

Prime Cargo A/S

Profilvej 4
6000 Kolding

CVR no. 20 60 11 08

Annual report 2018/19

The annual report was presented and approved at
the Company's annual general meeting on

28 August 2019

chairman

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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 Prime Cargo A/S for the financial year 1 April 2018 – 31 March 2019.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2019 and of the results of the Company's operations for the financial year 1 April 2018 – 31 March 2019.

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

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

Kolding, 28 August 2019

Executive Board:



Morten Høilund

Board of Directors:



Shigeki Kanai
Chairman



Kazuo Iwanaji



Hajime Ogawa

Independent auditor's report

To the shareholders of Prime Cargo A/S

Opinion

We have audited the financial statements of Prime Cargo A/S for the financial year 1 April 2018 – 31 March 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 31 March 2019 and of the results of the Company's operations for the financial year 1 April 2018 – 31 March 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 the 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 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 that 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

Independent auditor's report

effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 the work we have performed, 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 Statements Act. We did not identify any material misstatement of the Management's review.

Kolding, 28 August 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Prime Cargo A/S
Annual report 2018/19
CVR no. 20 60 11 08

Management's review

Company details

Prime Cargo A/S
Profilvej 4
6000 Kolding

CVR no.: 20 60 11 08
Financial year: 1 April – 31 March

Board of Directors

Shigeki Kanai, Chairman
Kazuo Iwanaji
Hajime Ogawa

Executive Board

Morten Høilund

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4
DK-6000 Kolding

Management's review

Financial highlights

DKK	2018/19	2017/18	2016/17	2015/16	2014/15
Key figures					
Revenue	577,907,719	530,833,544	323,960,167	378,807,627	421,488,025
Gross profit/loss	26,726,333	34,613,410	31,423,584	33,970,723	40,407,737
Operating profit/loss	-9,280,348	4,361,524	8,880,491	4,367,883	13,334,463
Profit/loss from financial income and expenses	-1,191,153	-284,647	-140,077	-47,306	618,341
Profit/loss for the year	-5,773,839	4,994,076	9,284,298	1,321,539	238,868
Assets					
Total assets	162,771,052	170,557,216	150,318,376	143,682,901	140,197,405
Equity	55,174,474	60,903,256	58,577,691	53,225,468	51,435,496
Investment in property, plant and equipment	4,744,542	13,059,187	8,855,357	6,064,858	1,191,371
Ratios					
Gross margin	4.62%	6.52%	9.70%	8.73%	9.73%
Return on equity	-4.97%	8.35%	15.84%	2.52%	0.50%

There has been changes in the accounting policy for financial years 2017/18 and 2016/17 and the figures has been restated. The figures for the financial years 2015/16 and before has not been changed.

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios". The financial ratios have been calculated as follows:

Gross margin

$$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$$

Return on equity

$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Management's review

Operating review

Principal activities

The primary activities of the Consolidate comprise shipping and transportation activities, storage hotel and distribution and thereby relates services.

Development in activities and financial position

The profit for the year amounts to DKK -5.773.839. At 31.03.2019 the equity amounts to DKK 55.174.474. The negative result of the year is mainly related to one off restructuring cost in the E-commerce warehouse and one off clean-up activities in subsidiaries.

Outlook

The activity level is expected to continue at the current level. Implementation of a new automated sorting system in our E-Commerce in 2019 is expected to contribute significant to our long term efficiency.

Particular risks

Business risks

The major business risks of the Company are attached to the ability to be strongly positioned in the markets in which the Company has activities.

Financial exposure

As a result of its operations, its investments, its financing the Company is exposed to changes in exchange rates and interest rate level. The Company's use of derivative financial instruments is solely made with a view to cover risks.

Intellectual capital resources

The employees of the Company have great insight in the shipping and transportation services markets which are the primary activities of the Company. The employees' detailed knowledge of shipping and transportation services are of vital importance to the Company's position on the market and future earnings.

General statement about CSR

Prime Cargo A/S takes its social responsibility seriously and has adopted and adheres to various policies in accordance with the Danish Financial Statements Act §99a.

The following describes the policies and how they are translated into actions. Prime Cargo A/S are in the process of building structured records of results achieved in connection with these policies, which will be updated on a regular basis.

Management's review

Operating review

Business model

Prime Cargo's main activities are within operates two business areas of approximately even size; We act as freight forwarder, where we through our network of agents worldwide and our foreign subsidiaries arrange both import and export transportation of our customers goods. Secondly, Prime Cargo provides warehouse logistic services. We take care of the total handling of finished goods from receiving, storing, picking, packing and distribution to the customers stores or end consumer. Both business areas complies with our CSR statement.

Human rights and employee relations

Prime Cargo A/S respects and supports human rights, as described in the Universal Declaration of Human Rights. Prime Cargo are a part of Mitsui Soko Group Companies, and the Group's Corporate Code of Conduct states that human rights are to be respected. Furthermore, there must be no discrimination based on age, religion, nationality, race, gender, sexual orientation, disability, pregnancy or political conviction. No violations of the Code of Conduct have been found during the year.

The Company have an employee handbook which contain the Company's operation procedures and it is a guideline for employees. The employee handbook must be signed before new employees can start their work at Prime Cargo. The handbook is electronic signed as of primo 2018.

Along with signing of the employee handbook new employees need to sign the Company's safety rules before they start. When the new employee starts there is on the job training and in the warehouses the employee will either be part of a team or work in pairs (Buddy system).

Prime Cargo have policies that ensure the safety and health of employees. The policies concern health and safety policy, alcohol and abuse policy and smoking policy. They all describe which guidelines apply to the different areas.

For Prime Cargo it is important that the employees are part of a safe workplace. In 2015 the Company had 15 work related injuries, in 2016 the number was 18 and in 2017 there were only 5 work related injuries. In 2018 we had 13 injuries - non of them were permanent injuries.

The Company focuses on the individual employee and offers individual terms to ensure a healthy work life balance. Employees are covered by health insurance and for a symbolic self-payment they can have extended coverage just as the employees' children can be included.

In addition, the Company have an employee retention policy. This includes, seniors who wish to stay on the labor market on special terms and employees affected by illness are offered light jobs.

The overall sickness absence rate is 4,8% in 2018, compared to 2.0% in 2017, and sickness absence has thus remained at a satisfactory low level.

In Prime Cargo we see limited risk for any violation of the individual human right. Also the nature of the work and the environment around our production impose limited risk on our employees' health and safety.

Management's review

Operating review

Climate and environment

In Prime Cargo, the environment is also an important factor. Therefore, we constantly think about new environmentally friendly product improvements and take responsibility and make a difference wherever we can.

As a freight forwarder Prime Cargo is not able to directly influence and reduce CO2 emissions from the transport we organize. The transports are for the most part carried out by subcontractors whose equipment is operated on market terms. We do though acknowledge our global responsibility for reducing the risk of unnecessary negative impact on climate and environment from our transports.

In 2018 we introduced a new service based on train for import from China to Europa, and thereby contributed to the global reduction of CO2 emission as majority of the products moving via this new train product would otherwise have moved on freight aircrafts.

The Company's focus is on two types of significant environmental improvements: 1) consolidate goods and routes to achieve a higher degree of efficiency, and 2) offer our customers transport from China to Denmark via rail where CO2 emissions are far less than both aircraft and road transport.

In the employees' handbook the importance of recycling is stated. At the Company's warehouses large amounts of cardboard and plastic film are handled every day and any leftovers are collected for recycling. In 2018, 340 ton cardboard was sent to recycling and 50 ton plastic film. In addition, all other wastes are sorted for recycling, including paper, metal and flammable materials.

Prime Cargo works to continuously reduce the consumption of electricity and heat. This is done to reduce the climate impact of the company's activities. Targeted efforts are being made to reduce the Company's electric and heating consumption, although some years there may be an increase due to higher activity and interannual weather differences. The Company's warehouses are in general not heated. Heating occurs rarely and solely to prevent damage to the customer's materials. Instead, investments have been made in electric gates that quickly shut to keep the heat inside.

Investments are made in low-energy equipment to reduce electricity consumption. In 2015, LED luminaires have been installed in most of the warehouses. On electricity, the Company achieved a 20.7% saving of the annual CO2 emissions level from 2015 to 2016. However, in 2017 and 2018 there was a slight 1.5% increase in the annual CO2 emissions level due to a higher activity level.* In 2018 we changed source for heating to CO2 neutral natural gas and thereby achieved a saving in the emission from heating of 10%.

*The CO2 calculation is based on the Building Agency's CO2 calculator

Anti-corruption and bribery

Prime Cargo wishes to be part of a professional, sound and trustworthy business environment. Therefore, The Company do not accept corruption or bribery. The risk of corruption and bribery from our employees is estimated to be low due to our procedures and the internal control function headed by Mitsui-Soko. In addition to the moral aspects, corruption is a major obstacle to sound economic development in many countries.

The Mitsui Soko Group's Corporate Code of Conduct describes in detail that corruption and associated activities are not allowed and must be counteracted. All employees are instructed about our code of conduct at employment. No cases of corruption have been identified in 2018.

Management's review

Operating review

Social and staff matter

We continuously work to reduce the risk on safety, injuries, sickness and general health and wellbeing of our employees. Prime Cargo have several policies that ensure the safety and health of employees. The policies concern health and safety policy, alcohol and abuse policy and smoking policy. They all describe which guidelines apply to the different areas. For Prime Cargo it is important that the employees are part of a safe workplace. In 2015 the Company had 15 work related injuries, in 2016 the number was 18 and in 2017 there were only 5 work related injuries. In 2018 we had 13 injuries – non were permanent injuries. The Company focuses on the individual employee and offers individual terms to ensure a healthy work life balance. Employees are covered by health insurance and for a symbolic self-payment they can have extended coverage just as the employees' children can be included. In addition, the Company have an employee retention policy. This includes, seniors who wish to stay on the labor market on special terms and employees affected by illness are offered light jobs. The overall sickness absence rate is 4,8% in 2018, compared to 2.0 in 2017, and sickness absence has thus remained at a satisfactory low level.

Gender balance

In accordance with the Danish Financial Statements Act §99b the Board of Directors of Prime Cargo wants to give both sexes equal access to leadership positions and believes that board members should be chosen based on their overall competencies. The male - female balance on the Company's Board of Directors is at present 100%/0%. The aim is to increase the share of women on the Board of Directors to 1/3 by 2021. This accounts for 1 female member out of the 3 elected members by the annual general meeting. The measures initiated did not pay off in 2018/19 but the goal was re-confirmed by the Board of Directors. The risk of not fulfilling the above target exist in the case Board members are purely appointed by our owner based on the board members qualifications and not gender.

The Executive Board consists of one person and Prime Cargo's management team consists of 6 people whereas, five are men and one is female. Prime Cargo are working to increase the proportion of women in management and the Company have developed an education programme (Prime Academy) for leaders and aspiring leaders. The 2018 class had six men and two females graduating. The proportion of female leaders is unchanged in 2018 as there has been no incidents where a female leader where replaced by a male.

Financial statements 1 April – 31 March

Income statement

DKK	Note	2018/19	2017/18
Revenue	2	577,907,719	530,833,544
Production costs		<u>-551,181,386</u>	<u>-496,220,134</u>
Gross profit		26,726,333	34,613,410
Distribution costs	3, 4	-2,507,684	-1,986,737
Administrative expenses	3, 4	<u>-33,498,997</u>	<u>-28,265,149</u>
Operating profit/loss		-9,280,348	4,361,524
Income from equity investments in group entities		765,656	1,984,808
Financial income	5	2,551,233	1,672,438
Financial expenses	6	<u>-1,360,079</u>	<u>-1,957,085</u>
Profit/loss before tax		-7,323,538	6,061,685
Tax on profit/loss for the year	7	<u>1,549,699</u>	<u>-1,067,609</u>
Profit/Loss for the year	8	<u><u>-5,773,839</u></u>	<u><u>4,994,076</u></u>

Financial statements 1 April – 31 March

Balance sheet

DKK	Note	31/3 2019	31/3 2018
ASSETS			
Fixed assets			
Intangible assets	9		
Goodwill		<u>686,567</u>	<u>1,275,052</u>
Property, plant and equipment	10		
Plant and machinery		8,288,777	9,130,379
Fixtures and fittings, tools and equipment		4,861,516	7,713,027
Leasehold improvements		<u>4,073,958</u>	<u>4,877,363</u>
		<u>17,224,251</u>	<u>21,720,769</u>
Investments	11		
Equity investments in group entities		5,211,251	1,320,133
Investments in associates		5,376,548	5,376,548
Receivables from group entities		14,524,086	12,639,167
Other securities and equity investments		2,100	2,100
Deposits		<u>34,181,128</u>	<u>31,899,755</u>
		<u>59,295,113</u>	<u>51,237,703</u>
Total fixed assets		<u>77,205,931</u>	<u>74,233,524</u>
Current assets			
Receivables			
Trade receivables		73,544,391	79,645,167
Receivables from group entities		2,887,552	7,831,468
Other receivables		304,598	335,016
Deferred tax asset	12	2,268,164	723,482
Corporation tax		0	210,740
Prepayments	13	<u>4,220,348</u>	<u>3,249,693</u>
		<u>83,225,053</u>	<u>91,995,566</u>
Cash at bank and in hand		<u>2,340,068</u>	<u>4,328,126</u>
Total current assets		<u>85,565,121</u>	<u>96,323,692</u>
TOTAL ASSETS		<u>162,771,052</u>	<u>170,557,216</u>

Financial statements 1 April – 31 March

Balance sheet

DKK	Note	31/3 2019	31/3 2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,800,000	1,800,000
Retained earnings		<u>53,374,474</u>	<u>59,103,256</u>
Total equity		<u>55,174,474</u>	<u>60,903,256</u>
Liabilities			
Non-current liabilities other than provisions			
	14		
Lease obligations		8,503,978	7,908,824
Other payables		<u>15,000</u>	<u>15,000</u>
		<u>8,518,978</u>	<u>7,923,824</u>
Current liabilities other than provisions			
	18		
Current portion of non-current liabilities		4,127,882	3,504,233
Banks, current liabilities		7,598,345	4,442,705
Trade payables		44,738,255	46,455,005
Payables to group entities		23,772,893	28,167,823
Other payables		<u>18,840,225</u>	<u>19,160,370</u>
		<u>99,077,600</u>	<u>101,730,136</u>
Total liabilities		<u>107,596,578</u>	<u>109,653,960</u>
TOTAL EQUITY AND LIABILITIES		<u>162,771,052</u>	<u>170,557,216</u>
Contractual obligations, contingencies, etc.			
	15		
Mortgages and collateral	19		
Related party disclosures	16		
Disclosure of events after the balance sheet date	17		

Financial statements 1 April – 31 March

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 April 2018	1,800,000	59,103,256	60,903,256
Exchange adjustment	0	45,057	45,057
Transferred over the distribution of loss	0	-5,773,839	-5,773,839
Equity at 31 March 2019	1,800,000	53,374,474	55,174,474

Financial statements 1 April – 31 March

Notes

1 Accounting policies

The annual report of Prime Cargo A/S for 2018/19 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act..

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

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Mitsui-Soko (Europe) s.r.o.

Consolidated financial statements

Pursuant to section 112(i) of the Danish Financial Statements Act, no consolidated financial statements has been prepared. The financial statement for Prime Cargo A/S, is a part of the consolidated financial statements of Mitsui-Soko (Europe) s.r.o.

Omission of audit fee

Pursuant to section 96(3) of the Danish Financial Statements Act, no note for audit fee has been prepared. Audit fee is a part of the consolidated financial statement of Mitsui-Soko (Europe) s.r.o.

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 the date of payment are recognised in the income statement as financial income or financial expenses.

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

Receivables, 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 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.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Revenue

Revenue from the sale of transportation services are recognised in the income statement when commenced.

Other services are recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise cost of sale for the financial year, including wages and salaries as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sale staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Income from equity investments in group entities

Income from equity investments in group entities comprises the pro rata share of individual entities' profit/loss after full elimination of internal profits or losses.

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

Administrative cost

Administrative cost comprise cost incurred during the year for management and administration of the Group, including expenses for administrative staff, Management, office premises, office expenses and depreciation.

Income from equity investments in associates

Dividend is recognised in the Company's income statement at cost.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group entities, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group entities, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. 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

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

Property, plant and equipment

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

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

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

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

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

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 stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Equity investments in group entities

Investments in group entities are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the entity's equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group entities with negative equity are measured at DKK 0, and any receivables from these entities are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant entity.

Upon distribution of profit or loss, net revaluation of investments in group entities is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the entities are strategically acquired entities with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets.

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Investments in group entities are written down to the lower of recoverable amount and carrying amount.

Equity investments in associates

Equity investments in associates are measured at cost. If cost exceeds the net realisable value, write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities 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 forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad doubtful debts.

Other investments

Other investments under current assets comprise investments which in principle are measured at fair value (market price) at the balance sheet date. As the fair value may not be established and an adjusted sales price may not be calculated, other investments are measured at cost.

Other investments are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

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1 Accounting policies (continued)

Cash

Cash comprises cash in hand and bank deposits.

Equity

Dividends

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Leases

Finance lease liabilities:

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases:

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

Assets in the segment comprise assets used directly in revenue-generating activities.

Segment liabilities comprise liabilities derived from the operations of the segment, including trade payables and other payables.

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2 Segment information

Activities – primary segment

DKK	Freight	Warehouse	Total
2018/19	285,830,676	292,077,043	577,907,719
2017/18	274,456,494	256,377,360	530,833,854

Geographical – secondary segment

DKK	Scandinavia	Rest of Europe	Rest of the world	Total
2018/19	528,468,866	6,316,424	43,122,429	577,907,719
2017/18	451,047,819	28,920,643	50,862,392	530,830,854

3 Staff costs

DKK	2018/19	2017/18
Wages and Salaries	116,304,003	93,689,118
Pensions costs	3,563,630	3,721,710
Other social security costs	1,754,963	1,143,518
Other staff costs	453,937	23,546
	<u>122,076,533</u>	<u>98,577,892</u>
Average number of employees	335	285

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

4 Depreciation, amortisation and impairment losses

DKK	2018/19	2017/18
Amortisation of intangible assets	588,485	588,480
Depreciation on property, plant and equipment	9,241,059	10,257,402
Profit/loss from sale of intangible assets and plant and equipment	0	40,293
	<u>9,829,544</u>	<u>10,886,175</u>

5 Financial income

DKK	2018/19	2017/18
Interest income from group entities	577,766	712,949
Other financial income	1,973,467	959,489
	<u>2,551,233</u>	<u>1,672,438</u>

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6 Financial expenses

DKK	2018/19	2017/18
Interest expense to group entities	163,331	51,799
Other financial costs	1,175,784	1,010,255
Exchange adjustments costs	20,964	842,769
Fair value adjustments of financial instruments	0	52,262
	<u>1,360,079</u>	<u>1,957,085</u>

7 Tax on profit/loss for the year

DKK	2018/19	2017/18
Current tax for the year	0	56,919
Deferred tax for the year	-1,544,682	1,012,223
Adjustment of tax concerning previous years	-5,017	-1,533
	<u>-1,549,699</u>	<u>1,067,609</u>

8 Proposed profit appropriation/distribution of loss

DKK	2018/19	2017/18
Retained earnings	<u>-5,773,839</u>	<u>4,994,076</u>

9 Intangible assets

DKK	Goodwill	Total
Cost at 1 April 2018	<u>5,029,728</u>	<u>5,029,728</u>
Cost at 31 March 2019	<u>5,029,728</u>	<u>5,029,728</u>
Amortisation and impairment losses at 1 April 2018	<u>-3,754,676</u>	<u>-3,754,676</u>
Amortisation for the year	<u>-588,485</u>	<u>-588,485</u>
Amortisation and impairment losses at 31 March 2019	<u>-4,343,161</u>	<u>-4,343,161</u>
Carrying amount at 31 March 2019	<u>686,567</u>	<u>686,567</u>

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10 Property, plant and equipment

DKK	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 April 2018	75,289,621	35,853,692	18,747,272	129,890,585
Additions for the year	3,641,489	702,357	400,696	4,744,542
Disposals for the year	-28,500	-31,999	0	-60,499
Cost at 31 March 2019	78,902,610	36,524,050	19,147,968	134,574,628
Depreciation and impairment losses at 1 April 2018	-66,159,242	-28,140,665	-13,869,909	-108,169,816
Depreciation for the year	-4,483,091	-3,553,868	-1,204,100	-9,241,059
Depreciation and impairment losses for the year on assets sold	28,500	31,999	0	60,499
Depreciation and impairment losses at 31 March 2019	-70,613,833	-31,662,534	-15,074,009	-117,350,376
Carrying amount at 31 March 2019	8,288,777	4,861,516	4,073,959	17,224,252

Recognised assets not owned by entity DKK 1,983 thousand.

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11 Investments

	Equity investments in group entities	Investments in associates
DKK		
Cost at 1 April 2018	9,919,376	5,376,548
Cost at 31 March 2019	9,919,376	5,376,548
Revaluations at 1 April 2018	-8,599,243	0
Exchange adjustment	45,058	0
Net profit/loss for the year	8,870	0
Equity investments with negative net asset value	3,837,190	0
Revaluations 31 March 2019	-4,708,125	0
Carrying amount at 31 March 2019	5,211,251	5,376,548

	Receivables from group entities	Other securities and equity investments	Deposits
DKK			
Cost at 1 April 2018	26,166,977	2,100	31,899,755
Additions for the year	0	0	2,281,373
Disposals for the year	-11,642,892	0	0
Cost at 31 March 2019	14,524,085	2,100	34,181,128
Carrying amount at 31 March 2019	14,524,085	2,100	34,181,128

12 Deferred tax asset

DKK	31/3 2019	31/3 2018
Deferred tax asset	723,482	1,735,704
Adjustment, deferred tax asset	1,544,682	-1,012,222
	2,268,164	723,482

13 Prepayments

Prepayments comprised prepaid operating expenses. Prepayment are measured at cost.

14 Non-current liabilities other than provisions

DKK	31/3 2019	31/3 2018	Total debt at 31/3 2019	Repayment, first year	Outstanding debt after five years
Lease obligations	8,503,978	7,908,824	12,631,860	4,127,882	1,955,921
	8,503,978	7,908,824	12,631,860	4,127,882	1,955,921

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15 Contractual obligations, contingencies, etc.

Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which the Company serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore alternatively liable from the financial year from 30 May 2015 for income taxes etc for the jointly taxed entities, but only for the share by which the Entity is included in the Group.

Operating lease obligations

The Company has undertaken rental and lease commitments, which at the balance sheet date amount to DKK 307,246 thousand during the non-cancellable period. The non-cancellable period of the rental and lease contracts is up to 10 years.

Remaining operating lease obligations at the balance sheet date fall due at DKK 12,632 thousand within 4 years (2017/18: DKK 11,413 thousand).

16 Related party disclosures

Prime Cargo A/S is part of the consolidated financial statements of Mitsui-Soko (Europe) s.r.o, registered office, and the consolidated financial statements of Mitsui-Soko Holdings Co.,Ltd. registered office, which are the smallest and largest groups, respectively, in which the Company is included as a subsidiary. The consolidated financial statements of Mitsui-Soko Holdings Co.,Ltd. can be obtained by contacting the company at the following address:

3-20-1 Nishi-Shimbashi, Minato-Ku,Tokyo, 105-0003, Japan

Related party transactions

In FY2018/19 Prime Cargo, have had the following related party transactions:

DKK	2018/19
Purchase of services from Group entities	15,049,115
Sale of services to Group entities	70,665,402
	<u>85,714,517</u>

17 Disclosure of events after the balance sheet date

No significant events have occurred subsequent to the financial year.

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Notes

18 Current liabilities

19 Mortgages and collateral

. The following assets has been provided as collateral for debt to banks (company charge):

Land, buildings, plant, machinery goodwill, domain names, goods, goods of intermediate products and motor vehicle not previously registered and receivable from sales.

As at balance sheet date the collateral amounts to a maximum of DKK 10.000 thousand.

After the balance sheet date, the collateral has been raised to a maximum of DKK 20.000 thousand.