SKOV A/S, Glyngøre

Hedelund 4, DK-7870 Roslev

Annual Report for 1 October 2015 - 30 September 2016

CVR No 87 45 71 17

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 12/12 2016

Henning Jensen
Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SKOV A/S, Glyngøre for the financial year 1 October 2015 - 30 September 2016.

The Annual Report is 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 at 30 September 2016 of the Company and of the results of the Company operations and cash flows for 2015/16.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Glyngøre, 12 December 2016

Executive Board

Jørgen Yde Jensen

Board of Directors

Dirk Meerpohl Chairman	Bernhard Meerpohl	Kai Wehmeyer
Kim Standly Staff Representative	Peter Balling Staff Representative	

Independent Auditor's Report on the Financial Statements

To the Shareholder of SKOV A/S, Glyngøre

Report on the Financial Statements

We have audited the Financial Statements of SKOV A/S, Glyngøre for the financial year 1 October 2015 - 30 September 2016, which comprise income statement, balance sheet, cash flow statement, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's 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 whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, 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 auditor considers 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 audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2016 and of the results of the Company operations and cash flows for the financial year 1 October 2015 - 30 September 2016 in accordance with the Danish Financial Statements Act.

Independent Auditor’s Report on the Financial Statements

Statement on Management’s Review

We have read Management’s Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management’s Review is in accordance with the Financial Statements.

Skive, 12 December 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Furbo
State Authoriset Public Accountant

Allan Christensen
State Authoriset Public Accountant

Company Information

The Company	SKOV A/S, Glyngøre Hedelund 4 DK-7870 Roslev Telephone: + 45 72175555 E-mail: skov@skov.com Website: www.skov.com CVR No: 87 45 71 17 Financial period: 1 October - 30 September Municipality of reg. office: Skive
Board of Directors	Dirk Meerpohl, Chairman Bernhard Meerpohl Kai Wehmeyer Kim Standly, Staff Representative Peter Balling, Staff Representative
Executive Board	Jørgen Yde Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Resenvej 81 Postboks 19 DK-7800 Skive
Lawyers	Gorrissen Federspiel Silkeborgvej 2 DK-8000 Aarhus
Bankers	Danske Bank A/S Bredgade 45 DK-7400 Herning Sydbank A/S Dalgasgade 22 DK-7400 Herning

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2015/16 Mio. DKK	2014/15 Mio. DKK	2013/14 Mio. DKK	2012/13 Mio. DKK	2011/12 Mio. DKK
Key figures					
Profit/loss					
Revenue	574	536	434	468	597
Gross profit/loss	225	212	173	167	211
Profit/loss before financial income and expenses	65	61	34	31	78
Net financials	2	1	1	0	-1
Net profit/loss for the year	52	47	26	24	58
Balance sheet					
Balance sheet total	300	286	225	211	257
Equity	208	179	145	131	142
Cash flows					
Cash flows from:					
- operating activities	69	55	48	-1	47
- investing activities	-43	-8	-5	-5	-10
including investment in property, plant and equipment	-18	-8	-5	-6	-10
- financing activities	-26	-12	-14	-36	-32
Change in cash and cash equivalents for the year	0	35	29	-42	5
Number of employees	289	274	261	258	279
Ratios					
Gross margin	39,2%	39,6%	39,9%	35,7%	35,3%
Profit margin	11,3%	11,4%	7,8%	6,6%	13,1%
Return on assets	21,7%	21,3%	15,1%	14,7%	30,4%
Solvency ratio	69,3%	62,6%	64,4%	62,1%	55,3%
Return on equity	26,9%	29,0%	18,8%	17,6%	45,3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

SKOV A/S' strategy is to develop, produce, install and service components and systems for climate and production control in livestock production, and to sell the solutions globally.

Development in the year

The results for the year show a profit after tax of TDKK 52,335 which is considered satisfactory.

The results for the year is at the expected level.

SKOV has also in 2015/16 continued building up a global sales organisation through recruiting of additional sales managers, new dealers and new installation / service partners. Training and academy programmes to increase the knowledge and competences in the global sales organisation is a natural part of the development.

Like previous years, SKOV has also in 2015/16 incurred considerable expenses on product and system development. It will contribute to ensuring that the Company maintains a leading position in the market.

Special risks - operating risks and financial risks

Foreign exchange risks

Activities in foreign countries have an impact on the results, cash flows and equity due to exchange and interest rate movements in a number of currencies. The foreign exchange policy of the Company is to continuously cover material exchange risks. The Company does not enter into speculative exchange transactions.

Interest rate risks

The Company does not have any considerable exposure concerning interest levels.

Credit risks

The Company does not have any considerable exposure concerning an individual customer or business partner. The credit policy of the Company is to address risks related to customers and business partners by applying value and credit insurance when possible. Attempts are made to cover credit risks related to large individual orders.

Management's Review

Strategy and objectives

Strategy

The market for climate and production control systems for livestock production is challenged in some parts of the world, but in the long term the global market is expected to grow with the increasing industrialisation of the business. SKOV's strategy is prepared for this growth and for increasing its market share.

Objectives and expectations for the year ahead

The Company expects the market situation to be challenging also in the coming year.

In 2016/17 the Company will continue to increase its presence in the different growing markets and will also next year introduce new products to be able to strengthen the earnings capacity and competitiveness.

The capital preparedness of the Company is considered sufficient for covering the financing of the activities of the coming year.

Basis of earnings

Research and development

Research activities are to a great extent made in cooperation with Research Centres at the Universities. The activities of development do primarily include development of products for the global market.

Considerable resources have been spent on research and development, as the market still makes increased demands for innovations and new launchings.

Knowledge resources

The leading position of the Company within climate and production control systems for agriculture places heavy demands particularly on knowledge resources concerning agricultural production methods. Beyond this, special demands are made to knowledge resources in development, sales, services and production of systems.

In order to deliver these solutions continuously it is decisive that the Company is able to recruit and maintain highly educated employees. Our goal is for the Company to have the latest knowledge.

Management's Review

Statutory report on social responsibility

When determining the Company's business strategy as well as its business conduct, Management has taken generally accepted human rights principles and good business ethics into account.

In respect of health and safety as well as impact on the external environment, Management focuses particularly on responsible business practices allowing the Company to stand as a positive co-player in its community.

Statutory report on gender representation

SKOV A/S's Board of Directors consists of three representatives appointed by the Parent Company/the owners and two representatives appointed by the employees. This limits the Company's influence on gender representation.

As a result, a specific target has not been determined, but the Company encourages employees and owners to ensure balanced gender representation when appointing board members.

The Company's policy on the gender representation of the Company's other management levels includes a target of minimum 20% female managers in 2018. At present 17% of the managers are women.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 October - 30 September

	Note	2015/16	2014/15
		TDKK	TDKK
Revenue	1	**574.056**	**535.995**
Expenses for raw materials and consumables		-280.179	-262.341
Other external expenses		-69.198	-61.935
Gross profit/loss		**224.679**	**211.719**
Staff expenses	2	-151.732	-144.372
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-7.570	-6.366
Profit/loss before financial income and expenses		**65.377**	**60.981**
Income from investments in subsidiaries		883	139
Financial income		2.046	1.868
Financial expenses		-1.408	-991
Profit/loss before tax		**66.898**	**61.997**
Tax on profit/loss for the year	3	-14.563	-14.560
Net profit/loss for the year		**52.335**	**47.437**

Distribution of profit

Proposed distribution of profit

	2015/16	2014/15
Proposed dividend for the year	39.250	23.700
Reserve for net revaluation under the equity method	928	76
Retained earnings	12.157	23.661
	52.335	**47.437**

Balance Sheet 30 September

Assets

	Note	2016	2015
		TDKK	TDKK
Plant and machinery		23.042	12.692
Other fixtures and fittings, tools and equipment		3.435	2.730
Leasehold improvements		1.832	2.499
Property, plant and equipment	4	**28.309**	**17.921**
Investments in subsidiaries	5	1.811	883
Other receivables	6	25.000	0
Fixed asset investments		**26.811**	**883**
Fixed assets		**55.120**	**18.804**
Inventories	7	**51.098**	**58.466**
Trade receivables	8	40.908	43.291
Receivables from group enterprises		6.746	18.749
Other receivables		288	1.161
Deferred tax asset	10	823	758
Prepayments		3.410	3.339
Receivables		**52.175**	**67.298**
Cash at bank and in hand		**142.075**	**141.772**
Currents assets		**245.348**	**267.536**
Assets		**300.468**	**286.340**

Balance Sheet 30 September

Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		33.000	33.000
Reserve for net revaluation under the equity method		1.004	76
Retained earnings		134.873	122.715
Proposed dividend for the year		39.250	23.700
Equity	9	**208.127**	**179.491**
Other provisions	11	8.612	8.046
Provisions		**8.612**	**8.046**
Prepayments received from customers		5.545	13.184
Trade payables		34.525	48.727
Payables to group enterprises		1.918	3.797
Corporation tax		11.445	9.747
Other payables		30.296	23.348
Short-term debt		**83.729**	**98.803**
Debt		**83.729**	**98.803**
Liabilities and equity		**300.468**	**286.340**
Contingent assets, liabilities and other financial obligations	12		
Fee to auditors appointed at the general meeting	13		
Related parties and ownership	14		

Cash Flow Statement 1 October - 30 September

	Note	2015/16	2014/15
		TDKK	TDKK
Net profit/loss for the year		52.335	47.437
Adjustments	15	20.565	19.907
Change in working capital	16	8.231	-2.805
Cash flows from operating activities before financial income and expenses		**81.131**	**64.539**
Financial income		2.046	1.868
Financial expenses		-1.408	-986
Cash flows from ordinary activities		**81.769**	**65.421**
Corporation tax paid		-12.930	-10.424
Cash flows from operating activities		**68.839**	**54.997**
Purchase of property, plant and equipment		-17.957	-8.068
Fixed asset investments made etc		-25.000	0
Sale of property, plant and equipment		0	79
Cash flows from investing activities		**-42.957**	**-7.989**
Repayment of payables to group enterprises		-1.879	0
Repayment of other long-term debt		0	-1.339
Raising of loans from group enterprises		0	2.499
Dividend paid		-23.700	-13.200
Cash flows from financing activities		**-25.579**	**-12.040**
Change in cash and cash equivalents		**303**	**34.968**
Cash and cash equivalents at 1 October		141.772	106.804
Cash and cash equivalents at 30 September		**142.075**	**141.772**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		142.075	141.772
Cash and cash equivalents at 30 September		**142.075**	**141.772**

Notes to the Financial Statements

		2015/16	2014/15
		TDKK	TDKK
1	**Revenue**		
	Geographical segments		
	Revenue, EU	346.958	355.324
	Revenue, non EU	227.098	180.671
		574.056	**535.995**
2	**Staff expenses**		
	Wages and salaries	135.981	128.757
	Pensions	9.475	8.899
	Other social security expenses	2.306	2.264
	Other staff expenses	3.970	4.452
		151.732	**144.372**
	Average number of employees	**289**	**274**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

		2015/16	2014/15
3	**Tax on profit/loss for the year**		
	Current tax for the year	14.753	13.452
	Deferred tax for the year	-65	124
	Effect of joint taxation	-125	984
		14.563	**14.560**

Notes to the Financial Statements

4 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 October	59.238	32.275	9.946
Additions for the year	15.732	2.225	0
Disposals for the year	-8.116	-6.798	-213
Cost at 30 September	66.854	27.702	9.733
Impairment losses and depreciation at 1 October	46.546	29.545	7.447
Depreciation for the year	5.382	1.520	667
Reversal of impairment and depreciation of sold assets	-8.116	-6.798	-213
Impairment losses and depreciation at 30 September	43.812	24.267	7.901
Carrying amount at 30 September	**23.042**	**3.435**	**1.832**
Depreciated over	3-5 years	3-5 years	5-10 years

Notes to the Financial Statements

	2016	2015
	TDKK	TDKK
5 Investments in subsidiaries		
Cost at 1 October	807	807
Cost at 30 September	807	807
Value adjustments at 1 October	76	-66
Exchange adjustment	45	3
Net profit/loss for the year	883	139
Value adjustments at 30 September	1.004	76
Carrying amount at 30 September	**1.811**	**883**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Skov Asia Ltd.	Bangkok, Thailand	THB 5.000.000	100%	1.811	883

6 Other fixed asset investments

	Other receiv-ables
	TDKK
Additions for the year	25.000
Cost at 30 September	25.000
Carrying amount at 30 September	**25.000**

	2016	2015
	TDKK	TDKK
7 Inventories		
Raw materials and consumables	17.240	19.551
Work in progress	2.934	2.496
Finished goods and goods for resale	30.924	36.419
	51.098	**58.466**

Notes to the Financial Statements

	2016	2015
	TDKK	TDKK

8 Trade receivables

	2016	2015
The following receivables fall due for payment more than 1 year after year end	0	175

9 Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 October	33.000	76	122.716	23.700	179.492
Ordinary dividend paid	0	0	0	-23.700	-23.700
Net profit/loss for the year	0	928	12.157	39.250	52.335
Equity at 30 September	**33.000**	**1.004**	**134.873**	**39.250**	**208.127**

The share capital consists of 27 shares of a nominal amount of TDKK 500k, 10 shares of a nominal amount of DKK 50k and 19,000 shares of a nominal amount of DKK 1k. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

10 Provision for deferred tax

	2016	2015
	TDKK	TDKK
Intangible assets	0	-80
Property, plant and equipment	-1.448	-1.571
Inventories	154	163
Trade receivables	471	730
Transferred to deferred tax asset	823	758
	0	**0**

Deferred tax has been provided at 22% corresponding to the expected tax rate on realisation.

Deferred tax asset

	2016	2015
Calculated tax asset	823	758
Carrying amount	**823**	**758**

11 Other provisions

	2016	2015
Warranty provisions	8.612	8.046
	8.612	**8.046**

12 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations amount to DKK 5,246k at 30 September 2016, the longest remaining term being 58 months.

Contractual obligations

A non-concellable lease of buildings has been entered into until 1 October 2025. At present, the annual rent amounts to DKK 5,000k.

Notes to the Financial Statements

	2015/16	2014/15
	TDKK	TDKK
13 Fee to auditors appointed at the general meeting		
Audit fee to PricewaterhouseCoopers	139	139
Non-audit services	9	117
	148	**256**

14 Related parties and ownership

	Basis
Controlling interest	
Meerpohl family, Vechta, Germany	Owners of the Parent Company, Big Dutchman AG
Other related parties	
Skov Invest Glyngøre ApS, Glyngøre, Denmark	Related through group of owners

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Big Dutchman AG, Vechta, Germany

Consolidated Financial Statements

The Company’s immediate and ultimate Parent Company of which the Company is a subsidiary is Big Dutchman AG (DE151096663), Vechta, Germany, which prepares the Consolidated Financial Statements.

Notes to the Financial Statements

	2015/16	2014/15
	TDKK	TDKK

15 Cash flow statement - adjustments

Financial income	-2.046	-1.868
Financial expenses	1.408	991
Depreciation, amortisation and impairment losses, including losses and gains on sales	7.570	6.366
Income from investments in subsidiaries	-883	-139
Tax on profit/loss for the year	14.563	14.560
Other adjustments	-47	-3
	20.565	**19.907**

16 Cash flow statement - change in working capital

Change in inventories	7.369	-18.203
Change in receivables	15.355	-7.018
Change in other provisions	566	1.539
Change in trade payables, etc	-15.059	20.877
	8.231	**-2.805**

Accounting Policies

Basis of Preparation

The Annual Report of SKOV A/S, Glyngøre for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015/16 are presented in TDKK.

Consolidated financial statements

With reference to section 13 of the Danish Financial Statements Act, no consolidated financial statements are prepared for SKOV A/S, Glyngøre and its subsidiary Skov Asia Ltd. The intercompany transactions and balances are considered immaterial.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

Accounting Policies

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Information on geographical segments based on the Companys risks and returns and its internal financial reporting system. Geographical segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Accounting Policies

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the Danish group enterprise. The Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 25,000 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet includes the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of other receivables, which are measured in the balance sheet at the lower of amortised cost and net realisable value.

Accounting Policies

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1 year. Provisions are measured and recognised based on experience with warranty work.

Accounting Policies

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in 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 will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Company´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Accounting Policies

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$