# Daka Denmark A/S

Dakavej 10, 8723 Løsning

CVR no. 33 77 60 39

## Annual report 2015

Approved at the Company's annual general meeting on 9 May 2016

Chairman:

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## Contents

## 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 Daka Denmark A/S for the financial year 1 January - 31 December 2015.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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

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

Løsning, 25 February 2016
Executive Board:

| | |
|---|---|
| Lars Krause-Kjær<br>CEO | Jan Isager<br>CFO |

Board of Directors:

| | | |
|---|---|---|
| Kurt Stoffel<br>Chairman | Kjeld Johannesen | Franz-Bernhard Their |
| Jan Roelsgaard | Søren Foged Overgaard | Tim Schwencke |
| Jacob Martin Andersen | Jean-Luc Frast | |

# Independent auditors' report

**To the shareholders of Daka Denmark A/S**

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

We have audited the financial statements of Daka Denmark A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of 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 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 financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

**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 other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 25 February 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jes Lauritzen
State Authorised
Public Accountant

Christian Jøker
State Authorised
Public Accountant

# Management's review

## Company details

| | |
|---|---|
| Name | Daka Denmark A/S |
| Address, zip code, city | Dakavej 10, 8723 Løsning |
| CVR no. | 33 77 60 39 |
| Established | 22 June 2011 |
| Registered office | Hedensted |
| Financial year | 1 January - 31 December |
| Website | www.daka.dk |
| E-mail | daka@daka.dk |
| Board of Directors | Kurt Stoffel, Chairman<br>Kjeld Johannesen<br>Franz-Bernhard Their<br>Jan Roelsgaard<br>Søren Foged Overgaard<br>Tim Schwencke<br>Jacob Martin Andersen (employee representative)<br>Jean-Luc Frast (employee representative) |
| Executive Board | Lars Krause-Kjær, CEO<br>Jan Isager, CFO |
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab<br>EY Huset<br>Værkmestergade 25, DK-8000 Aarhus C |

## Management's review

### Financial highlights for the Group

| DKK'000 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| **Key figures** | | | | |
| Revenue | 794,784 | 825,456 | 893,090 | 427,153 |
| EBITDA | 162,824 | 170,986 | 211,813 | 96,125 |
| Gross profit | 158,716 | 145,754 | 202,226 | 87,379 |
| Ordinary operating profit | 50,114 | 40,114 | 102,577 | 38,438 |
| Profit/loss from financial income and expense | -6,522 | -7,605 | -3,558 | -1,693 |
| Profit before tax | 70,600 | 63,173 | 101,425 | 42,063 |
| **Profit/loss for the year** | **57,097** | **48,583** | **74,318** | **31,479** |
| Non-current assets | 504,868 | 442,048 | 477,403 | 548,699 |
| Current assets | 393,167 | 345,011 | 306,72 | 253,667 |
| Total assets | 898,035 | 787,059 | 783,475 | 802,3466 |
| Share capital | 27,540 | 27,540 | 27,540 | 27,540 |
| Equity | 373,567 | 354,931 | 365,509 | 307,340 |
| Provisions | 0 | 1,182 | 6,634 | 8,438 |
| Non-current liabilities other than provisions | 366,827 | 299,660 | 310,945 | 320,848 |
| Current liabilities other than provisions | 157,641 | 131,286 | 100,387 | 165,840 |
| **Financial ratios** | | | | |
| Operating margin | 7.8% | 7.7% | 12.6% | 9.9% |
| Gross margin | 20.0% | 17.7% | 22.6% | 20.5% |
| Solvency ratio | 41.6% | 45.1% | 46.7% | 38.3% |
| Return on equity | 15.7% | 13.5% | 22.1% | 20.5% |
| Return on invested capital, excl. goodwill | 14.6% | 14.8% | 25.8% | 19.4% |
| Return on invested capital, incl. goodwill | 12.7% | 12.1% | 20.0% | 14.6% |
| **Average number of full-time employees** | | 259 | 239 | 233 |

The profit for 2012 derives from operations taken over at 2 July 2012. Due to this fact, operations and profit for the year are not comparable with financial year 2012.

The financial ratios have been prepared in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

# Management's review

## Operating review

### Principal activities of the Group

The principal activity of the Company is to purchase animal by-products from slaughterhouses, the meat and farming industry, etc. and to process these products into various finished products for the pet food, feed, energy, fertilisation and foodstuff markets.

### Development in activities and financial matters

Profit for the year amounts to DKK 57,097 thousand derived from revenue of DKK 794,784 thousand (parent company).

Operating profit amounts to DKK 61,958 thousand in 2015 compared to DKK 63,824 thousand the previous year where 2014 was affected of a heavy decrease in prices for the Company's products. The lower prices have continued in 2015 and profit of the year is developing comparably. In this light, Management considers the profit for the year satisfactory.

Of the profit for the year, dividends of DKK 42,823 thousand are proposed to the shareholders, whereas DKK 14,490 thousand is taken to equity as retained earnings and DKK 84 thousand is transferred to reserve for net revaluation.

The Company's equity totals DKK 373,567 thousand including proposed dividends, corresponding to 41.6% of the balance sheet total, 45.0% at group level.

### Outlook

The Company expects satisfactory development for the next financial year and to enjoy results at the same level as this year.

### Risks

The Company has not undertaken any particular commercial risks other than those considered usual for the nature and size of the Company.

Monetary and commodity-related transactions are hedged to the extent deemed expedient.

### Intellectual capital

Operations of the Company are characterised by complex structures i.a. within the market structures and production technologies particular to the industry.

Moreover, conditions for the Company's activities are constantly changing. The development of the Company's employees to handle such changes will gain significance in order to obtain success. Measures are constantly being taken to maintain and develop the employees' qualifications.

### Environmental issues

The Company constantly strives to optimise its energy consumption and reduce the environmental impact of its operating activities.

The impact on the external environment in the form of odour has been a focus point, and the management thereof was satisfactory during the year.

### Research and development activities

The Company does not carry on any research activities. The Company's production processes are continuously being optimised, just as its finished goods are undergoing constant development in order to add value thereto in the Company's sales channels.

# Management's review

## Operating review

### Corporate social responsibility

The Daka Denmark Group has not laid down any separate policies for corporate social responsibility, human rights and climate impact, and therefore, the Management's review does not make any disclosures in that respect.

The gender composition in Daka Danmark A/S is not equal, mainly because the Company is a manufacturing company which for many years has operated in a line of business which primarily employs and attracts male employees. Consequently, women are the underrepresented gender on the Executive Board and in other executive positions. The management team of Daka Denmark A/S comprised 41 persons at 31 December 2015 which included the Company's Executive Board and the department managers of various functions and selected specialists. Female managers on the management team made up 17% in 2015. Female employees made up 22% of all employees in the Company in 2015.

Daka Denmark A/S wishes to ensure equal opportunities for all, and its overall goal is to ensure that the Board of Directors at all times is made up of the most suitable candidates, irrespective of gender. The Board of Directors of Daka Denmark A/S comprises eight members of which six members are appointed at the annual general meeting and two members are employee representatives. At present, members appointed at the annual general meeting are of the same gender, and consequently, the Company aims to increase the share of the underrepresented gender on the Board of Directors. Daka Denmark A/S wishes to increase the underrepresented gender's share of total board members to one by the end of 2017.

Daka Denmark A/S' overall goal is to ensure that the Executive Board and management team at all times are made up of the most suitable candidates, irrespective of gender. Furthermore, Daka Denmark A/S wishes to ensure equal opportunities for all and wishes to represent the female/male ratio in society also at management level. In connection with setting goals for the share of women on the Board, the Company has laid down a policy which describes how to maintain and, if possible, increase the share of women in the Company in general and at management level in particular. In general, the policy comprises three initiatives regarding female women in management positions: *Attention* by the Company so that female managers are a focus area in the Daka Group, *attraction and recruitment*, where the Company works to identify and motivate more women to apply for management jobs and *retention and development*, focusing on management development of women, including courses and coaching processes.

# Financial statements for the period 1 January - 31 December

## Income statement

| Note | DKK'000 | 2015 | 2014 |
|---|---|---|---|
| 2 | **Revenue** | 794,784 | 825,456 |
| | Production costs | -636,068 | -679,702 |
| | **Gross profit** | 158,716 | 145,754 |
| | Distribution costs | -24,735 | -26,225 |
| | Administrative expenses | -83,867 | -79,415 |
| | **Ordinary operating profit** | 50,114 | 40,114 |
| | Other operating income | 14,856 | 33,524 |
| | Other operating costs | -3,012 | -9,814 |
| | **Operating profit** | 61,958 | 63,824 |
| | Income from investments in group enterprises | 15,164 | 6,954 |
| 3 | Other financial income | 5,056 | 3,422 |
| 4 | Financial expenses | -11,578 | -11,027 |
| | **Profit before tax** | 70,600 | 63,173 |
| 5 | Tax on profit for the year | -13,503 | -14,590 |
| | **Profit for the year** | 57,097 | 48,583 |
| | | | |
| | **Proposed profit appropriation** | | |
| | Reserve for net revaluation | 84 | 0 |
| | Proposed dividends | 42,823 | 36,437 |
| | Retained earnings | 14,190 | 12,146 |
| | | 57,097 | 48,583 |

# Financial statements for the period 1 January - 31 December

## Balance sheet

| Note | DKK'000 | 2015 | 2014 |
|---|---|---|---|
| | **ASSETS** | | |
| | **Non-current assets** | | |
| 6 | **Intangible assets** | | |
| | Goodwill | 47,601 | 79,335 |
| | Software | 6,575 | 7,111 |
| | Intangible assets under construction | 61 | 198 |
| | | 54,237 | 86,644 |
| 7 | **Property, plant and equipment** | | |
| | Land and buildings | 103,876 | 108,693 |
| | Plant and machinery | 156,109 | 146,861 |
| | Fixtures and fittings, tools and equipment | 28,284 | 20,485 |
| | Property, plant and equipment under construction | 29,936 | 23,997 |
| | | 318,205 | 300,036 |
| | **Investments** | | |
| 8 | Investments in subsidiaries | 130,094 | 51,304 |
| 9 | Amounts owed by group enterprises | 2,332 | 4,064 |
| | | 132,426 | 55,368 |
| | **Total non-current assets** | 504,868 | 442,048 |
| | **Current assets** | | |
| | Inventories | | |
| | Raw materials and consumables | 26,880 | 32,637 |
| | Work in progress | 1,094 | 1,323 |
| | Finished goods and goods for resale | 68,982 | 39,041 |
| | | 96,956 | 73,001 |
| | **Receivables** | | |
| | Trade receivables | 99,992 | 98,097 |
| 9 | Amounts owed by group enterprises | 21,612 | 44,969 |
| | Amounts owed by associates | 2,475 | 0 |
| | Deferred tax asset | 4,393 | 0 |
| | Other receivables | 1,176 | 16,638 |
| | Prepayments | 3,431 | 2,626 |
| | | 133,079 | 162,330 |
| | **Cash at bank and in hand** | 163,132 | 109,680 |
| | **Total current assets** | 393,167 | 345,011 |
| | **TOTAL ASSETS** | 898,035 | 787,059 |

# Financial statements for the period 1 January – 31 December

## Balance sheet

| Note | DKK'000 | 2015 | 2014 |
|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | |
| | **Equity** | | |
| 10 | Share capital | 27,540 | 27,540 |
| | Reserve for net revaluation | 84 | 0 |
| | Retained earnings | 303,120 | 290,954 |
| | Proposed dividends | 42,823 | 36,437 |
| | **Total equity** | 373,567 | 354,931 |
| | **Provisions** | | |
| | Provisions for deferred tax | 0 | 1,182 |
| | **Liabilities other than provisions** | | |
| 11 | **Non-current liabilities other than provisions** | | |
| | Mortgage loans | 291,363 | 297,404 |
| | Credit institutions | 464 | 2,256 |
| | Amounts owed to group enterprises | 75,000 | 0 |
| | | 366,827 | 299,660 |
| | **Current liabilities other than provisions** | | |
| | Current portion of non-current liabilities other than provisions | 7,972 | 7,671 |
| | Credit institutions | 10,289 | 11,090 |
| | Trade payables | 75,011 | 60,872 |
| | Amounts owed to group enterprises | 16,269 | 9,271 |
| | Corporation tax | 1,605 | 505 |
| | Other payables | 41,496 | 37,878 |
| | Deferred income | 4,999 | 3,999 |
| | | 157,641 | 131,286 |
| | **Total liabilities other than provisions** | 524,468 | 430,946 |
| | **TOTAL EQUITY AND LIABILITIES** | 898,035 | 787,059 |

1 Accounting policies
12 Contingencies, etc.
13 Mortgages and collateral
14 Staff costs
15 Fee paid to auditors appointed at the annual general meeting
16 Related party disclosures

# Financial statements for the period 1 January – 31 December

## Statement of changes in equity

| DKK'000 | Share capital | Reserve for net revaluation | Retained earnings | Proposed dividends | Total |
|---|---|---|---|---|---|
| Equity at 1 January 2014 | 27,540 | 0 | 282,230 | 55,739 | 365,509 |
| Dividend distributed | 0 | 0 | 0 | -55,739 | -55,739 |
| Foreign currency translation adjustments, foreign subsidiaries | 0 | 0 | -1,491 | 0 | -1,491 |
| Value adjustments of hedging instruments at 31 December | 0 | 0 | -1,931 | 0 | -1,931 |
| Transferred; see profit appropriation | 0 | 0 | 12,146 | 36,437 | 48,583 |
| **Equity at 1 January 2015** | 27,540 | 0 | 290,954 | 36,437 | 354,931 |
| Dividend distributed | 0 | 0 | 0 | -36,437 | -36,437 |
| Foreign currency translation adjustments, foreign subsidiaries | 0 | 0 | 3,756 | 0 | 3,756 |
| Value adjustments of hedging instruments at 31 December | 0 | 0 | -5,780 | 0 | -5,780 |
| Transferred; see profit appropriation | 0 | 84 | 14,190 | 42,823 | 57,097 |
| **Equity at 31 December 2015** | 27,540 | 84 | 303,120 | 42,823 | 373,567 |

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

1 **Accounting policies**

The annual report of Daka Denmark A/S for 2015 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Referring to section 112 of the Danish Financial Statements Act, consolidated financial statements have not been prepared as Daka Denmark A/S and group enterprises are included in the consolidated financial statements of the parent company, SARIA Denmark ApS.

Referring to section 86 of the Danish Financial Statements Act, no cash flow statement has been prepared, as the consolidated financial statements of the ultimate parent company, SARIA Denmark ApS, include a consolidated cash flow statement, in which the Company's cash flows are incorporated.

#### 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 are considered separate entities. The income statements are translated at the average exchange rates for the month, 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.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

### Income statement

#### Revenue

Income from collected raw material fees and sale of finished goods, comprising sale of meal, fat and blood products and biodiesel, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

1 Accounting policies (continued)

#### Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Trading enterprises recognise their cost of sales, and production enterprises recognise their production costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and maintenance, transportation and energy depreciation of production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation as well as costs for protecting internal and external environment.

#### Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions, transport and warehouse rent and depreciation are recognised as distribution costs.

#### Administrative expenses

Administrative expenses comprise expenses incurred during the year for group management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation.

#### Other operating income and costs

Other operating income and costs comprise items secondary to the activities of the enterprises, including gains and losses on the disposal of intangible assets and property, plant and equipment.

#### Profits/losses from investments in subsidiaries

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, realised and unrealised gains and losses on receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

#### Tax on profit/loss for the year

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

The parent company is the administration 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 contributions between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive a 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.

# Financial statements for the period 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

## Balance sheet

### Intangible assets

#### Goodwill and software

Goodwill and software is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised over 5 years. Software is amortised on a straight-line basis over the estimated useful life of 3-5 years.

#### *Development projects*

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years and is not to exceed 20 years.

Gains and losses on the disposal of development projects, patents and licences 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 operating income or other operating costs, respectively.

#### *$CO_2$ rights*

On initial recognition, $CO_2$ rights allocated and acquired are measured at cost. If $CO_2$ rights are allocated free of charge, cost is DKK 0.

The basis of amortisation for the $CO_2$ rights is measured at cost less scrap value. The scrap value depends on whether or not the Company expects to utilise the rights themselves or sell them. The $CO_2$ rights are amortised as discharged.

To the extent that the actual discharge exceeds the $CO_2$ rights allocated and acquired, a liability is recognised corresponding to the fair value of the $CO_2$ rights which the Company is under an obligation to settle.

#### *Property, plant and equipment*

Land and buildings, plant and machinery and fixtures and fittings, tools and other plant and equipment are measured at cost less accumulated depreciation and impairment losses. The basis of depreciation is cost less any expected residual value at the end of the useful life. 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. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries.

# Financial statements for the period 1 January – 31 December

## Notes to the financial statements

### 1 Accounting policies (continued)

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

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

| | |
|---|---|
| Buildings | 15-20 years |
| Plant and machinery | 8-15 years |
| Fixtures and fittings, tools and equipment | 5 years |

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

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 operating income or other operating costs, respectively.

#### Investments in subsidiaries

Investments in subsidiaries are measured under 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 plus or minus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

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

Acquisitions of subsidiaries are accounted for using the purchase method, according to which the assets and liabilities acquired are measured at their fair values at the date of acquisition.

Any excess of the cost over the fair value of the assets and liabilities identified (goodwill) is recognised as investments in subsidiaries and depreciated over the estimated useful life of five years. The net asset value of goodwill is assessed on an ongoing basis and is written down in the income statement if the carrying amount exceeds the expected future net income from the enterprise or activity to which goodwill is allocated.

#### Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

# Financial statements for the period 1 January – 31 December

## Notes to the financial statements

1 **Accounting policies (continued)**

**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.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and direct production costs and indirect production overheads.

Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in the cost.

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

**Receivables**

Receivables are measured at amortised cost.

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

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's and the Group's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

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 concerning subsequent financial years.

***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.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

# Financial statements for the period 1 January - 31 December

## Notes to the financial statements

### 1 Accounting policies (continued)

Deferred tax assets, including the tax value of tax loss carryforwards, 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 in accordance with 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.

**Equity**

***Reserve for net revaluation according to the equity method***

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

*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.

**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.

Other liabilities are measured at net realisable value.

**Prepayments, equity and liabilities**

Deferred income comprises payments received concerning income in subsequent years.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

| | DKK'000 | 2015 | 2014 |
|---|---|---|---|
| 2 | **Revenue** | | |
| | Finished goods, Denmark | 137,839 | 154,802 |
| | Finished goods, abroad | 169,994 | 187,415 |
| | Biodiesel, Denmark | 271,680 | 311,669 |
| | Raw material fees, Denmark | 198,654 | 157,929 |
| | Raw material fees, abroad | 16,617 | 13,641 |
| | | 794,784 | 825,456 |
| 3 | **Financial income** | | |
| | Interest income from subsidiaries | 809 | 822 |
| | Other interest income | 2 | 136 |
| | Other financial income | 4,245 | 2,464 |
| | | 5,056 | 3,422 |
| 4 | **Financial expenses** | | |
| | Interest expense from subsidiaries | 1,350 | 0 |
| | Other interest expense | 4,713 | 4,663 |
| | Other financial expense | 5,515 | 6,364 |
| | | 11,578 | 11,027 |
| 5 | **Tax on the profit for the year** | | |
| | Current tax for the year | 17,497 | 19,505 |
| | Adjustment of deferred tax | -3,994 | -4,859 |
| | Adjustment of tax relating to previous years | 0 | -56 |
| | | 13,503 | 14,590 |

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

6 **Intangible assets**

| DKK'000 | Goodwill | Software | Intangible assets under construction | Total |
|---|---|---|---|---|
| Cost at 1 January 2015 | 158,670 | 11,073 | 198 | 169,941 |
| Additions during the year | 0 | 1,174 | 836 | 2,010 |
| Transferred | 0 | 973 | -973 | 0 |
| Cost at 31 December 2015 | 158,670 | 13,220 | 61 | 171,951 |
| Amortisation at 1 January 2015 | 79,335 | 3,962 | 0 | 83,297 |
| Amortisation for the year | 31,734 | 2,683 | 0 | 34,417 |
| Amortisation at 31 December 2015 | 111,069 | 6,645 | 0 | 117,714 |
| **Carrying amount at 31 December 2015** | 47,601 | 6,575 | 61 | 54,237 |
| Amortised over | 5 years | 3-5 years | | |

7 **Property, plant and equipment**

| DKK'000 | Land and buildings | Plant and machinery | Fixtures and fittings, tools and equipment | Property, plant and equipment under construction | Total |
|---|---|---|---|---|---|
| Cost at 1 January 2015 | 140,922 | 266,183 | 43,971 | 23,997 | 475,073 |
| Transferred | 4,116 | 31,707 | 6,523 | -42,346 | 0 |
| Additions during the year | 1,326 | 25,418 | 9,964 | 48,285 | 84,993 |
| Disposals during the year | 0 | -2,332 | -5,939 | 0 | -8,271 |
| Cost at 31 December 2015 | 146,364 | 320,976 | 54,519 | 29,936 | 551,795 |
| Depreciation at 1 January 2015 | 32,229 | 119,322 | 23,486 | 0 | 175,037 |
| Disposals during the year | 0 | -1,996 | -5,900 | 0 | -7,896 |
| Depreciation during the year | 10,259 | 47,541 | 8,649 | 0 | 66,449 |
| Depreciation at 31 December 2015 | 42,488 | 164,867 | 26,235 | 0 | 233,590 |
| **Carrying amount at 31 December 2015** | 103,876 | 156,109 | 28,284 | 29,936 | 318,205 |
| Amortised over | 15-20 years | 8-15 years | 5 years | | |

# Financial statements for the period 1 January – 31 December

## Notes to the financial statements

### 8 Investments in subsidiaries

| DKK'000 | 2015 | 2014 |
|---|---|---|
| Cost at 1 January | 55,010 | 55,010 |
| Additions during the year | 75,000 | 0 |
| Cost at 31 December | 130,010 | 55,010 |
| Value adjustments at 1 January | -3,706 | -8,099 |
| Dividend paid | -15,131 | -1,068 |
| Foreign currency translation | 3,757 | -1,493 |
| Profit/loss for the year | 20,529 | 12,319 |
| Amortisation of goodwill | -5,365 | -5,365 |
| Value adjustments at 31 December | 84 | -3,706 |
| **Carrying amount at 31 December** | **130,094** | **51,304** |

| Name and registered office: | Voting rights and ownership |
|---|---|
| Daka ecoMotion A/S, Ringsted | 100.0 % |
| DAKA Ejendomme og Finans A/S, Ringsted | 100.0 % |
| Konvex AB, Lidköping, Sweden | 100.0 % |

### 9 Amounts owed by group enterprises

| DKK'000 | 2015 | 2014 |
|---|---|---|
| Loan Konvex AB | 2,332 | 4,064 |

DKK 464 thousand (DKK 2,256 thousand) hereof falls due more than one year after the balance sheet date.

### 10 Share capital

The share capital comprises 27,539,600 shares of DKK 1 each. All shares rank equally.

The recent 5-year changes of the share capital are specified as follows:

| DKK'000 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Share capital 1 January | 27,540 | 27,540 | 27,540 | 500 | 500 |
| Capital increase | 0 | 0 | 0 | 27,040 | 0 |
| Share capital 31 December | 27,540 | 27,540 | 27,540 | 27,540 | 500 |

# Financial statements for the period 1 January – 31 December

## Notes to the financial statements

| DKK'000 | 2015 | 2014 |
|---|---|---|
| **11 Non-current liabilities** | | |
| Amounts owed to mortgage credit institutions which fall due more than 5 years after the balance sheet date | 233,906 | 245,147 |
| Amounts owed to DAKA Ejendomme og Finans A/S which fall due more than 5 years after the balance sheet date | 0 | 0 |
| **12 Contingencies, etc.** | | |
| Contingent liabilities | | |
| Lease obligations (operating leases) which fall due within 5 years | 7,608 | 9,832 |
| Guarantee for pension commitment in subsidiary | 2,727 | 2,768 |
| | 10,335 | 12,600 |

*CO2 rights*

Under the legislation on $CO_2$ quotas, the Danish Energy Agency has allocated quotas to the Company free of charge, corresponding to 253,832 tonnes for use in the period 1 January 2013 – 31 December 2020. The estimated need for the period amounts to 291,427 tonnes, corresponding to an estimated liability of DKK 636 thousand.

*Joint taxation*

The companies in the Daka Denmark A/S Group are jointly taxed with the parent company, SARIA Denmark ApS. Jointly taxed companies which are not wholly owned have limited and secondary liability for Danish withholding taxes on dividends, interest and royalties within the joint taxation unit. The jointly taxed enterprises' total known net liabilities to the tax authorities/SKAT are stated in the financial statements of the administration company. Any subsequent corrections of the joint taxation income and withholding taxes, etc. may result in an increase in the Company's liability.

**13 Mortgages and collateral**

Land and buildings with a carrying amount of DKK 103,876 thousand have been provided as collateral for mortgages. In addition, a considerable part of the parent company's plant and machinery is deemed to be included in the collateral. Mortgage loans amounted to DKK 299,335 thousand at 31 December 2015.

**14 Staff costs**

| DKK'000 | 2015 | 2014 |
|---|---|---|
| Wages and salaries | 137,617 | 133,568 |
| Pensions | 10,799 | 10,452 |
| Other social security costs | 2,384 | 2,421 |
| | 150,800 | 146,441 |
| Remuneration of the Board of Directors | 70 | 70 |
| Average number of full-time employees | 272 | 259 |

# Financial statements for the period 1 January - 31 December

## Notes to the financial statements

| DKK'000 | 2015 | 2014 |
|---|---|---|
| **15 Fees paid to auditors appointed at the annual general meeting** | | |
| Total fees to EY | 658 | 742 |
| Fee regarding statutory audit | 240 | 350 |
| Assurance engagements | 54 | 68 |
| Tax assistance | 130 | 143 |
| Other assistance | 234 | 181 |
| | 658 | 742 |

## 16 Related party disclosures

***Parties exercising control***

SARIA Denmark ApS, Dakavej 10, DK-8723 Løsning holds the majority of the share capital in the Company.

The consolidated financial statements of SARIA Denmark ApS are available at the Company's address.