

**BAADER POULTRY A/S**  
**C/O LINCO FOOD SYSTEMS A/S, VESTERMØLLEVEJ 9, 8380 TRIGE**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2016**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 31 May 2017**

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**Petra Baader**

*The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.*

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**COMPANY DETAILS**

<b>Company</b>	Baader Poultry A/S c/o LINCO Food Systems A/S Vestermøllevej 9 8380 Trige
	CVR no.: 30 71 48 30
	Established: 10 July 2007
	Registered Office: Aarhus
	Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Petra Baader, Chairman Torsten Krausen Robert Focke
<b>Board of Executives</b>	Ralph Anderson Miller
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Birkemose Allé 39 6000 Kolding
<b>General Meeting</b>	The Annual General Meeting is held on 31 May 2017, at the company's address.

## STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Baader Poultry A/S for the year 1 January - 31 December 2016.

The Annual Report is presented 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 Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Aarhus, 31 May 2017

Board of Executives

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Ralph Anderson Miller

Board of Directors

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Petra Baader  
Chairman

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Torsten Krausen

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Robert Focke

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholder of Baader Poultry A/S**

### **Opinion**

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Baader Poultry A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies for both the Group and the Parent Company, as well as consolidated statement of cash flows for the Group. 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 assets, liabilities and financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group and the Parent Company operations as well as the consolidated cash flows of the Group for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements**

Management is responsible for the preparation of Consolidated Financial Statements and the 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 the 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 Company or to cease operations, or has no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT

### **Auditor's Responsibility for 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and the Parent Company Financial Statements.

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

- Identify and assess the risks of material misstatement of the 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 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 Management's Review**

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

## INDEPENDENT AUDITOR'S REPORT

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the 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 Management's Review.

Kolding, 31 May 2017

BDO Statsautoriseret revisionsaktieselskab  
CVR-nr. 20 22 26 70

Lars Kruse  
State Authorised Public Accountant

## FINANCIAL HIGHLIGHTS OF THE GROUP

	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000
<b>Income statement</b>					
Net revenue.....	869.899	749.762	670.666	645.065	725.569
Gross profit/loss.....	196.677	162.069	154.897	139.251	137.786
Operating profit/loss.....	24.385	18.418	34.821	27.649	29.293
Financial income and expenses, net.....	-9.595	-10.715	-9.756	-9.246	-10.496
Profit/loss for the year before tax.....	14.790	7.703	25.065	18.403	18.797
Profit/loss for the year.....	1.747	936	11.329	10.822	11.039
<b>Balance sheet</b>					
Balance sheet total.....	539.945	508.553	444.724	406.689	404.895
Equity.....	88.947	81.713	72.887	53.281	46.188
Invested capital.....	229.107	219.634	140.293	146.449	174.563
Investment in tangible fixed assets.....	-9.477	-15.870	-11.414	-6.485	-22.295
<b>Average number of full-time employees</b>					
.....	552	514	466	451	449
<b>Ratios</b>					
Gross margin.....	22,6	21,6	23,1	21,6	19,0
Profit margin.....	2,8	2,5	5,2	4,3	4,0
Rate of return.....	10,9	10,2	24,3	17,2	24,4
Solvency ratio.....	16,5	16,1	16,4	13,1	11,4
Return on equity.....	2,0	1,2	18,0	21,8	26,7

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

Gross margin:	$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$
Rate of return:	$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$
Invested capital:	Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities
Solvency ratio:	$\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

The ratios follow in all material respects the recommendations of the Danish Finance Society.



## MANAGEMENT'S REVIEW

### Principal activities

The company is the parent company of the LINCO-group, which primarily develops, produces and sells machines and complete plants for slaughtering and processing of poultry as well as weighing and grading equipment, also used in the fish industry as well as other food industries.

Sales, marketing and service in several important markets takes place directly through subsidiaries.

### Exceptional matters

The annual report of 2016 has not been affected by unusual circumstances.

### Development in activities and financial position

The company experienced an increase in the turnover in 2016, which is due to improved market conditions in developed markets.

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

### Profit/loss for the year compared to future expectations

The profit for the year has improved from last year, as expected.

### Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

### Special risks

The group is, at this time, not engaged in any legal actions, hence no provisions have been made in this respect.

### Financial risks and currency risks

The group applies forward exchange transactions to secure receivables and payables in foreign currencies if it is different from EUR. In addition, continuous adjustments are made of net currency positions

### Interest rate exposure

Interest rate risks are limited by means of different securing instruments and interest swaps.

### Environmental situation

The group runs its business with the highest possible respect of environmental matters with regard to own production as well as to the machines sold.

### Knowledge resources

The group aims to supply high-quality products focusing on operation reliability and a good basis for production of safe food. All central components are produced by the company whereas other components are produced by closely related sub-suppliers.

### Research and development activities

The group pays development expenses concurrently to secure future sales. Major development projects, which meet a number of detailed conditions, are recognized as assets under construction, and amortized in the income statement, when the projects have been completed. Other development projects are expensed in the income statement.

### Future expectations

A positive development on important markets compared to the 2016 level is expected.

Continuous improvements of existing products as well as introduction of new systems and solutions raises the expected turnover for 2017 compared to the previous year.

The group's continued focus on growth, efficiency and adjustment of the organisation is expected to help stabilise the earning in the years to come.

## MANAGEMENT'S REVIEW

### **The company's foreign branches**

The group's activities in the French market is managed through the group's branch in France.

### **Corporate social responsibility**

It is the ambition of the group to show social responsibility in line with its basic values. This is demonstrated in internal as well as external initiatives, though it is not described in an actual CSR-policy.

The group is working determinedly to ensure a safe and healthy working environment, so the environmental and climatic conditions are incorporated in the company's processes.

As a result of the work on social responsibility, the group focuses on the safety and environment of the work.

### **Target figures and policies for the underrepresented gender**

One out of three board members elected at the general meeting are female and by that, the company meets the target set in the Danish law.

It is the group policy that regardless of gender, race, and religion, all employees are treated equally, in order that everyone has equal opportunities for employment.

The group continues to increase the representation of women in management positions with respect for the industry specific competences needed. The company encourage and support female employees that desires to raise into managerial positions.

**INCOME STATEMENT 1 JANUARY - 31 DECEMBER**

	Note	Group		Parent company	
		2016 DKK	2015 DKK '000	2016 DKK	2015 DKK '000
<b>NET REVENUE</b> .....	1	<b>869.899.340</b>	<b>749.762</b>	<b>2.654.307</b>	<b>1.491</b>
Production costs.....	2	-673.221.932	-587.693	0	0
<b>GROSS PROFIT/LOSS</b> .....		<b>196.677.408</b>	<b>162.069</b>	<b>2.654.307</b>	<b>1.491</b>
Distribution costs.....	2	-91.504.062	-82.317	0	0
Administrative expenses.....	2, 3	-81.461.560	-61.560	-2.274.820	-2.239
<b>OPERATING PROFIT</b> .....		<b>23.711.786</b>	<b>18.192</b>	<b>379.487</b>	<b>-748</b>
Other operating income.....		673.072	226	0	0
<b>OPERATING PROFIT</b> .....		<b>24.384.858</b>	<b>18.418</b>	<b>379.487</b>	<b>-748</b>
Result of equity investments in group companies.....		0	0	6.537.370	7.563
Financial income.....		1.489.395	919	624.645	0
Financial expenses.....	4	-11.084.579	-11.634	-7.448.639	-7.559
<b>PROFIT BEFORE TAX</b> .....		<b>14.789.674</b>	<b>7.703</b>	<b>92.863</b>	<b>-744</b>
Tax on profit/loss for the year.....	5	-13.042.805	-6.767	1.654.006	1.680
<b>PROFIT FOR THE YEAR</b> .....	6	<b>1.746.869</b>	<b>936</b>	<b>1.746.869</b>	<b>936</b>

## BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group		Parent company	
		2016 DKK	2015 DKK '000	2016 DKK	2015 DKK '000
Development projects completed..		2.954.533	5.445	0	0
IT.....		4.518.592	7.305	0	0
Goodwill.....		33.297.728	42.081	0	0
Development projects in progress..		121.114.588	62.479	0	0
<b>Intangible fixed assets.....</b>	<b>7</b>	<b>161.885.441</b>	<b>117.310</b>	<b>0</b>	<b>0</b>
Land and buildings.....		43.928.118	46.887	0	0
Production plants and machinery..		14.722.560	15.488	0	0
Other plants, machinery, tools and equipment.....		7.082.384	5.165	0	0
Tangible fixed assets under construction.....		7.919.946	8.057	0	0
<b>Tangible fixed assets.....</b>	<b>8</b>	<b>73.653.008</b>	<b>75.597</b>	<b>0</b>	<b>0</b>
Fixed asset investments.....		0	0	250.778.016	246.255
Rent deposit and other receivables.....		1.448.702	1.846	0	0
<b>Fixed asset investments.....</b>	<b>9</b>	<b>1.448.702</b>	<b>1.846</b>	<b>250.778.016</b>	<b>246.255</b>
<b>FIXED ASSETS.....</b>		<b>236.987.151</b>	<b>194.753</b>	<b>250.778.016</b>	<b>246.255</b>
Raw materials and consumables...		55.442.324	23.930	0	0
Work in progress.....		27.255.322	6.861	0	0
Finished goods and goods for resale.....		66.086.252	117.185	0	0
Prepayments for goods.....		820.873	1.395	0	0
<b>Inventories.....</b>		<b>149.604.771</b>	<b>149.371</b>	<b>0</b>	<b>0</b>
Trade receivables.....		58.647.130	64.477	0	23
Contract work in progress.....	10	51.312.170	58.326	0	0
Receivables from group enterprises.....		0	0	675.349	0
Provision for deferred tax.....	11	1.301.030	2.594	2.422.494	3.578
Other receivables.....		10.878.760	7.122	0	0
Receivables corporation tax.....		6.304.567	8.927	5.519.000	8.927
Prepayments and accrued income..	12	4.127.457	6.664	0	0
<b>Receivables.....</b>		<b>132.571.114</b>	<b>148.110</b>	<b>8.616.843</b>	<b>12.528</b>
<b>Cash and cash equivalents.....</b>		<b>20.781.851</b>	<b>16.319</b>	<b>4.601.372</b>	<b>278</b>
<b>CURRENT ASSETS.....</b>		<b>302.957.736</b>	<b>313.800</b>	<b>13.218.215</b>	<b>12.806</b>
<b>ASSETS.....</b>		<b>539.944.887</b>	<b>508.553</b>	<b>263.996.231</b>	<b>259.061</b>

## BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group		Parent company	
		2016 DKK	2015 DKK '000	2016 DKK	2015 DKK '000
Share capital.....	13	66.360.000	66.360	66.360.000	66.360
Reserve for net revaluation according to equity method.....		0	0	7.902.374	3.379
Retained profit.....		22.587.379	15.353	14.685.005	11.975
<b>EQUITY.....</b>		<b>88.947.379</b>	<b>81.713</b>	<b>88.947.379</b>	<b>81.714</b>
Provision for deferred tax.....	11	15.111.336	12.364	0	0
Other provisions for liabilities.....	14	4.040.600	3.164	0	0
<b>PROVISION FOR LIABILITIES.....</b>		<b>19.151.936</b>	<b>15.528</b>	<b>0</b>	<b>0</b>
Mortgage debt.....		6.815.835	8.206	0	0
Bank loan.....		2.638.433	2.920	0	0
Payables to group enterprises.....		170.536.994	160.399	170.536.994	160.399
Accruals and deferred income.....		810.681	676	0	0
Lease liabilities.....		617.161	0	0	0
<b>Long-term liabilities.....</b>	<b>15</b>	<b>181.419.104</b>	<b>172.201</b>	<b>170.536.994</b>	<b>160.399</b>
Short-term portion of long-term liabilities.....	15	1.606.067	9.231	0	7.500
Bank debt.....		9.285.151	22.490	0	0
Prepayments received from customers.....	10	108.046.983	77.923	0	0
Trade payables.....		75.376.864	76.413	361.881	848
Payables to group enterprises.....		0	66	0	2.511
Payable corporation tax under joint taxation.....		0	0	3.819.716	5.875
Other liabilities.....		56.111.403	52.988	330.261	214
<b>Current liabilities.....</b>		<b>250.426.468</b>	<b>239.111</b>	<b>4.511.858</b>	<b>16.948</b>
<b>LIABILITIES.....</b>		<b>431.845.572</b>	<b>411.312</b>	<b>175.048.852</b>	<b>177.347</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>539.944.887</b>	<b>508.553</b>	<b>263.996.231</b>	<b>259.061</b>
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## EQUITY

	Group		
	Share capital	Retained profit	Total
Equity at 1 January 2016.....	66.360.000	15.355.015	81.715.015
Foreign exchange adjustments.....		5.230.670	5.230.670
Value adjustments of equity.....		254.825	254.825
Proposed distribution of profit.....		1.746.869	1.746.869
<b>Equity at 31 December 2016 .....</b>	<b>66.360.000</b>	<b>22.587.379</b>	<b>88.947.379</b>

	Parent company			
	Share capital	Reserve for net revaluation according to equity method	Retained profit	Total
Equity at 1 January 2016.....	66.360.000	3.379.509	11.975.506	81.715.015
Foreign exchange adjustments.....		5.230.670		5.230.670
Value adjustments of equity.....		254.825		254.825
Transfers to/from other items.....		-7.500.000	7.500.000	
Proposed distribution of profit.....		6.537.370	-4.790.501	1.746.869
<b>Equity at 31 December 2016 .....</b>	<b>66.360.000</b>	<b>7.902.374</b>	<b>14.685.005</b>	<b>88.947.379</b>

## CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group	
	2016 DKK	2015 DKK '000
Profit/loss for the year.....	1.746.869	936
Reversed depreciation of the year.....	24.819.777	24.743
Reversed unrealised exchange gains.....	5.485.495	7.891
Reversed tax on profit/loss for the year.....	13.042.805	6.767
Provisions for liabilities.....	876.200	-210
Corporation tax paid.....	-6.379.452	-12.054
Change in inventory.....	-232.370	-14.685
Change in receivables.....	11.623.426	-45.409
Change in current liabilities (ex bank and tax).....	32.145.989	21.038
<b>CASH FLOWS FROM OPERATING ACTIVITY.....</b>	<b>83.128.739</b>	<b>-10.983</b>
Purchase of intangible fixed assets.....	-58.905.319	-39.836
Purchase of tangible fixed assets.....	-9.477.330	-15.870
Sale of tangible fixed assets.....	932.416	0
Sale of financial assets.....	397.370	0
<b>CASH FLOWS FROM INVESTING ACTIVITY.....</b>	<b>-67.052.863</b>	<b>-55.706</b>
Repayments of loans.....	-1.045.270	-2.210
Loan from group company.....	2.637.574	7.638
<b>CASH FLOWS FROM FINANCING ACTIVITY.....</b>	<b>1.592.304</b>	<b>5.428</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>17.668.180</b>	<b>-61.261</b>
Cash and cash equivalents at 1. januar.....	-6.171.480	55.090
<b>CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....</b>	<b>11.496.700</b>	<b>-6.171</b>
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents.....	20.781.851	16.319
Bank debt.....	-9.285.151	-22.490
<b>CASH AND CASH EQUIVALENTS, NET DEBT.....</b>	<b>11.496.700</b>	<b>-6.171</b>

## NOTES

	Group		Parent company		Note
	2016 DKK	2015 DKK '000	2016 DKK	2015 DKK '000	
<b>Net revenue</b>					<b>1</b>
<b>Segment details (geography)</b>					
Net revenue, Denmark.....	35.474.796	5.345	2.654.307	1.491	
Net revenue. export.....	834.424.544	744.417	0	0	
	<b>869.899.340</b>	<b>749.762</b>	<b>2.654.307</b>	<b>1.491</b>	
<b>Staff costs</b>					<b>2</b>
Average number of employees					
Group: 552 (2015: 514)					
Parent company: 1 (2015: 1)					
Wages and salaries.....	248.033.813	227.059	0	0	
Pensions.....	34.250.796	29.712	0	0	
Social security costs.....	1.223.878	1.219	0	0	
	<b>283.508.487</b>	<b>257.990</b>	<b>0</b>	<b>0</b>	
<b>Fee to statutory auditors</b>					<b>3</b>
Total Fee					
BDO Denmark.....	844.322	932	122.875	112	
Auditors of foreign subsidiaries.....	1.201.561	976	0	0	
	<b>2.045.883</b>	<b>1.908</b>	<b>122.875</b>	<b>112</b>	
Specification of fee:					
Statutory audit.....	1.443.039	1.335	90.000	90	
Tax consultancy.....	161.935	161	0	0	
Other services.....	440.909	412	32.875	22	
	<b>2.045.883</b>	<b>1.908</b>	<b>122.875</b>	<b>112</b>	
<b>Financial expenses</b>					<b>4</b>
Group enterprises.....	7.444.984	7.230	7.444.984	7.230	
Other interest expenses.....	3.639.595	4.404	3.655	329	
	<b>11.084.579</b>	<b>11.634</b>	<b>7.448.639</b>	<b>7.559</b>	



## NOTES

	Group		Parent company		Note
	2016 DKK	2015 DKK '000	2016 DKK	2015 DKK '000	
<b>Tax on profit/loss for the year</b>					<b>5</b>
Calculated tax on taxable income of the year.....	9.063.771	3.288	-516.511	0	
Adjustment of tax for previous years.....	-120.278	46	0	0	
Adjustment of deferred tax.....	4.099.312	4.027	-1.137.495	-1.680	
Adjustment of deferred tax due to changed tax rate.....	0	-594	0	0	
	<b>13.042.805</b>	<b>6.767</b>	<b>-1.654.006</b>	<b>-1.680</b>	
 <b>Proposed distribution of profit</b>					<b>6</b>
Allocation to reserve for net revaluation according to equity method.....	0	0	6.537.370	7.563	
Accumulated profit.....	1.746.869	936	-4.790.501	-6.627	
	<b>1.746.869</b>	<b>936</b>	<b>1.746.869</b>	<b>936</b>	
 <b>Intangible fixed assets</b>					<b>7</b>
			Group		
			Development projects completed	IT	
Cost at 1 January 2016.....			13.342.195	24.003.651	
Additions.....			0	269.991	
<b>Cost at 31 December 2016.....</b>			<b>13.342.195</b>	<b>24.273.642</b>	
Amortisation at 1 January 2016.....			7.897.280	16.699.412	
Amortisation for the year.....			2.490.382	3.055.638	
<b>Amortisation at 31 December 2016.....</b>			<b>10.387.662</b>	<b>19.755.050</b>	
<b>Carrying amount at 31 December 2016.....</b>			<b>2.954.533</b>	<b>4.518.592</b>	
			Group		
			Goodwill	Development projects in progress	
Cost at 1 January 2016.....			115.103.214	62.479.260	
Additions.....			0	59.186.740	
Disposals.....			0	-551.412	
<b>Cost at 31 December 2016.....</b>			<b>115.103.214</b>	<b>121.114.588</b>	
Amortisation at 1 January 2016.....			73.021.361	0	
Amortisation for the year.....			8.784.125	0	
<b>Amortisation at 31 December 2016.....</b>			<b>81.805.486</b>	<b>0</b>	
<b>Carrying amount at 31 December 2016.....</b>			<b>33.297.728</b>	<b>121.114.588</b>	

## NOTES

### Note

The group's development projects relate to the development of new production machines and optimization of the interaction between the group's products in the production line. The development of the individual projects is progressing as planned and is expected to be completed over the next 1-4 years. Market research shows a demand for the new products and there are very few competitors in the market for this type of products.

### Tangible fixed assets

8

	Group	
	Land and buildings	Production plants and machinery
Cost at 1 January 2016.....	81.493.003	47.549.076
Additions.....	807.444	3.999.382
Disposals.....	0	-606.356
<b>Cost at 31 December 2016.....</b>	<b>82.300.447</b>	<b>50.942.102</b>
Depreciation and impairment losses at 1 January 2016.....	34.604.364	32.062.121
Reversal of depreciation of assets disposed of.....	0	-799.490
Depreciation for the year.....	3.767.965	4.956.911
<b>Depreciation and impairment losses at 31 December 2016....</b>	<b>38.372.329</b>	<b>36.219.542</b>
<b>Carrying amount at 31 December 2016.....</b>	<b>43.928.118</b>	<b>14.722.560</b>
	Group	
	Other plants, machinery, tools and equipment	Tangible fixed assets under construction
Cost at 1 January 2016.....	16.435.070	8.057.023
Additions.....	4.670.504	0
Disposals.....	-2.685.535	-137.077
<b>Cost at 31 December 2016.....</b>	<b>18.420.039</b>	<b>7.919.946</b>
Depreciation and impairment losses at 1 January 2016.....	11.269.961	
Reversal of depreciation of assets disposed of.....	-1.697.062	
Depreciation for the year.....	1.764.756	
<b>Depreciation and impairment losses at 31 December 2016....</b>	<b>11.337.655</b>	
<b>Carrying amount at 31 December 2016.....</b>	<b>7.082.384</b>	<b>7.919.946</b>
Finance lease assets.....	844.494	

# NOTES

## Note

### Fixed asset investments

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	Group
	Rent deposit and other receivables
Cost at 1 January 2016.....	1.846.072
Disposals.....	-397.370
<b>Cost at 31 December 2016.....</b>	<b>1.448.702</b>
 Carrying amount at 31 December 2016.....	 1.448.702
	Parent company
	Fixed asset investments
Cost at 1 January 2016.....	206.825.898
<b>Cost at 31 December 2016.....</b>	<b>206.825.898</b>
 Revaluation at 1 January 2016.....	 39.429.253
Dividend.....	-7.500.000
Revaluation and impairment losses for the year.....	15.412.694
Equity movements.....	5.485.495
Amortization of goodwill.....	-8.875.324
<b>Revaluation at 31 December 2016.....</b>	<b>43.952.118</b>
 Carrying amount at 31 December 2016.....	 250.778.016

### Investments in subsidiaries

Name and registered office	Ownership
LINCO Food Systems A/S, Aarhus.....	100 %
Baader LINCO Inc., USA.....	100 %
Baader LINCO Ltd., USA.....	100 %
LINCO Food Systems BV, The Netherlands.....	100 %
LINCO Food Systems S.A., Spain.....	100 %
LINCO Food Systems Ltda., Brazil.....	100 %
LINCO Food Systems Ltda., Chile.....	100 %
Lindholst Asia SDN., BHD., Malaysia.....	100 %
LINCO Labuan Co Ltd, Malaysia.....	100 %
Baader Asia Ltd., Singapore.....	100 %

## NOTES

	Group		Parent company		Note
	2016 DKK	2015 DKK '000	2016 DKK	2015 DKK '000	
<b>Contract work in progress</b>					<b>10</b>
Contract work in progress.....	302.483.447	303.600	0	0	
Invoiced on account.....	-359.218.260	-323.197	0	0	
<b>Contract work in progress, net.....</b>	<b>-56.734.813</b>	<b>-19.597</b>	<b>0</b>	<b>0</b>	
Recognized as:					
Contract work in progress (assets)...	51.312.170	58.326	0	0	
Prepayments received from customers (liabilities).....	-108.046.983	-77.923	0	0	
	<b>-56.734.813</b>	<b>-19.597</b>	<b>0</b>	<b>0</b>	

## NOTES

### Note

#### Provision for deferred tax

11

Provision for deferred tax relates to differences between the carrying amount and the tax value of intangible fixed assets and tangible fixed assets, including recognised finance leases as well as accrued expenses and tax losses carried forward.

	Group		Parent company	
	2016 DKK	2015 DKK '000	2016 DKK	2015 DKK '000
Deferred tax asset, 1. January.....	-2.594.339	0	-3.578.262	-1.196
Adjustments for previous years.....	0	985	0	0
Exchange rate adjustments.....	-58.734	1.034	0	0
Provision for deferred tax, 1. January.....	12.364.067	4.318	0	0
Adjustment for the year.....	4.099.312	4.027	-1.137.495	-1.680
Change regarding change in tax rate	0	-594	0	0
Change regarding tax credit on development assets.....	0	0	2.293.263	-702
<b>Provision for deferred tax 31 December 2016.....</b>	<b>13.810.306</b>	<b>9.770</b>	<b>-2.422.494</b>	<b>-3.578</b>
Recognized as				
Deferred tax asset.....	1.301.030	2.594	2.422.494	3.578
Provision for deferred tax.....	15.111.336	12.364	0	0
	<b>13.810.306</b>	<b>9.770</b>	<b>-2.422.494</b>	<b>-3.578</b>

The parent company's deferred tax asset is recognised in the Balance Sheet at DKK ('000) 2.422. The tax asset relates primarily to unutilised tax losses. The tax asset is recognised on the basis of the expectations to the positive tax profits for the next couple of years within the group, and the tax losses are then expected to be fully utilised. The assessments are based on the group's budgets for the year to come and the deferred tax liability of the jointly taxed subsidiary at DKK ('000) 12.281.

The group's deferred tax asset is recognised in the Balance Sheet at DKK ('000) 1.301. The tax asset is recognised on the basis of the expectations to the positive tax profits for the next couple of years within the entities, and the deferred tax asset is expected to be fully utilised. The assessments are based on the group's budgets for the year to come.

#### Prepayments and accrued income

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Prepayments and accrued income relates to prepaid contingencies and license fees as well as prepaid expenses regarding future financial years.

## NOTES

	2016 DKK	2015 DKK '000	Note
<b>Share capital</b>			<b>13</b>
Specification of the share capital:			
A-shares, 1.000 in the denomination of 66.360 DKK.....	66.360.000	66.360	
	<b>66.360.000</b>	<b>66.360</b>	

<b>Other provisions for liabilities</b>			<b>14</b>
Other provisions for liabilities comprise liabilities of ordinary warranty on the Company's products.			

<b>Long-term liabilities</b>			<b>15</b>
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	Group			
	1/1 2016 total liabilities	31/12 2016 total liabilities	Repayment next year	Debt outstanding after 5 years
Mortgage debt.....	9.556.874	8.174.685	1.358.850	0
Bank loan.....	2.920.076	2.638.433	0	0
Payables to group enterprises.....	167.899.418	170.536.994	0	170.000.000
Accruals and deferred income.....	676.056	810.681	0	0
Lease liabilities.....	380.441	864.378	247.217	0
	<b>181.432.865</b>	<b>183.025.171</b>	<b>1.606.067</b>	<b>170.000.000</b>

	Parent company			
	1/1 2016 total liabilities	31/12 2016 total liabilities	Repayment next year	Debt outstanding after 5 years
Payables to group enterprises.....	167.899.418	170.536.994	0	170.000.000
	<b>167.899.418</b>	<b>170.536.994</b>	<b>0</b>	<b>170.000.000</b>

Deferred income relates to received contribution to development projects in progress.

## NOTES

### Note

#### Contingencies etc.

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The Group has provided bank guarantees totalling DKK ('000) 34.597 relating to payment guarantees and general performance guarantees.

LINCO Food Systems A/S is subject to recapture relating to used losses from foreign subsidiaries until 2004.

Operating lease contracts on machinery and cars have been entered with a total lease commitment during the residual term of 12 to 31 months of DKK ('000) 611.

A company in the group has filed a claim against a business partner due to a breach of contract. The company's attorney assesses that the company will be awarded damages based on the claim.

A former business partner has filed a claim against a group company to challenge the validity of one of the company's patents.

#### Contingent liabilities

##### *Liability of joint taxation*

The Danish companies of the group are jointly and severally liable for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's jointly taxed income amounts to DKK ('000) 0 at the balance sheet date.

#### Charges and securities

17

Debt to mortgage provider, DKK ('000) 8.175 is secured by mortgages totalling DKK ('000) 22.053 comprising land, and buildings with the booked value of DKK ('000) 12.184 as of 31 December 2016. The mortgage also comprises the plant and machinery deemed part of the properties.

As security for debt to financial institutions, the company has issued mortgage deeds totalling DKK ('000) 24,132 and an all-moneys mortgage of DKK ('000) 4,000 as mortgage on the land and buildings mentioned above.

Part of the debt to banks are secured by a floating charge comprising inventories and trade receivables with at booked value totalling DKK ('000) 98,240. The charges amounts to DKK ('000) 36,330.

Baader LINCO Inc., USA has secured debt to banks with fixed assets, inventories and trade receivables.

## NOTES

### Note

#### **Related parties**

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##### **Controlling interest**

Chairman of the board, through the parent company Baader Poultry GmbH.

##### **Other related parties having performed transactions with the company**

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

##### **Transactions with related parties**

The company did not carry out any substantial transactions that were not concluded on market conditions.

#### **Consolidated financial statements**

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The company is included in the consolidated financial statements of Baader Poultry GmbH, Lübeck. The consolidated financial statements can be acquired by contacting the company.



## ACCOUNTING POLICIES

The annual report of Baader Poultry A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large enterprise.

The Annual Report is prepared consistently with the accounting principles used last year.

### **Consolidated financial statements**

The consolidated financial statements include the parent company Baader Poultry A/S and its subsidiaries in which Baader Poultry A/S directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the parent company and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, internal balances and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipment.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' market value of net assets and liabilities at the acquisition date.

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the Income Statement under an individual assessment of the useful life. Negative differences are recognised in the Income Statement upon acquisition.

## ACCOUNTING POLICIES

### INCOME STATEMENT

#### Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Contract work in progress is included in revenue based on the stage of completion, so that revenue corresponds to the selling price of the work performed in the financial year (the degree of completion method).

Sale of Services is recognised in the income statement if the service has been provided before the end of the year.

#### Segment details

Due to competitive considerations, the relaxation in art. 96 of the Danish Financial Statements Act has been applied, because it is Management's assessment that it will cause significant damage to the group to disclose the segment details in the annual report.

The market in which the group has activities, is characterised by strong competition between 3-4 competitors and the segment details can result in a shift in the competitive interrelationship between the competitors.

#### Production costs

Production costs comprise costs, including wages and salaries and write-off, incurred to achieve the net revenue for the year. Commercial enterprises recognise cost of sales, and the manufacturing enterprises recognise production costs equal to the revenue for the year, including direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

Amortisation of capitalised development and research costs and the development costs that do not fulfil the criteria for capitalisation are also recognised in production costs.

Write-down is recognised in connection with expected losses on project contracts.

#### Distribution costs

The costs incurred for distribution of goods sold during the year and for sales campaigns carried out during the year are recognised in distribution costs. The costs of the sales personnel, advertising and exhibition costs and amortisation are also recognised in distribution costs.

#### Administrative expenses

Administrative expenses recognise costs incurred during the year regarding management and administration of the group, inclusive of costs relating to the administrative staff, executives, office premises, office expenses etc and related amortisation.

#### Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

#### Investments in subsidiaries

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

## ACCOUNTING POLICIES

### Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

### Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

## BALANCE SHEET

### Intangible fixed assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 7 to 12 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Patents and licences are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term and licences are amortised over the term of the agreement.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is 5 years.

Capitalised IT-projects are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised IT-projects are depreciated on a straight-line basis over the estimated useful life. The useful life is normally 3-5 years.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

### Tangible fixed assets

Land and buildings, production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-down. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

## ACCOUNTING POLICIES

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings.....	10-25 years	0 %
Production plant and machinery.....	5-10 years	0-30 %
Other plants, fixtures and equipment.....	3-5 years	0-30 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

### Lease contracts

Lease contracts relating to tangible fixed assets where the company bears all material risks and benefits attached to the ownership (finance lease) are recognised as assets in the balance sheet. The assets are at the initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Finance lease assets are depreciated similarly to the company's other tangible fixed assets.

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

All other lease contracts are considered to be operating leases. Payments related to operating leases and other rental agreements are recognised in the income statement over the term of the contract. The company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

### Fixed asset investments

Investments in subsidiaries are measured in the company's balance sheet under the equity method.

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipments.

Consolidated goodwill is amortised over the expected useful life determined on the basis of management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the period of amortisation which is estimated to 7-12 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific condition.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

## ACCOUNTING POLICIES

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's deficit.

### **Impairment of fixed assets**

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, write-down is provided to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

### **Inventories**

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, write-down is provided to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

### **Receivables**

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

### **Contract work in progress**

Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

Usually, the degree of completion is calculated as the ratio between actual and total budgeted consumption of resources. For projects for which the consumption of resources cannot be applied as basis, the ratio of completed to total subactivities of the individual projects has been applied.

If the sales value of a contract work in progress cannot be calculated reliably, the sales value is calculated as the lower of costs incurred and net realisable value.

The specific piece of work in progress is recognised in the balance sheet as an account receivable or payable, depending on the net value of the selling price less progress invoicing and progress payments. Costs relating to sales work and obtaining of contracts are recognised in the income statement as and when they are incurred.

## ACCOUNTING POLICIES

### Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

### Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructuring etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 1 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated for the contract. The provision is recognised as a cost under production costs.

### Tax payable and deferred tax

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

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

### Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Other liabilities are measured at amortised cost equal to nominal value.

## ACCOUNTING POLICIES

### Derivative financial instruments

The initial recognition measures derivative financial instruments in the balance sheet at cost price and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in receivables and liabilities, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the Income Statement together with possible changes in the fair value of the hedged asset or the hedged liability. .

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under initial cost for the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the Income Statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

### Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

## CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

### Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

### Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

### Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

### Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.