed distribution of net profit	Closing balance
5 Equity					
Contributed capital	7.831.161	0	0	0	7.831.161
Retained earnings	5.953.712	385.719	0	-672.433	5.666.998
Proposed dividends for the year	2.790.186	0	-5.178.586	2.388.400	0
	16.575.059	**385.719**	**-5.178.586**	**1.715.967**	**13.498.159**

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