

# Krone ScanBalt A/S

CVR No.: 20 00 32 86

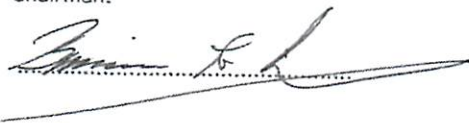


## Annual report 2015/16

For the year ended 31 July 2016

Approved at the Company's annual general meeting on 8 December 2016

Chairman:



**EY**

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## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	5
Company details	5
Financial highlights for the Group	6
Operating review	7
Consolidated financial statements and parent company financial statements for the period 1 August - 31 July	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Notes	13

## Statement by the Board of Directors and the Executive Board

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 2015 - 31 July 2016.

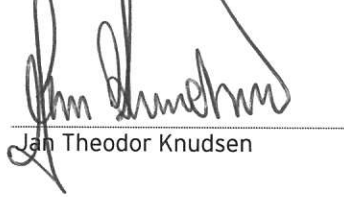
The annual report has been prepared in accordance with the Danish Financial Statements Act.

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 2016 and of the results of the Group's and the Company's operations for the financial year 1 August 2015 - 31 July 2016.

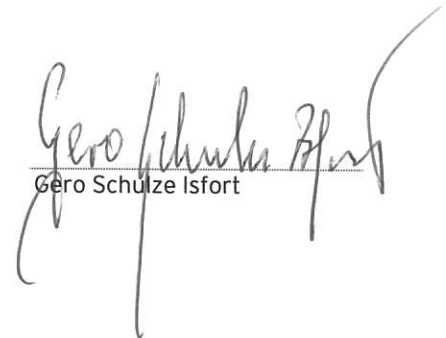
Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Padborg, 16 September 2016  
Executive Board:

  
Jan Theodor Knudsen  
Ole Randum Nielsen

Board of Directors:

  
Aloysius Schnelte  
Chairman  
Michael Bernard Josef Theisling  
Gero Schulze Isfort

## Independent auditors' report

To the shareholders of Krone ScanBalt A/S

### **Independent auditors' report on the consolidated financial statements and the parent company financial statements**

We have audited the consolidated financial statements and the parent company financial statements of Krone ScanBalt A/S for the financial year 1 August 2015 - 31 July 2016. The consolidated financial statements and the parent company financial statements comprise accounting policies, income statement, balance sheet and notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

### ***Management's responsibility 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 that 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.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

Our audit has not resulted in any qualification.

### ***Opinion***

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 July 2016 and of the results of the Group's and the parent company's operations for the financial year 1 August 2015 - 31 July 2016 in accordance with the Danish Financial Statements Act.



## Independent auditors' report

### Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aabenraa, 16 September  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR.: 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 Michael Bernard Josef Theisling Gero Schulze Isfort
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	2015/16	2014/15	2013/14	2012/13	2011/12
<b>Key figures</b>					
Revenue	664,563	565,742	575,129	767,846	618,830
Operating profit/loss	3,308	-9,298	-21,543	-7,585	11,751
Loss from financial income and expense	-8,384	-20,650	-14,933	-15,098	-6,506
<b>Profit/loss for the year</b>	<b>-4,121</b>	<b>-28,288</b>	<b>-31,948</b>	<b>-20,306</b>	<b>3,115</b>
Non-current assets	163,179	139,803	127,260	157,592	105,454
Current assets	231,264	294,051	309,535	325,429	250,379
<b>Total assets</b>	<b>394,443</b>	<b>433,854</b>	<b>436,795</b>	<b>483,021</b>	<b>355,833</b>
<b>Equity</b>	<b>59,919</b>	<b>62,632</b>	<b>83,949</b>	<b>44,723</b>	<b>63,460</b>
Minority interests	0	4,619	5,271	7,505	6,317
Provisions	4,201	4,330	2,632	2,410	10,303
Non-current liabilities other than provisions	43,801	36,130	29,842	56,762	9,615
Current liabilities other than provisions	286,522	326,143	315,101	371,621	266,138
<b>Financial ratios</b>					
Return on invested capital	0.8%	-2.1%	-4.9%	-1.6%	3.3%
Equity ratio	15.2%	14.4%	19.2%	9.3%	17.6%
<b>Average number of full-time employees</b>	<b>72</b>	<b>69</b>	<b>96</b>	<b>127</b>	<b>37</b>

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 of any kind 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 17.

#### Development in activities and financial position

The 2015/16 financial statements shows a loss of DKK 4,121 thousand.

The market for the sale of used transport equipment proved difficult in the year under review. Consequently, inventories of the Company and subsidiaries were written down which had a significant impact on results.

#### Capital resources

The Group's equity totalled DKK 59,919 thousand at 31 July 2016, corresponding to a solvency ratio of 15.2%.

The Group is primarily financed by its parent company, and the Group's cash at bank and in hand totalled DKK 32,894 thousand at 31 July 2016.

Capital resources are assessed to be adequate for activities budgeted for 2016/17.

#### Outlook

Management is of the opinion that the Group will experience increasing activities and realize improved earnings for the 2016/17 financial year. Thus, the Group expects positive earnings for 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 2015/16 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 2015/16 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

Note	DKK'000	Consolidated		Parent company	
		2015/16	2014/15	2015/16	2014/15
2	<b>Revenue</b>	664,563	565,742	530,658	441,717
	Other operation income	916	522	376	41
	Cost of goods	-597,171	-508,393	-501,770	-419,453
15	Other external costs	-13,060	-17,186	-7,534	-6,420
	<b>Gross profit</b>	55,248	40,685	21,730	15,885
3	Staff costs	-27,656	-25,493	-15,138	-13,368
	Depreciation, amortisation and impairment losses	-24,258	-24,454	-3,421	-4,807
7	Other operation costs	-26	-36	-26	-36
	<b>Operating profit/loss</b>	3,308	-9,298	3,145	-2,326
8	Share of profit/loss in subsidiaries after tax	0	0	-3,012	-22,793
4	Financial income	3,797	681	592	770
5	Financial expenses	-12,181	-21,331	-5,677	-5,064
	<b>Profit/loss before tax</b>	-5,076	-29,948	-4,952	-29,413
6	Tax on profit/loss for the year	955	1,660	831	1,796
	<b>Profit/loss for the year</b>	-4,121	-28,288	-4,121	-27,617
	Minority shareholders' share of the results of subsidiaries	0	671	0	0
	<b>The Group's share of profit/loss for the year</b>	-4,121	-27,617	-4,121	-27,617
	<b>Proposed distribution of profit/loss</b>				
	Retained earnings			-4,121	-27,617

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

### Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2015/16	2014/15	2015/16	2014/15
		<b>ASSETS</b>			
		<b>Non-current assets</b>			
7	<b>Intangible assets</b>				
	Goodwill	869	993	0	0
	Patents and licences	14	24	0	0
		<u>883</u>	<u>1,017</u>	<u>0</u>	<u>0</u>
7	<b>Property, plant and equipment</b>				
	Land and buildings	46,619	42,238	32,129	27,558
	Fixtures and fittings, other plant and equipment	96,165	86,042	4,513	11,654
		<u>142,784</u>	<u>128,280</u>	<u>36,642</u>	<u>39,212</u>
	<b>Investments</b>				
8	Investments in subsidiaries	0	0	83,208	72,805
9	Lease payments receivable	19,512	10,506	0	0
		<u>19,512</u>	<u>10,506</u>	<u>83,208</u>	<u>72,805</u>
	<b>Total non-current assets</b>	<u>163,179</u>	<u>139,803</u>	<u>119,850</u>	<u>112,017</u>
	<b>Current assets</b>				
	<b>Inventories</b>				
	Goods for resale	142,083	188,676	90,744	148,884
	<b>Receivables</b>				
10	Trade receivables	36,188	63,840	23,736	47,103
	Amounts owed by affiliates	727	6,238	61,389	39,281
11	Deferred tax asset	227	201	0	0
	Corporation tax asset	4,702	1,049	4,471	0
	Prepayments	533	753	483	15
	Other receivables	13,910	5,032	3,006	446
		<u>56,287</u>	<u>77,113</u>	<u>93,085</u>	<u>86,845</u>
	<b>Cash at bank and in hand</b>	<u>32,894</u>	<u>28,262</u>	<u>25,737</u>	<u>14,471</u>
	<b>Total current assets</b>	<u>231,264</u>	<u>294,051</u>	<u>209,566</u>	<u>250,200</u>
	<b>TOTAL ASSETS</b>	<u>394,443</u>	<u>433,854</u>	<u>329,416</u>	<u>362,217</u>

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

### Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2015/16	2014/15	2015/16	2014/15
		<b>EQUITY AND LIABILITIES</b>			
		<b>Equity</b>			
		71,000	71,000	71,000	71,000
		-11,081	-8,368	-11,081	-8,368
		<b>59,919</b>	<b>62,632</b>	<b>59,919</b>	<b>62,632</b>
		<b>0</b>	<b>4,619</b>	<b>0</b>	<b>0</b>
		<b>Provisions</b>			
11	Deferred tax	3,839	4,060	3,462	3,592
8	Investments in subsidiaries	0	0	655	1,399
	Other provisions	362	270	0	0
	<b>Total provisions</b>	<b>4,201</b>	<b>4,330</b>	<b>4,117</b>	<b>4,991</b>
		<b>Liabilities other than provisions</b>			
12	<b>Non-current liabilities other than provisions</b>				
	Bank loans	0	1,724	0	0
	Lease obligations	9,280	27,576	0	0
	Loan from affiliates	34,521	20,129	0	0
	Current portion of non-current liabilities	0	-13,299	0	0
		<b>43,801</b>	<b>36,130</b>	<b>0</b>	<b>0</b>
		<b>Current liabilities other than provisions</b>			
12	Current portion of non-current liabilities	15,590	13,299	0	0
	Bank loans and overdrafts	416	0	0	0
	Trade payables	7,698	9,433	4,951	3,300
	Amounts owed to affiliates	239,697	272,805	241,946	266,711
	Corporation tax	1,353	2,470	0	722
	Other payables	11,384	12,594	8,992	8,710
	Deferred income	10,384	15,542	9,491	15,151
		<b>286,522</b>	<b>326,143</b>	<b>265,380</b>	<b>294,594</b>
	<b>Total liabilities other than provisions</b>	<b>330,323</b>	<b>362,273</b>	<b>265,380</b>	<b>294,594</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>394,443</b>	<b>433,854</b>	<b>329,416</b>	<b>362,217</b>

- 1 Accounting policies
- 13 Contractual obligations and contingencies
- 14 Mortgages and collateral
- 15 Fees to auditors appointed at the annual general meeting
- 16 Related parties
- 17 Uncertainties upon recognition and measurement etc.

## 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 2015	71,000	-8,368	0	62,632
Profit/loss for the year	0	-4,121	0	-4,121
Exchange rate adjustments, foreign subsidiaries	0	1,408	0	1,408
<b>Equity at 31 July 2016</b>	<b>71,000</b>	<b>-11,081</b>	<b>0</b>	<b>59,919</b>

DKK'000	Parent company			
	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 August 2015	71,000	-8,368	0	62,632
Profit/loss for the year	0	-4,121	0	-4,121
Exchange rate adjustments, foreign subsidiaries	0	1,408	0	1,408
<b>Equity at 31 July 2016</b>	<b>71,000</b>	<b>-11,081</b>	<b>0</b>	<b>59,919</b>

### Changes in share capital

DKK'000	2015/16	2014/15	2013/14	2012/13	2011/12
Share capital 1 August	71,000	71,000	66,000	66,000	66,000
Capital increase	0	0	5,000	0	0
<b>Share capital at 31 July</b>	<b>71,000</b>	<b>71,000</b>	<b>71,000</b>	<b>66,000</b>	<b>66,000</b>

### 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 2015/16 has been prepared in accordance with the provisions applying to reporting class C large-sized enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements 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 which it, in some other way, controls. Enterprises 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.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

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

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. 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), including restructuring provisions, 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, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

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

### Notes

#### Minority interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The minority interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

#### 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 rates at the transaction date and 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 the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at 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. The income statements are translated at the average exchange rates, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

### 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.

#### External costs

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

#### 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.

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

### Notes

#### 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.

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

###### *Goodwill*

Goodwill is amortised over the estimated useful life based on Management's experience within the individual business areas. Goodwill is amortised on a straight-line basis over 10 years.

###### *Patents and licenses*

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence period, although 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.

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	4-7 years

Depreciation is recognised in the income statement under separate item.



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

### Notes

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 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.

### 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.

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.

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

### Notes

#### 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.

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

Other liabilities are measured at net realisable value.

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

### Notes

#### 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	$\frac{\text{Operating profit} \times 100}{\text{Total assets}}$
Equity ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$

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

### Notes

DKK'000	Consolidated		Parent company	
	2015/16	2014/15	2015/16	2014/15
<b>2 Revenue</b>				
Denmark	127,606	176,134	129,157	176,038
EU	357,784	239,186	347,355	244,596
Rest of the world	179,173	150,422	54,146	21,083
	<u>664,563</u>	<u>565,742</u>	<u>530,658</u>	<u>441,717</u>
The Group has only one activity.				
<b>3 Staff costs</b>				
Wages and salaries	23,689	20,861	13,592	10,982
Pensions	867	1,894	867	1,746
Other social security costs	2,405	2,234	166	195
Other costs	695	504	513	445
	<u>27,656</u>	<u>25,493</u>	<u>15,138</u>	<u>13,368</u>
Remuneration of the <i>Board of Directors</i>	<u>26</u>	<u>29</u>	<u>26</u>	<u>29</u>
Remuneration of the Executive Board	<u>2,977</u>	<u>3,462</u>	<u>2,977</u>	<u>3,462</u>
Average number of full-time employees	<u>72</u>	<u>69</u>	<u>25</u>	<u>24</u>
<b>4 Financial income</b>				
Interest income from subsidiaries	0	0	77	719
Other financial income	3,797	681	515	51
	<u>3,797</u>	<u>681</u>	<u>592</u>	<u>770</u>
<b>5 Financial expenses</b>				
Interest expense to affiliates	4,728	4,343	3,571	3,505
Other financial expenses	7,453	16,988	2,106	1,559
	<u>12,181</u>	<u>21,331</u>	<u>5,677</u>	<u>5,064</u>
<b>6 Tax on the profit/loss for the year</b>				
Current tax for the year/joint taxation contribution	275	4,550	279	4,546
Adjustment of deferred tax	722	-2,890	594	-2,750
Prior year adjustment	-42	0	-42	0
	<u>955</u>	<u>1,660</u>	<u>831</u>	<u>1,796</u>

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

### Notes

#### 7 Intangible assets and property, plant and equipment

DKK'000	Consolidated				Total
	Goodwill	Patents and licences	Land and buildings	Fixtures and fittings, other plant and equipment	
Cost at 1 August 2015	1,241	44	43,802	131,968	177,055
Foreign currency translation adjustments, foreign entities	0	-1	-183	-759	-943
Additions	0	4	4,998	63,872	68,874
Disposals	0	0	0	-53,159	-53,159
Cost at 31 July 2016	1,241	47	48,617	141,922	191,827
Depreciation at 1 August 2015	248	20	1,564	45,926	47,758
Foreign currency translation adjustments, foreign entities	0	0	0	-425	-425
Depreciation and amortisation	124	13	434	23,687	24,258
Disposals	0	0	0	-23,431	-23,431
Depreciation at 31 July 2016	372	33	1,998	45,757	48,160
<b>Carrying amount at 31 July 2016</b>	<b>869</b>	<b>14</b>	<b>46,619</b>	<b>96,165</b>	<b>143,667</b>
Depreciated over	10 years	5-7 years	10-50 years	4-7 years	
Assets held under finance leases				19,356	19,356

DKK'000	Parent company		Total
	Land and buildings	Fixtures and fittings, other plant and equipment	
Cost at 1 August 2015	29,121	16,459	45,580
Additions	4,998	7,420	12,418
Disposals	0	-16,476	-16,476
Cost at 31 July 2016	34,119	7,403	41,522
Depreciation at 1 August 2015	1,563	4,805	6,368
Disposals	0	-4,909	-4,909
Depreciation	427	2,994	3,421
Depreciation at 31 July 2016	1,990	2,890	4,880
<b>Carrying amount at 31 July 2016</b>	<b>32,129</b>	<b>4,513</b>	<b>36,642</b>
Depreciated over	50 years	4-7 years	

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

### Notes

		Parent company	
DKK'000		2015/16	2014/15
<b>8</b>	<b>Investments in subsidiaries</b>		
	Cost at 1 August 2015	106,648	76,796
	Additions during the year	4,402	29,852
	Cost at 31 July 2016	111,050	106,648
	Adjustments at 1 August 2015	-56,721	-40,229
	Profit/loss for the year	-3,012	-22,793
	Debt relief included in profit/loss	24,784	0
	Foreign exchange adjustment in foreign enterprises	1,408	6,253
	Equity adjustment in foreign enterprises	0	48
	Adjustments at 31 July 2016	-33,541	-56,721
	<b>Carrying amount at 31 July 2016</b>	<b>77,509</b>	<b>49,927</b>
	Hereof included under non-current assets	83,208	72,805
	Hereof set-off against receivables	-5,044	-21,479
	Hereof included under other provisions	-655	-1,399

Name and registered office	Owner-ship	Share capital	Equity	Profit/loss for the year	Carrying amount
		DKK'000	DKK'000	DKK'000	DKK'000
UAB Krone ScanBalt, Lithuania	100%	53,443	47,941	1,206	47,941
OÜ Krone ScanBalt, Estonia	100%	19	12,627	1,635	12,627
SIA Krone ScanBalt, Latvia	100%	106	17,532	-940	17,532
OOO Krone ScanBalt Kaliningrad	99%	14,963	-1,640	12,926	-1,640
OOO Krone ScanBalt, Moscow	99%	10,330	4,572	7,758	4,572
Scanbalt International ApS, Padborg	100%	100	82	193	82
LLC Krone ScanBalt, Ukraine	99%	30	-4,116	-479	-4,116
			76,998	22,299	76,998
Goodwill			0	0	993
Amortisation, goodwill			0	-124	-124
Badwill			0	204	0
Intra-group profits			0	-405	-370
Minority shareholders adjustments			0	-202	12
Debt relief			0	-24,784	0
<b>Carrying amount at 31 July 2016</b>			<b>76,998</b>	<b>-3,012</b>	<b>77,509</b>

### 9 Lease payments receivable

Of lease payments receivable, DKK 12,757 thousand (DKK 6,008 thousand in 2014/15) falls due more than one year after the balance sheet date.

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

### Notes

#### 10 Trade receivables

Of trade receivables, DKK 1,971 thousand (DKK 4,893 thousand in 2014/15) falls due more than one year after the balance sheet date. As to the parent company, the figure is DKK 7,311 thousand (DKK 12,813 thousand in 2014/15).

DKK'000	Consolidated		Parent company	
	2015/16	2014/15	2015/16	2014/15
<b>11 Deferred tax</b>				
Property, plant and equipment	468	92	91	-385
Current assets	3,145	5,939	3,371	6,140
Provision	0	-9	0	0
Tax loss carry forward	0	-2,163	0	-2,163
	<u>3,613</u>	<u>3,859</u>	<u>3,462</u>	<u>3,592</u>

#### 12 Non-current liabilities

	Consolidated				
	Total liabilities at 31/7 2015	Total liabilities at 31/7 2016	Instalment next year	Long-term portion	Remaining debt after 5 years
Loan from affiliates	20,129	43,406	8,885	34,521	0
Bank loans	1,724	388	388	0	0
Lease obligations	27,576	15,597	6,317	9,280	0
	<u>49,429</u>	<u>59,391</u>	<u>15,590</u>	<u>43,801</u>	<u>0</u>

Lease obligations include lease from group enterprises with DKK 10,891 thousand (2014/15 DKK 16,383 thousand).

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

### Notes

#### 13 Contractual obligations and contingencies

##### Contractual obligations

The Group has issued buy-back guarantees for DKK 6.8 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 2016.

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 3.5 million. Same amount for the parent company is DKK 1.4 million.

#### 14 Mortgages and collateral

None.

#### 15 Fees to auditors appointed at the annual general meeting

DKK'000	Consolidated		Parent company	
	2015/16	2014/15	2015/16	2014/15
Total fees to EY:				
Fee regarding statutory audit	238	238	235	235
Tax assistance	227	73	226	72
Other assistance	194	158	189	153
	<u>659</u>	<u>469</u>	<u>650</u>	<u>460</u>



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

### Notes

#### 16 Related parties

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

##### Parties exercising control

Fahrzeugwerk 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:

Fahrzeugwerk 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.

#### 17 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.