
COSCO SHIPPING Lines Nordic A/S

Birkerød Kongevej 150 A, DK-3460 Birkerød

Annual Report for 1 January - 31 December 2020

CVR No 10 70 25 77

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
16/4 2021

Morten Struve
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of COSCO SHIPPING Lines Nordic A/S for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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.

Birkerød, 26 March 2021

Executive Board

Shiwu Zhou

Board of Directors

Tian Dong
Chairman

Zaikun Tian

Wang Han

Enjie Yin

Erik Lund Eriksen

Shiwu Zhou

Jan Timmermann

Independent Auditor's Report

To the Shareholders of COSCO SHIPPING Lines Nordic A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of COSCO SHIPPING Lines Nordic A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control 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 Group's and 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 Group or 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 conclusions are based on the

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 26 March 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Madsen
State Authorised Public Accountant
mne10745

Mark Philip Beer
State Authorised Public Accountant
mne29472

Company Information

The Company

COSCO SHIPPING Lines Nordic A/S
Birkerød Kongevej 150 A
DK-3460 Birkerød

Telephone: + 45 45 16 01 60

CVR No: 10 70 25 77

Financial period: 1 January - 31 December

Financial year: 34th financial year

Municipality of reg. office: Rudersdal

Board of Directors

Tian Dong, Chairman
Zaikun Tian
Wang Han
Enjie Yin
Erik Lund Eriksen
Shiwu Zhou
Jan Timmermann

Executive Board

Shiwu Zhou

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Lawyers

Galst Advokataktieselskab
Gammelstrand 44
DK-1202 København K

Bankers

Jyske Bank
Strandvejen 104 A
DK-2900 Hellerup

Group Chart

Parent Company

COSCO SHIPPING Lines
Nordic A/S
Birkerød Kongevej 150
DK-3460 Birkerød, Denmark
Nom. DKK 1,000k

Consolidated subsidiaries

100% COSCO SHIPPING Lines
Denmark A/S,
Birkerød, Denmark
Nom. DKK 500k

100% COSCO SHIPPING Lines
(Sweden) AB,
Göteborg, Sweden
Nom. SEK 750k

100% COSCO SHIPPING Lines
(Norway),
Oslo, Norway
Nom. NOK 400k
Branch

Financial Highlights

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

	Group				
	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Revenue	91.937	90.730	84.773	110.823	96.933
Gross profit/loss	43.825	38.989	32.095	45.460	45.133
Operating profit/loss	5.999	3.528	2.414	8.544	13.245
Profit/loss before financial income and expenses	5.999	3.528	2.412	8.507	13.245
Net financials	-1.196	-469	712	-880	-1.141
Net profit/loss for the year	3.733	2.295	2.289	5.772	9.252
Balance sheet					
Balance sheet total	86.820	92.665	84.143	68.831	77.079
Equity	25.477	22.055	20.093	25.484	30.246
Cash flows					
Cash flows from:					
- operating activities	920	-2.179	8.955	13.909	19.279
- investing activities	44	-9	189	-168	-87
including investment in property, plant and equipment	0	0	0	-285	-67
- financing activities	-1.105	2.829	-18.192	-9.527	-36.659
Change in cash and cash equivalents for the year	-141	641	-9.048	4.214	-17.467
Number of employees	49	47	48	51	41
Ratios					
Gross margin	47,7%	43,0%	37,9%	41,0%	46,6%
Profit margin	6,5%	3,9%	2,8%	7,7%	13,7%
Return on assets	6,9%	3,8%	2,9%	12,4%	17,2%
Solvency ratio	29,3%	23,8%	23,9%	37,0%	39,2%
Return on equity	15,7%	10,9%	10,0%	20,7%	27,4%

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

Key activities

The Company is a holding company of the following wholly owned subsidiaries, which all carry on shipping activities:

- COSCO SHIPPING Lines Denmark A/S, Birkerød, Denmark
- COSCO SHIPPING Lines (Norway), Oslo, Norway (branch)
- COSCO SHIPPING Lines Sweden AB, Stockholm, Sweden

The past year and follow-up on development expectations from last year

It is managements expectation that the Group activities in 2021 will have a positive development and that the general demand for transport and freight rate will increase.

The activities for the Group has been better than expected despite of the impact of COVID-19, as the Nordic Group only had a small decrease in handled TEU.

Development in the year

The income statement of the Group for 2020 shows a profit of DKK 3,732,848, and at 31 December 2020 the balance sheet of the Group shows equity of DKK 25,476,788.

The income statement of the parent Company for 2020 shows a profit of DKK 38,266 and at 31 December 2020 the balabce sheet of the Company shows equity of DKK 11,586,979.

Foreign exchange risks

Due to international activities, the Group is exposed to foreign exchange risks in connection with trading in foreign currencies. This risk is especially relevant in relation to the Group's transactions in EUR and USD. No specific measures are taken to hedge these transactions as the risk is assessed to be limited.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2020 DKK	2019 DKK	2020 DKK	2019 DKK
Revenue		91.936.893	90.729.953	0	0
Expenses for raw materials and consumables		-40.264.242	-42.862.518	0	0
Other external expenses		-7.847.579	-8.878.659	-74.849	-1.262
Gross profit/loss		43.825.072	38.988.776	-74.849	-1.262
Staff expenses	1	-37.785.230	-35.445.345	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-41.029	-15.840	0	0
Profit/loss before financial income and expenses		5.998.813	3.527.591	-74.849	-1.262
Financial income	2	534	9.453	176.296	137.957
Financial expenses	3	-1.196.322	-478.882	-52.389	-589
Profit/loss before tax		4.803.025	3.058.162	49.058	136.106
Tax on profit/loss for the year	4	-1.070.177	-763.658	-10.792	-29.397
Net profit/loss for the year		3.732.848	2.294.504	38.266	106.709

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2020 DKK	2019 DKK	2020 DKK	2019 DKK
Other fixtures and fittings, tools and equipment		0	0	0	0
Leasehold improvements		0	41.172	0	0
Property, plant and equipment	5	0	41.172	0	0
Investments in subsidiaries	6	0	0	6.711.087	6.711.087
Other receivables	7	485.808	529.776	0	0
Fixed asset investments		485.808	529.776	6.711.087	6.711.087
Fixed assets		485.808	570.948	6.711.087	6.711.087
Trade receivables		1.293.644	3.585.824	0	0
Receivables from group enterprises		72.781.492	75.436.049	5.163.812	4.482.249
Other receivables		536.678	856.890	291	291
Deferred tax asset	8	505.482	712.505	0	0
Corporation tax		281.771	426.922	0	97.867
Receivables		75.399.067	81.018.190	5.164.103	4.580.407
Cash at bank and in hand		10.934.874	11.076.292	18.095	327.219
Currents assets		86.333.941	92.094.482	5.182.198	4.907.626
Assets		86.819.749	92.665.430	11.893.285	11.618.713

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2020 DKK	2019 DKK	2020 DKK	2019 DKK
Share capital		1.000.000	1.000.000	1.000.000	1.000.000
Other reserves		-310.736	0	0	0
Retained earnings		24.787.524	21.054.676	10.586.979	10.548.713
Equity		25.476.788	22.054.676	11.586.979	11.548.713
Other payables		1.792.908	563.865	0	0
Long-term debt	10	1.792.908	563.865	0	0
Trade payables		14.070.736	24.757.936	0	0
Payables to group enterprises		35.885.207	36.990.166	0	0
Corporation tax		454.653	446.300	162.306	0
Other payables	10	9.139.457	7.852.487	144.000	70.000
Short-term debt		59.550.053	70.046.889	306.306	70.000
Debt		61.342.961	70.610.754	306.306	70.000
Liabilities and equity		86.819.749	92.665.430	11.893.285	11.618.713
Distribution of profit	9				
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Related parties	14				
Accounting Policies	15				

Statement of Changes in Equity

Group

	Share capital	Other reserves	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1.000.000	0	21.054.676	22.054.676
Exchange adjustments	0	-310.736	0	-310.736
Net profit/loss for the year	0	0	3.732.848	3.732.848
Equity at 31 December	1.000.000	-310.736	24.787.524	25.476.788

Parent Company

Equity at 1 January	1.000.000	0	10.548.713	11.548.713
Net profit/loss for the year	0	0	38.266	38.266
Equity at 31 December	1.000.000	0	10.586.979	11.586.979

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2020 DKK	2019 DKK
Net profit/loss for the year		3.732.848	2.294.504
Adjustments	11	1.996.258	916.532
Change in working capital	12	-2.904.093	-4.655.776
Cash flows from operating activities before financial income and expenses		2.825.013	-1.444.740
Financial income		534	9.455
Financial expenses		-1.196.323	-478.898
Cash flows from ordinary activities		1.629.224	-1.914.183
Corporation tax paid		-709.651	-264.843
Cash flows from operating activities		919.573	-2.179.026
Fixed asset investments made, net.		43.968	-9.270
Cash flows from investing activities		43.968	-9.270
Repayment of payables to group enterprises		-1.104.959	0
Raising of loans from group enterprises		0	2.829.113
Cash flows from financing activities		-1.104.959	2.829.113
Change in cash and cash equivalents		-141.418	640.817
Cash and cash equivalents at 1 January		11.076.292	10.435.475
Cash and cash equivalents at 31 December		10.934.874	11.076.292
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		10.934.874	11.076.292
Cash and cash equivalents at 31 December		10.934.874	11.076.292

Notes to the Financial Statements

	Group		Parent Company	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK
1 Staff expenses				
Wages and salaries	33.384.801	30.736.817	0	0
Pensions	3.091.504	2.961.939	0	0
Other social security expenses	1.233.066	1.598.067	0	0
Other staff expenses	75.859	148.522	0	0
	37.785.230	35.445.345	0	0
Including remuneration to the Executive Board of: Executive Board	6.144.132	4.988.891	0	0
	6.144.132	4.988.891	0	0
Average number of employees	49	47	0	0
2 Financial income				
Interest received from group enterprises	0	0	176.296	125.414
Other financial income	534	9.453	0	0
Exchange adjustments	0	0	0	12.543
	534	9.453	176.296	137.957
3 Financial expenses				
Other financial expenses	45.203	26.749	583	589
Exchange adjustments	1.151.119	452.133	51.806	0
	1.196.322	478.882	52.389	589

Notes to the Financial Statements

4 Tax on profit/loss for the year	Group		Parent Company	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
Current tax for the year	931.617	642.180	10.792	29.397
Deferred tax for the year	138.561	121.478	0	0
	1.070.178	763.658	10.792	29.397

5 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	727.655	1.300.906
Exchange adjustment	-1.762	-4.421
Cost at 31 December	725.893	1.296.485
Impairment losses and depreciation at 1 January	727.655	1.240.473
Exchange adjustment	-1.762	14.984
Depreciation for the year	0	41.028
Impairment losses and depreciation at 31 December	725.893	1.296.485
Carrying amount at 31 December	0	0
Depreciated over	5 years	10 years

Notes to the Financial Statements

6 Investments in subsidiaries

	Parent Company	
	2020	2019
	DKK	DKK
Cost at 1 January	6.711.087	6.711.087
Carrying amount at 31 December	6.711.087	6.711.087

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
COSCO SHIPPING Lines Denmark A/S	Birkerød, Denmark	DKK 500k	100%	11.847.378	2.449.314
COSCO SHIPPING Lines (Sweden) AB	Göteborg, Sweden	SEK 750k	100%	4.441.751	1.005.573
COSCO SHIPPING Lines (Norway)	Oslo, Norway	NOK 400k	100%	3.550.165	1.238.702

7 Other fixed asset investments

	Group
	Other receivables DKK
Cost at 1 January	529.776
Disposals for the year	-43.968
Cost at 31 December	485.808
Impairment losses at 1 January	0
Impairment losses at 31 December	0
Carrying amount at 31 December	485.808

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
8 Deferred tax asset				
Deferred tax asset at 1 January	712.505	833.983	0	0
Amounts recognised in the income statement for the year	-138.561	-121.478	0	0
Deferred tax asset at 31 December	505.482	712.505	0	0

9 Distribution of profit

Retained earnings	38.266	106.709
	38.266	106.709

10 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
Other payables				
Between 1 and 5 years	1.792.908	563.865	0	0
Long-term part	1.792.908	563.865	0	0
Other short-term payables	9.139.457	7.852.487	144.000	70.000
	10.932.365	8.416.352	144.000	70.000

Notes to the Financial Statements

	Group	
	2020 DKK	2019 DKK
11 Cash flow statement - adjustments		
Financial income	-534	-9.453
Financial expenses	1.196.322	478.882
Depreciation, amortisation and impairment losses, including losses and gains on sales	41.029	15.840
Tax on profit/loss for the year	1.070.177	763.658
Other adjustments	-310.736	-332.395
	1.996.258	916.532
12 Cash flow statement - change in working capital		
Change in receivables	5.266.950	-8.745.400
Change in trade payables, etc	-8.171.043	4.089.624
	-2.904.093	-4.655.776

Notes to the Financial Statements

13 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Group's total lease obligations amount to kDKK 2,543 (2019: kDKK 2,065).

The Group's total rent obligations amount to kDKK 3,992 (2019: kDKK 3,232).

COSCO SHIPPING Lines Nordic A/S is jointly and severally liable for the corporation tax in other Group enterprises under the joint taxation.

COSCO SHIPPING Lines Nordic A/S has guaranteed for all debt to the bank in COSCO SHIPPING Lines Denmark A/S.

14 Related parties

Basis

Consolidated Financial Statements

The Company is included in the Group Annual Report of

Name	Place of registered office
COSCO Container Lines Europe GmbH	Herrengraben 24, D-20459, Hamburg, Germany

The Group Annual Report of COSCO Container Lines Europe GmbH may be obtained at the following address:

Herrengraben 24,
20459, Hamburg,
Germany

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of COSCO SHIPPING Lines Nordic A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 are presented in DKK.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, COSCO SHIPPING Lines Nordic A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

15 Accounting Policies (continued)

Leases

Leases in terms of which the Group 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 alternative borrowing rate 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 Group.

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. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Income Statement

Revenue

Revenue from the sale of transport and services is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Logistics and transport expenses

Logistics and transport expenses comprise consumables consumed to achieve revenue for the year.

Notes to the Financial Statements

15 Accounting Policies (continued)

Other external expenses

Other external expenses comprise 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.

Amortisation and depreciation

Amortisation and depreciation comprise amortisation and depreciation of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

15 Accounting Policies (continued)

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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:

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of 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, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Notes to the Financial Statements

15 Accounting Policies (continued)

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.

Equity

Dividend

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

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 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 or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Group'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 Group'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.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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