Daka Denmark A/S

Lundagervej 21, 8722 Hedensted

CVR no. 33 77 60 39

Annual report 2017

Approved at the Company's annual general meeting on 7 May 2018

Chairman:

Jan Bagger
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Building a better
working world

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 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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.

Hedensted, 16 March 2018
Executive Board:

Lars Krause-Kjær
CEO

Board of Directors:

Kurt Stoffel Chairman	Preben Sunke	Franz-Bernhard Thier
Jan Roelsgaard	Niels Jørgen Villesen	Tim Schwencke
Jacob Martin Andersen	Lars Jørgen Nielsen	

Independent auditors' report

To the shareholders of Daka Denmark A/S

Opinion

We have audited the financial statements of Daka Denmark A/S for the financial year 1 January - 31 December 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the 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 as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditors' report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 16 March 2018
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jes Lauritzen State Authorised Public Accountant MNE no. 10121	Christian Jøker State Authorised Public Accountant MNE no. 31471

Management's review

Company details

Name	Daka Denmark A/S
Address, zip code, city	Lundagervej 21, 8722 Hedensted
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 Preben Sunke Franz-Bernhard Thier Jan Roelsgaard Niels Jørgen Villesen Tim Schwencke Jacob Martin Andersen (employee representative) Lars Jørgen Nielsen (employee representative)
Executive Board	Lars Krause-Kjær, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab EY Huset Værkmestergade 25, DK-8000 Aarhus C

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	885,340	904,728	794,784	825,456	893,090
EBITDA	190,400	152,894	162,824	170,986	211,813
Gross profit	189,614	145,501	158,716	145,754	202,226
Ordinary operating profit	80,792	33,278	50,114	40,114	102,577
Profit/loss from financial income and expense	-473	814	-6,522	-7,605	-3,558
Profit before tax	109,212	60,059	70,600	63,173	101,425
Profit for the year	**90,365**	**49,703**	**57,097**	**48,583**	**74,318**
Non-current assets	408,784	446,265	504,868	442,048	477,403
Current assets	333,612	238,788	393,167	345,011	306,072
Total assets	742,396	685,053	898,035	787,059	783,475
Share capital	27,540	27,540	27,540	27,540	27,540
Equity	338,356	278,123	373,567	354,931	365,509
Provisions	0	0	0	1,182	6,634
Non-current liabilities other than provisions	240,237	244,209	366,827	299,660	310,945
Current liabilities other than provisions	163,803	162,721	157,641	131,286	100,387
Financial ratios					
Operating margin	9.7%	4.9%	7.8%	7.7%	12.6%
Gross margin	21.4%	16.1%	20.0%	17.7%	22.6%
Solvency ratio	45.5%	40.6%	41.6%	45.1%	46.7%
Return on equity	29.3%	15.3%	15.7%	13.5%	22.1%
Return on invested capital, excl. goodwill	24.8%	11.3%	14.6%	14.8%	25.8%
Return on invested capital, incl. goodwill	24.2%	10.5%	12.7%	12.1%	20.0%
Average number of full-time employees	**261**	**271**	**272**	**259**	**239**

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

Management's review

Principal activities

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, fertilization and foodstuff markets.

Development in activities and financial matters

Profit for the year amounts to DKK 90,365 thousand derived from revenue of DKK 885,340 thousand.

Operating profit amounted to DKK 86,301 thousand in 2017 compared to DKK 44,327 thousand the previous year. Developments in recent years in the utilisation of capacity have regularly given rise to adjustments to the production capacity. In 2017, as in previous years, the economic life of property, plant and equipment has been reassessed, including scrapping and impairment write-down of selected production facilities. In this light, Management considers the profit for the year satisfactory.

Of the profit for the year, dividends of DKK 67,773 thousand are proposed to the shareholders, whereas DKK 22,592 thousand is taken to equity as retained earnings.

The Company's equity totals DKK 338,356 thousand, including proposed dividends, corresponding to 45.5% of the balance sheet total.

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 characterized 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 optimize its energy consumption and reduce the environmental impact of its operating activities.

The impact on the external environment in the form of odor 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 optimized, just as its finished goods are undergoing constant development in order to add value thereto in the Company's sales channels.

Management's review

Corporate social responsibility

The Daka Denmark Group has not laid down any separate policies for corporate social responsibility, human rights, environmental aspects 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 45 persons at 31 December 2017, 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 22% in 2017. Female employees made up 21% of all employees in the Company in 2017.

Daka Denmark A/S wishes to ensure equal opportunities to 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.

The Board of Directors in Daka Denmark A/S has set up a goal for the underrepresented gender on the Board of Directors which is to account for at least one person. The Board of Directors has strived for fulfilling this goal within the end of 2017 taking into consideration natural replacements on the Board of Directors. At present, members appointed at the annual general meeting are of the same gender. The goal has not been fulfilled partly as there have only been very limited natural replacements on the Board in recent years and partly as there have been no qualified candidates among the underrepresented gender. It is still the Company's target that at least one of the Board members appointed by the general meeting is from the underrepresented gender, and that this goal must be fulfilled by the end of 2020.

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	2017	2016
2	**Revenue**	885,340	904,728
	Production costs	-695,726	-759,227
	Gross profit	189,614	145,501
	Distribution costs	-25,875	-26,316
	Administrative expenses	-82,947	-85,907
	Ordinary operating profit	80,792	33,278
	Other operating income	9,007	14,557
	Other operating costs	-3,498	-3,508
	Operating profit	86,301	44,327
	Income from investments in group enterprises	23,384	14,918
	Income from other investments	684	0
3	Other financial income	9,340	9,143
4	Financial expenses	-10,497	-8,329
	Profit before tax	109,212	60,059
5	Tax on profit for the year	-18,847	-10,356
	Profit for the year	90,365	49,703

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Non-current assets		
6	**Intangible assets**		
	Goodwill	0	15,867
	Software	544	3,589
	Intangible assets under construction	200	77
		744	19,533
7	**Property, plant and equipment**		
	Land and buildings	89,190	99,715
	Plant and machinery	109,086	141,933
	Fixtures and fittings, tools and equipment	32,583	33,646
	Property, plant and equipment under construction	38,913	14,004
		269,772	289,298
	Investments		
8	Investments in subsidiaries	123,333	122,499
	Other investments	14,935	14,935
		138.268	137,434
	Total non-current assets	408,784	446,265
	Current assets		
	Inventories		
	Raw materials and consumables	26,252	19,419
	Work in progress	1,551	1,235
	Finished goods and goods for resale	63,242	46,526
		91,045	67,180
	Receivables		
	Trade receivables	78,279	107,210
	Amounts owed by group enterprises	140,699	47,648
	Amounts owed by associates	2,097	874
9	Deferred tax asset	13,150	9,788
	Other receivables	4,074	2,240
	Prepayments	3,944	3,465
		242,243	171,225
	Cash	324	383
	Total current assets	333,612	238,788
	TOTAL ASSETS	742,396	685,053

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	27,540	27,540
	Retained earnings	243,043	213,306
	Proposed dividends	67,773	37,277
	Total equity	338,356	278,123
	Liabilities other than provisions		
11	**Non-current liabilities other than provisions**		
	Mortgage loans	165,237	169,209
	Amounts owed to group enterprises	75,000	75,000
		240,237	244,209
	Current liabilities other than provisions		
	Current portion of non-current liabilities other than provisions	8,089	8,671
	Credit institutions	10,384	22,868
	Trade payables	74,152	49,948
	Amounts owed to group enterprises	24,124	16,198
	Corporation tax	7,074	2,873
	Other payables	31,787	57,431
	Deferred income	8,193	4,732
		163,803	162,721
	Total liabilities other than provisions	404,040	406,930
	TOTAL EQUITY AND LIABILITIES	742,396	685,053

1 Accounting policies
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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

Note	DKK'000	Share capital	Reserve for net revaluation	Retained earnings	Proposed dividends	Total
	Equity at 1 January 2016	27,540	84	303,120	42,823	373,567
	Dividend distributed	0	0	0	-42,823	-42,823
	Extraordinary dividend distributed	0	0	-100,000	0	-100,000
	Foreign currency translation adjustments, foreign subsidiaries	0	0	-3,721	0	-3,721
	Value adjustments of hedging instruments at 31 December	0	0	1,397	0	1,397
17	Transferred; see profit appropriation	0	-84	12,510	37,277	49,703
	Equity at 1 January 2017	27,540	0	213,306	37,277	278,123
	Dividend distributed	0	0	0	-37,277	-37,277
	Foreign currency translation adjustments, foreign subsidiaries	0	0	-924	0	-924
	Value adjustments of hedging instruments at 31 December	0	0	8,069	0	8,069
17	Transferred; see profit appropriation	0	0	22,592	67,773	90,365
	Equity at 31 December 2017	27,540	0	243,043	67,773	338,356

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 2017 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The financial statements have been prepared in accordance with the same accounting policies as 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.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity must be transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity must be transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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.

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.

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.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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	3-6 years

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

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

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.

Other investments

Other securities and investments, recognised under "Non-current assets", comprise unlisted securities measured at cost.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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.

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	2017	2016
2	**Revenue**		
	Finished goods, Denmark	157,464	145,525
	Finished goods, abroad	142,572	165,256
	Biodiesel, Denmark	310,246	314,491
	Raw material fees, Denmark	262,495	267,435
	Raw material fees, abroad	12,563	12,021
		885,340	904,728

		2017	2016
3	**Other financial income**		
	Interest income from subsidiaries	235	596
	Other interest income	2	2
	Other financial income	9,103	8,545
		9,340	9,143

		2017	2016
4	**Financial expenses**		
	Interest expense from subsidiaries	2,080	2,068
	Other interest expense	3,015	4,090
	Other financial expense	5,402	2,171
		10,497	8,329

		2017	2016
5	**Tax on the profit for the year**		
	Current tax for the year	24,485	16,140
	Adjustment of deferred tax	-5,638	-5,784
		18,847	10,356

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 2017	158,670	13,298	77	172,045
Additions during the year	0	0	373	373
Transferred	0	250	-250	0
Disposals during the year	0	-1,922	0	-1,922
Cost at 31 December 2017	158,670	11,626	200	170,496
Amortisation at 1 January 2017	142,803	9,709	0	152,512
Disposals during the year	0	-1,821	0	-1,821
Amortisation for the year	15,867	3,194	0	19,061
Amortisation at 31 December 2017	158,670	11,082	0	169,752
Carrying amount at 31 December 2017	0	544	200	744
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 2017	152,867	356,916	67,962	14,004	591,749
Additions during the year	630	6,683	12,138	45,986	65,437
Transferred	0	17,881	3,196	-21,077	0
Disposals during the year	-309	-19,553	-3,886	0	-23,748
Cost at 31 December 2017	153,188	361,927	79,410	38,913	633,438
Depreciation and impairment losses at 1 January 2017	53,152	214,983	34,315	0	302,450
Disposals during the year	-196	-17,189	-3,835	0	-21,220
Depreciation during the year	11,042	28,373	11,148	0	50,563
Impairment losses during the year	0	26,674	5,199	0	31,873
Depreciation and impairment losses at 31 December 2017	63,998	252,841	46,827	0	363,666
Carrying amount at 31 December 2017	89,190	109,086	32,583	38,913	269,772
Depreciated over	15-20 years	8-15 years	3-6 years		

Financial statements for the period 1 January – 31 December

Notes to the financial statements

8 **Investments in subsidiaries**

DKK'000	2017	2016
Cost at 1 January	130,010	130,010
Additions during the year	0	0
Cost at 31 December	130,010	130,010
Value adjustments at 1 January	-7,511	84
Dividend paid	-21,626	-18,793
Foreign currency translation	-924	-3,720
Profit/loss for the year	26,066	20,283
Amortisation of goodwill	-2,682	-5,365
Value adjustments at 31 December	-6,677	-7,511
Carrying amount at 31 December	123,333	122,499

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

9 **Provisions for deferred tax**

DKK'000	2017	2016
Deferred tax at 1 January	-9,788	-4,393
Adjustment of the deferred tax charge for the year	-5,638	-5,784
Tax on equity transactions	2,276	389
Deferred tax at 31 December	-13,150	-9,788

10 **Share capital**

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

DKK'000	2017	2016
11 **Non-current liabilities**		
Amounts owed to mortgage credit institutions which fall due more than 5 years after the balance sheet date	131,133	127,461
Amounts owed to DAKA Ejendomme og Finans A/S which fall due more than 5 years after the balance sheet date	0	0

Financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	2017	2016
12 Contingencies, etc.		
Contingent liabilities		
Lease obligations (operating leases) which fall due within 5 years	24,441	9,212
Guarantee for pension commitment in subsidiary	2,017	2,594
	26,458	11,806

CO_2 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 272,213 tonnes, corresponding to an estimated liability of DKK 1,204 thousand.

Joint taxation

Daka Denmark A/S Group is 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 89,190 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 173,326 thousand at 31 December 2017.

14 Staff costs

DKK'000	2017	2016
Wages and salaries	134,242	143,256
Pensions	10,705	10,799
Other social security costs	2,338	2,296
	147,285	156,351
Remuneration to Executive Board and Board of Directors	1,861	1,263
Average number of full-time employees	261	271

Financial statements for the period 1 January - 31 December

Notes to the financial statements

15 Fees paid to auditors appointed at the annual general meeting

DKK'000	2017	2016
Fee regarding statutory audit	248	240
Assurance engagements	48	0
Tax assistance	331	164
Other assistance	216	282
	843	686

16 Related party disclosures

Parties exercising control

SARIA Denmark ApS, Lundagervej 21, DK-8722 Hedensted 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.

17 Appropriation of profit/loss

DKK'000	2017	2016
Reserve for net revaluation	0	-84
Extraordinary dividends distributed	0	100,000
Proposed dividends	67,773	37,277
Retained earnings	22,592	-87,490
	90,365	49,703