Krone ScanBalt A/S

CVR No.: 20 00 32 86

Annual report 2016/17

for the year ended 31 July 2017

Approved at the Company's annual general meeting on 13. September 2017

Chairman:

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Building a better
working world

Contents

Statement by the Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Krone ScanBalt A/S for the financial year 1 August 2016 - 31 July 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 July 2017 and of the results of the Group's and the Company's operations for the financial year 1 August 2016 - 31 July 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Padborg, 13 September 2017
Executive Board:

Jan Theodor Knudsen	Ole Randum Nielsen

Board of Directors:

Aloysius Schnelte Chairman	Gerd Schulze Isfort	Johannes Hennewig

Independent auditors' report

To the shareholders of Krone ScanBalt A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Krone ScanBalt A/S for the financial year 1 August 2016-31 July 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 July 2017 and of the results of the Group's and the Parent Company's operations for the financial year 1 August 2016 - 31 July 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 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 consolidated financial statements and parent company financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

Independent auditor's report

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aabenraa, 13 September 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no..: 30 70 02 28

Jon Midtgaard
State Authorised
Public Accountant

Management's review

Company details

Name	Krone ScanBalt A/S
Address	Kilen 5
zip code, city	DK 6330 Padborg
CVR no.	20 00 32 86
Established	1 April 1997
Registered office	Aabenraa
Financial year	1 August- 31 July
Board of Directors	Aloysius Schnelte, Chairman Gero Schulze Isfort Johannes Hennewig
Executive Board	Jan Theodor Knudsen Ole Randum Nielsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Skibbroen 16 6200 Aabenraa

Management's review

Financial highlights for the Group

DKK'000	2016/17	2015/16	2014/15	2013/14	2012/13
Key figures					
Revenue	664,628	664,563	565,742	575,129	767,846
Operating profit/loss	20,513	3,308	-9,298	-21,543	-7,585
Loss from financial income and expense	-503	-8,384	-20,650	-14,933	-15,098
Profit/loss for the year	16,900	-4,121	-28,288	-31,948	-20,306
Non-current assets	187,606	163,179	139,803	127,260	157,592
Current assets	246,302	231,264	294,051	309,535	325,429
Total assets	433,908	394,443	433,854	436,795	483,021
Portion relating to investments in items of property, plant and equipment	47,144	68,870	49,814	38,468	72,718
Total equity	77,437	59,919	67,251	89,220	52,228
Provisions	1,103	4,201	4,330	2,632	2,410
Non-current liabilities other than provisions	35,315	43,801	36,130	29,842	56,762
Current liabilities other than provisions	320,053	286,522	326,143	315,101	371,621
Financial ratios					
Return on invested capital	4.7%	0.8%	-2.1%	-4.9%	-1.6%
Equity ratio	17.9%	15.2%	14.4%	19.2%	9.3%
Average number of full-time employees	73	72	69	96	127

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities

As in previous years, the Group has engaged in the acquisition, sale and lease of transportation equipment and related activities, mainly new trailers, used trailers and spare parts etc.

The parent company holds investments in companies abroad with the same principal activities.

Uncertainties upon measurement and recognition

Refer to note 18.

Development in activities and financial position

The 2016/17 financial statements shows a profit of DKK 16,900 thousand.

The market for the sale of used transport equipment improved in the year under review.

Capital resources

The Group's equity totalled DKK 77,437 thousand at 31 July 2017, corresponding to a solvency ratio of 17.9%.

The Group is primarily financed by its parent company, and the Group's cash at bank and in hand totalled DKK 35,494 thousand at 31 July 2017.

Capital resources are assessed to be adequate for activities budgeted for 2017/18.

Outlook

Management is of the opinion that activities and earnings for the 2017/18 financial year will be on the same level than financial year 2016/17.

Post balance sheet events

No events have occurred after the balance sheet date affecting considerably the financial position of the Group.

Risks

Currency risks

The Group is exposed to currency risks due to its international activities and due to the parent company´s investments and balances with subsidiaries abroad. The Group does not make use of any hedging instruments to hedge such risks but follows the development on the foreign exchange market on a regular basis.

Management's review

Operating review

Price risks

The Group is exposed to price risks as to their inventory of trailers and other equipment. Price risks on used trailers on stock have affected results in the financial year 2016/17 due to write down of trailers not sold.

Debtor risks

It is common Group policy to hand out trailers to customers abroad once payment has taken place. Thereby, bad debt losses are reduced to a minimum.

Interest risk

A considerable part of the Group's financing carry variable interest. The Group has not made use of any hedging instruments to hedge such interest risks. Changes in interest may therefore have an impact on the Group's earnings, however the impact is not considered material.

Intellectual capital etc.

The employees are considered to possess solid market knowledge and professional qualifications within the individual fields of activity.

The Group does not carry out research and development activities.

Environmental issues

The Group's primary activities only have a limited impact on the environment. The sale of used transportation equipment, and thereby recycling, is in many ways environmentally sound.

Corporate social responsibility

The Company does not have any particular policies for CSR and, accordingly, does not account for CSR in accordance with section 99a of the Danish Financial Statements Act. Thus, the group does not have policies for human rights and climate.

Goals and policies for the underrepresented gender

It is the company´s goal that the Board of Directors is composed in such a way that it is effectively able to perform its tasks related to strategy development, management and control. The company will seek to nominate candidates whose profiles and skills are best suited for the company, as it is considered best for the company in the long run. When candidates for the Board of Directors are to be nominated, gender is considered with due regard to the company's other recruitment criteria, including requirements for professional qualifications, industry experience, educational background, etc.

Krone Scanbalt A/S' goal is that one of the three members of the Board of Directors appointed by the general meeting is to be a woman, corresponding to 33% before 2020. At present, none of the members are women. In 2016/17 it has not been possible to nominate female candidates, therefore the goal was not reached. Other management positions comprise the Executive Board, middle managers and department managers, a total of 13 persons within the Krone Scanbalt Group. Of these 13 persons, 7 are women and 6 are men, and consequently, there is no underrepresented gender in other layers of management today.

Consolidated financial statements and parent company financial statements for the period 1 August - 31 July

Income statement

		Consolidated		Parent company	
Note	DKK'000	2016/17	2015/16	2016/17	2015/16
2	**Revenue**	664,628	664,563	527,378	530,658
	Other operation income	1,408	916	787	376
	Cost of goods	-579,035	-597,171	-498,806	-501,770
15	Other external costs	-14,625	-13,060	-7,111	-7,534
	Gross profit	72,376	55,248	22,248	21,730
3	Staff costs	-28,138	-27,656	-15,102	-15,138
7	Depreciation, amortisation and impairment losses	-23,688	-24,258	-1,945	-3,421
	Other operation costs	-37	-26	-38	-26
	Operating profit/loss	20,513	3,308	5,163	3,145
8	Share of profit/loss in subsidiaries after tax	0	0	13,426	-3,012
4	Financial income	5,543	3,797	2,955	592
5	Financial expenses	-6,046	-12,181	-3,653	-5,677
	Profit/loss before tax	20,010	-5,076	17,891	-4,952
6	Tax on profit/loss for the year	-3,110	955	-991	831
	Profit/loss for the year	16,900	-4,121	16,900	-4,121

	Breakdown of the consolidated results:		
	Shareholders, Krone Scanbalt A/S	16,900	-4,121
	Non-controlling interests	0	0
		16,900	-4,121

Consolidated financial statements and parent company financial statements for the period 1 August - 31 July

Balance sheet

Note	DKK'000	Consolidated 2016/17	Consolidated 2015/16	Parent company 2016/17	Parent company 2015/16
	ASSETS				
	Non-current assets				
7	**Intangible assets**				
	Goodwill	745	869	0	0
	Patents and licences	10	14	0	0
		755	883	0	0
7	**Property, plant and equipment**				
	Land and buildings	46,471	46,619	31,922	32,129
	Fixtures and fittings, other plant and equipment	96,633	96,165	4,669	4,513
		143,104	142,784	36,591	36,642
	Investments				
8	Investments in subsidiaries	0	0	95,400	83,208
9	Lease payments receivable	43,747	19,512	0	0
		43,747	19,512	95,400	83,208
	Total non-current assets	187,606	163,179	131,991	119,850
	Current assets				
	Inventories				
	Goods for resale	161,832	142,083	116,876	90,744
	Receivables				
10	Trade receivables	32,184	36,188	20,324	23,736
	Amounts owed by affiliates	246	727	70,179	61,389
11	Deferred tax asset	6	227	0	0
	Corporation tax asset	3,953	4,702	3,947	4,471
	Prepayments	541	533	284	483
	Other receivables	12,046	13,910	818	3,006
		48,976	56,287	95,552	93,085
	Cash at bank and in hand	35,494	32,894	24,607	25,737
	Total current assets	246,302	231,264	237,035	209,566
	TOTAL ASSETS	433,908	394,443	369,026	329,416

Consolidated financial statements and parent company financial statements for the period 1 August – 31 July

Balance sheet

Note	DKK'000	Consolidated 2016/17	Consolidated 2015/16	Parent company 2016/17	Parent company 2015/16
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	71,000	71,000	71,000	71,000
	Retained earnings	6,437	-11,081	6,437	-11,081
	Equity holders' share of equity, Krone Scanbalt A/S	77,437	59,919	77,437	59,919
	Non-controlling interests	0	0	0	0
	Total equity	77,437	59,919	77,437	59,919
	Provisions				
11	Deferred tax	653	3,839	144	3,462
8	Investments in subsidiaries	0	0	0	655
	Other provisions	450	362	0	0
	Total provisions	1,103	4,201	144	4,117
	Liabilities other than provisions				
12	Non-current liabilities other than provisions				
	Lease obligations	1,737	9,280	0	0
	Loan from affiliates	33,578	34,521	0	0
		35,315	43,801	0	0
	Current liabilities other than provisions				
12	Current portion of non-current liabilities	12,169	15,590	0	0
	Bank loans and overdrafts	0	416	0	0
	Trade payables	16,724	7,698	14,576	4,951
	Amounts owed to affiliates	266,481	239,697	261,373	241,946
	Corporation tax	10,869	1,353	8,555	3,770
	Other payables	8,785	11,384	5,519	5,222
	Deferred income and prepayments	5,025	10,384	1,422	9,491
		320,053	286,522	291,445	265,380
	Total liabilities other than provisions	355,368	330,323	286,445	265,380
	TOTAL EQUITY AND LIABILITIES	433,908	394,443	369,026	329,416

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15 Fees to auditors appointed at the annual general meeting
17 Related parties
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Consolidated financial statements and parent company financial statements for the period 1 August – 31 July

Statement of changes in equity

DKK'000	Consolidated			
	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 August 2016	71,000	-11,081	0	59,919
Profit for the year	0	16,900	0	16,900
Exchange rate adjustments, foreign subsidiaries	0	618	0	618
Equity at 31 July 2017	71,000	6,437	0	77,437

DKK'000	Parent company			
	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 August 2016	71,000	-11,081	0	59,919
Profit for the year	0	16,900	0	16,900
Exchange rate adjustments, foreign subsidiaries	0	618	0	618
Equity at 31 July 2017	71,000	6,437	0	77,437

Changes in share capital

DKK'000	2016/17	2015/16	2014/15	2013/14	2012/13
Share capital 1 August	71,000	71,000	71,000	66,000	66,000
Capital increase	0	0	0	5,000	0
Share capital at 31 July	71,000	71,000	71,000	71,000	66,000

Share capital

The share capital consists of 1,000 A-shares of nominal DKK 1,000 and 70,000 B-shares of nominal DKK 1,000. No shares carry special rights.

Consolidated financial statements and parent company financial statements for the period 1 August - 31 July

Notes

1 **Accounting policies**

The annual report of Krone ScanBalt A/S for 2016/17 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Effective 1 August 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes impacts on the income statement or the balance sheet for 2016/17 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Krone ScanBalt A/S , and subsidiaries in which Krone ScanBalt A/S directly or indirectly holds more than 50% of the voting rights or over which it otherwise exercises control. Entities in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains in so far as they do not reflect impairment.

In the consolidated financial statements, the items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are disclosed separately.

Business combinations

Recently acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated selling costs.

Consolidated financial statements and parent company financial statements for the period 1 August - 31 July

Notes

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset.

Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the year of acquisition.

Non-controlling interests

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' ownership share or at the non-controlling interests' proportionate share of the fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities.

In the former scenario, goodwill relating to the non-controlling interests' ownership share in the acquired entity is thus recognised, while, in the latter scenario, goodwill relating to the non-controlling interests' ownership share is not recognised. Measurement of non-controlling interests is chosen on a transaction-by-transaction basis and is stated in the notes in connection with the description of acquired entities.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at average exchange rates for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Consolidated financial statements and parent company financial statements for the period 1 August - 31 July

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Income statement

Revenue

Income from the sale of goods, which comprise sale of new and used trailers, spare parts, operating lease payments and interest element of lease payment receivables (finance lease), is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place and that the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other operating income

Other operating income, comprise items secondary to the principal activities of the enterprises.

Cost of goods

Cost of goods comprise costs incurred in generating the year's revenue.

External costs

External costs comprise distribution costs, sales costs, marketing costs, administrative costs, loss on receivables, operational leasing etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for employees. Refunds received from public authorities are deducted from staff costs.

Profits/losses from investments in subsidiaries (parent company)

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/ losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme etc.

Tax on profit/loss for the year

The parent company is covered by the Danish rules on compulsory joint taxation of the Krone ScanBalt Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carry forwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Consolidated financial statements and parent company financial statements for the period 1 August - 31 July

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Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year - due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Acquired goodwill is subsequently measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated useful life, which is 10 years.

Patents and licences are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence, however not exceeding 10 years.

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	10-50 years
Fixtures and fittings, other plant and equipment	3-10 years

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement under separate item.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operation income and other operation costs.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing

Consolidated financial statements and parent company financial statements for the period 1 August – 31 July

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rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Group's other non-current assets.

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

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Group's total obligation relating to operating leases and other leases is disclosed in the notes to the financial statements.

Investments in subsidiaries (parent company)

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Krone ScanBalt A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the purchase method is applied.

Impairment of assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is tested annually for impairment.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Lease payments receivable

Lease receivable held by the Group but which transfer substantially all the risks and rewards incident to ownership to the Lessor (finance leases) are initially recognised in the balance sheet as receivables. Receivables are measured at the capitalised residual obligation on lease payments receivables.

Inventories

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

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

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The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Equity

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

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Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

In accordance with section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared as the Group's cash flows are included in the consolidated financial statements of its parent company.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on invested capital	$\frac{\text{Operating profit x 100}}{\text{Total assets}}$
Equity ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

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	DKK'000	Consolidated		Parent company	
		2016/17	2015/16	2016/17	2015/16
2	**Revenue**				
	Denmark	149,254	127,606	149,011	129,157
	EU	373,063	357,784	293,657	347,355
	Rest of the world	142,311	179,173	84,710	54,146
		664,628	664,563	527,378	530,658

The Group has only one activity.

3	**Staff costs**				
	Wages and salaries	23,706	23,689	13,490	13,592
	Pensions	909	867	909	867
	Other social security costs	2,619	2,405	162	166
	Other costs	904	695	541	513
		28,138	27,656	15,102	15,138
	Remuneration of the Board of Directors	0	26	0	26
	Remuneration of the Executive Board	3,264	2,977	3,264	2,977
	Average number of full-time employees	73	72	25	25
4	**Financial income**				
	Interest income from subsidiaries	0	0	59	77
	Other financial income	5,543	3,797	2,896	515
		5,543	3,797	2,955	592
5	**Financial expenses**				
	Interest expense to affiliates	4,616	4,728	3,464	3,571
	Other financial expenses	1,430	7,453	189	2,106
		6,046	12,181	3,653	5,677
6	**Tax on the profit/loss for the year**				
	Current tax for the year/joint taxation contribution	-5,946	275	-4,308	279
	Adjustment of deferred tax	2,966	722	3,317	594
	Prior year adjustment	-130	-42	0	-42
		-3,110	955	-991	831

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7 Intangible assets and property, plant and equipment

DKK'000	Consolidated				
	Goodwill	Patents and licences	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 August 2016	1,241	47	48,617	141,922	191,827
Foreign currency translation adjustments, foreign entities	0	0	58	1,125	1,183
Additions	0	1	239	46,905	47,145
Disposals	0	-19	0	-44,107	-44,126
Cost at 31 July 2017	1,241	29	48,914	145,845	196,029
Depreciation at 1 August 2016	372	33	1,999	45,757	48,161
Foreign currency translation adjustments, foreign entities	0	0	-8	120	112
Depreciation and amortisation	124	19	452	23,046	23,641
Disposals	0	-33	0	-19,711	-19,744
Depreciation at 31 July 2017	496	19	2,443	49,212	52,170
Carrying amount at 31 July 2017	745	10	46,471	96,633	143,859
Depreciated over	10 years	5-7 years	10-50 years	3-10 years	
Assets held under finance leases				5,731	5,731

DKK'000	Parent company		
	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 August 2016	34,119	7,403	41,522
Additions	239	4,031	4,270
Disposals	0	-4,068	-4,068
Cost at 31 July 2017	34,358	7,366	41,724
Depreciation at 1 August 2016	1,991	2,890	4,881
Disposals	0	-1,693	-1,693
Depreciation	445	1,500	1,945
Depreciation at 31 July 2017	2,436	2,697	5,133
Carrying amount at 31 July 2017	31,922	4,669	36,591
Depreciated over	50 years	3-10 years	

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DKK'000	Parent company 2016/17	Parent company 2015/16
8 Investments in subsidiaries		
Cost at 1 August 2016	111,050	106,648
Additions during the year	0	4,402
Cost at 31 July 2017	111,050	111,050
Adjustments at 1 August 2016	-33,541	-56,721
Profit/loss for the year	13,426	-3,012
Debt relief included in profit/loss	0	24,784
Foreign exchange adjustment in foreign enterprises	617	1,408
Adjustments at 31 July 2017	-19,498	-33,541
Carrying amount at 31 July 2017	91,552	77,509
Hereof included under non-current assets	95,400	83,208
Hereof set-off against receivables	-3,848	-5,044
Hereof included under other provisions	0	-655

Name and registered office	Ownership	Share capital	Equity	Profit/loss for the year	Carrying amount
		DKK'000	DKK'000	DKK'000	DKK'000
UAB Krone ScanBalt, Lithuania	100%	53,436	53,937	6,002	53,937
OÜ Krone ScanBalt, Estonia	100%	19	13,849	1,224	13,849
SIA Krone ScanBalt, Latvia	100%	106	20,914	3,385	20,914
OOO Krone ScanBalt Kaliningrad	99%	15,817	1,675	3,319	1,675
OOO Krone ScanBalt, Moscow	99%	10,920	4,757	-74	4,757
Scanbalt International ApS, Padborg	100%	100	109	21	109
LLC Krone ScanBalt, Ukraine	99%	27	-3,887	-144	-3,887
			91,354	13,731	91,354
Goodwill			0	0	869
Amortisation, goodwill			0	-124	-124
Intra-group profits			0	-151	-522
Minority shareholders adjustments			0	-30	-25
Carrying amount at 31 July 2017			76,998	13,426	91,552

9 Lease payments receivable

Of lease payments receivable, DKK 24,138 thousand (DKK 12,757 thousand in 2015/16) falls due more than one year after the balance sheet date.

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10 Trade receivables

Of trade receivables, DKK 6,616 thousand (DKK 1,971 thousand in 2015/16) falls due more than one year after the balance sheet date. As to the parent company, the figure is DKK 6,616 thousand (DKK 7,311 thousand in 2015/16).

		Consolidated		Parent company	
	DKK'000	2016/17	2015/16	2016/17	2015/16
11	**Deferred tax**				
	Deferred tax at 1 August 2016	3,613	3,859	3,462	3,592
	Adjustment of the deferred tax charge for the year	-2,966	-246	-3,317	-130
	Deferred tax at 31 July 2017	647	3,613	145	3,462
	The deferred tax relates to:				
	Property, plant and equipment	1,045	468	176	91
	Current assets	-36	3,145	-31	3,371
	Provision	-362	0	0	0
	Tax loss carry forward	0	0	0	0
		647	3,613	144	3,462

12 Non-current liabilities

	Consolidated				
	Total liabilities at 31/7 2016	Total liabilities at 31/7 2017	Instalment next year	Long-term portion	Remaining debt after 5 years
Loan from affiliates	43,406	44,035	10,457	33,578	0
Bank loans	388	0	0	0	0
Lease obligations	15,597	3,449	1,712	1,737	0
	59,391	47,484	12,169	35,315	0

Lease obligations include lease from group enterprises with DKK 1,918 thousand (2015/16 DKK 10,891 thousand).

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13 Contractual obligations and contingencies

Contractual obligations

The Group has issued buy-back guarantees for DKK 3.6 million over the next 1 year. Same amount for the parent company is DKK 0 thousand.

Contingent liabilities

The Group has operations located in the Russian Federation and Ukraine. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation and Ukraine which display characteristics of an emerging market. These circumstances may create tax risks in the Russian Federation and Ukraine that are substantially more significant than in other countries. The financial statements reflect management's assessment of the impact of the Russian and Ukraine business environment. The future business environment may differ from this assessment.

The Group is a party to a few ongoing lawsuits. Management is of the opinion that the outcome of these cases will not further affect the Group's financial position other than the receivables and liabilities recognised in the balance sheet at 31 July 2017.

The company is jointly taxed with other Danish group enterprises. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes etc. Any subsequent corrections of the taxable income subject to joint taxation etc. may entail that the companies' liability will increase.

Operating lease obligations

The Group's companies have entered into operating leases with future payments amounting to approx DKK 3.4 million. Same amount for the parent company is DKK 2.4 million.

14 Mortgages and collateral

None.

15 Fees to auditors appointed at the annual general meeting

	Consolidated		Parent company	
DKK'000	2016/17	2015/16	2016/17	2015/16
Total fees to EY:				
Fee regarding statutory audit	245	238	242	235
Tax assistance	122	227	121	226
Other assistance	173	194	168	189
	540	659	531	650

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DKK'000	Parent	
	2016/17	2015/16
16 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Transferred to reserves under equity		
	16,900	-4,121

17 Related parties

Krone Scanbalt A/S' related parties comprise the following:

Parties exercising control

Farhzeugwerk Krone Beteiligungs-GmbH, Spelle, Germany holds the majority of the share capital in the Company. Ultimate parent company is Bernard Krone Holding SE & Co. KG.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Farhzeugwerk Krone Beteiligungs-GmbH, Spelle, Germany.

Consolidated financial statements

Krone Scanbalt A/S is included in the consolidated financial statements of Bernard Krone Holding SE & Co. KG., Heinrich-Krone-Straße 10, D-48480 Spelle.

Related party transactions

Krone Scanbalt A/S purchased transportation equipment from parent company Farhzeugwerk Krone Beteiligungs-GmbH and other group related entities. Also, the parent company has granted loan to Krone Scanbalt A/S.

Related party transactions are carried out on arms length basis.

Remuneration/fees to members of the Executive Board and the Board of Directors of the Parent Company are reflected in note 3.

18 Uncertainties upon recognition and measurement, etc.

The Group has considerable inventories and is therefore subject to price risks regarding inventories of trailers and other equipment. Management is of the opinion that inventories are measured in accordance with the accounting policies of the Group.

Trade receivables are subject to uncertainty attributable to the contracting parties' ability to pay. A write-down for bad debts has been made based on a assessment of the contracting parties' ability to pay.

The Company has subsidiaries in and transactions and balances with group enterprises in Russia, Ukraine and Eastern Europe and, consequently, the Group is affected by the business environment in these countries. Conducting business in especially Russia and Ukraine is subject to increased risk considering the political climate. Trading and measurement of balances with these companies may thus entail an increased risk. The financial statements reflects managements assessments of the impact of the business environments in Russia and Ukraine on the operations and financial position of the Group. The future business environment may differ from this assessment.