Monjasa A/S

Strevelinsvej 34
7000 Fredericia
Central Business Registration No
26480531

Annual report 2016

The Annual General Meeting adopted the annual report on 31.05.2017

Chairman of the General Meeting

Name: Kenneth Henriks

Contents

Entity details

Entity
Monjasa A/S
Strevelinsvej 34
7000 Fredericia

Central Business Registration No: 26480531
Registered in: Fredericia
Financial year: 01.01.2016 - 31.12.2016

Board of Directors
Anders Østergaard, chairman
Kenneth Henriks
Svend Stenberg Mølholt

Executive Board
Svend Stenberg Mølholt

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Monjasa A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Fredericia, 31.05.2017

Executive Board

Svend Stenberg Mølholt

Board of Directors

Anders Østergaard chairman	Kenneth Henriks	Svend Stenberg Mølholt

Independent auditor's report

To the shareholders of Monjasa A/S

Opinion

We have audited the financial statements of Monjasa A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor’s responsibilities for the audit of the financial statements section of this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity’s ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 31.05.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Lars Siggaard Hansen	Kåre Valtersdorf
State Authorised Public Accountant	State Authorised Public Accountant

Management commentary

	2016 USD'000	2015 USD'000	2014 USD'000	2013 USD'000	2012 USD'000
Financial highlights					
Key figures					
Revenue	434.324	700.185	1.805.765	1.553.150	1.025.848
Gross profit/loss	8	27.126	15.837	20.574	20.031
Operating profit/loss	(12.977)	15.480	2.227	10.972	13.795
Net financials	(3.364)	(2.686)	(3.463)	(1.749)	(887)
Profit/loss for the year	(13.293)	7.627	(6.455)	8.788	10.618
Total assets	83.036	107.946	192.894	224.420	146.391
Investments in property, plant and equipment	344	640	2.876	1.475	1.568
Equity	18.372	51.665	44.038	52.470	43.231
Ratios					
Gross margin (%)	0,0	3,9	0,9	1,3	2,0
Return on equity (%)	(38,0)	15,9	(13,4)	18,4	27,6
Equity ratio (%)	22,1	47,9	22,8	23,4	29,5
Profit margin (%)	(3,0)	2,2	0,1	0,7	1,3

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.
Profit margin (%)	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$	The Entity's operating profitability.

Management commentary

Primary activities
The main activity of the Company comprises sale, purchase and transportation of fuel and gas oil for the marine industry. Monjasa focuses on providing value-added services such as the granting of fuel credit and issuing technical and commercial advice.

Development in activities and finances
Monjasa operations (EBIT) reached USD -13 million in 2016 (2015: USD 15 million), which is unsatisfactory. The net result after tax for 2016 amounts to USD -13m and at 31 December 2016 equity amounts to USD 18m. The net result was affected by lower trading volumes, the overall slowdown in the global maritime shipping markets, strong competition in some of the Company's core markets as well as non-recurring items of expenditures. Management considers the net result achieved very unsatisfactory.

Profit/loss for the year in relation to expected developments
Total revenue from the bunker oil activity decreased in 2016, as a result of a lower average oil price and lower demand combined with stronger competition in some of the main markets. Other external expenses and staff expenses have increased compared to the previous year. Sharpened focus on the core business reversed the trend in the latter part of 2016 and a lower cost level is currently projected for 2017.

However, the Management foresees a continued highly competitive global bunker market due to the low oil price levels and an overall increasingly income-challenged maritime shipping industry. General market conditions may therefore negatively impact the operating result.

Uncertainty relating to recognition and measurement
Trade receivables are recognised at amortised cost less provisions for bad and doubtful debts. The receivables in the balance sheet are not insured in full.

Management assesses that there are no further items in the financial statement which are subject to uncertainty that may have significant impact on results, and therefore, on the true and fair view.

Unusual circumstances affecting recognition and measurement
The Company's financial position at 31 December 2016 as well as the results of the Company's operations for the financial year 2016 are not affected by any unusual circumstances other than those described under development in activities and finances above.

Outlook
In 2017, the bunker oil activity is expected to improve after a difficult 2016 and the Management expects increasing levels of sales measured in metric tonnes.

Based on the continued cost focus from 2016 and commercial development we have seen in the beginning of 2017, the net result for the Company is expected to be a significant improvement compared to 2016 and in the region of USD -4m to -6m.

Management commentary

The expectations to the 2017 financial performance is naturally subject to uncertainty and in particular with respect to the development in global shipping markets and oil prices.

Capital resources

Increased focus on cash management and lower activity led to reduced working capital requirement and therefore the cash flow was satisfactory during 2016. During 2016, the borrowing base scheme has gradually been reduced and was finally unwinded 31 March 2017. The significant working capital improvement achieved in 2016 enabled the re-payment of the previous borrowing base facility as described in our 2015 annual report. The Company continuously pursues diversifying the sources of financing and will continue these efforts beyond what was accomplished during 2016 to maintain a financing that is competitive and supportive of the further commercial development.

Particular risks

Operating risks

Bunker oil

The Board of Directors, and the Monjasa Compliance department are acting independently from the operational Group functions. Thereby, they continuously review and manage any developments in the overall operating risks associated to the Company's main business activities.
It is assessed that there are no sizeable uncovered risks in respect of the Company's operations. The Company likewise holds adequate insurances against potential exposures, which could occur to the Company bunker oil operations.

Market risks

The bunker oil activity is only marginally affected by the risk of fluctuations in oil prices, as the oil products are either purchased and sold simultaneously, or otherwise hedged against fluctuations. The Company continuously hedges minimum 75% and usually more than 95% of its oil price exposure.

Financial risks

Bunker oil

USD is the primary currency applied in the bunkering and tanker activities and there is no translation risks related to exchange rates in the financial statements.

Interest rate risks

Operating within the oil and shipping industry often involves extensive capital requirements, which results in financing requirements for companies with high growth. The Company's debt is primarily based on variable interest rates. Therefore, the interest rate has an influence on the Company's results. Management reassesses financing options on a concurrent basis based on the interest rate development.

Management commentary

Refinancing risks

Management adjusts the financial resources concurrently to facilitate future growth and provide for the challenges of a volatile oil price market. Management continuously monitors developments and pursue diversified and adequate financing to support future business development activities.

Credit risks

Granting credit to counterparts represents a high risk in the oil and shipping industry. Group Management therefore maintains a strong focus on the policies towards approval of trading partners and granting of credit lines to these. The Monjasa Group has a separate Credit department, which evaluates all new and existing trading partners in accordance with the credit policy. This includes use of client credit insurance and credit rating models, which are being regularly updated to fit the state of the industry at all times.
No change in 2016 to the expectations to loss on debtors compared to previous years.

Intellectual capital resources

Development in the Company leads to an increasing need for competent employees and a flexible organisation. Therefore, the Company increasingly spends resources towards attracting new talented employees and on retaining and training current ones. The Company operates a flat organisational structure characterised by close and open dialogue between Management and employees.

Environmental performance

In 2016, the Company experienced zero environmental incidents during any operation. We acknowledge that we have a responsibility towards the global environment and climate challenges. Monjasa Holding A/S on behalf of the Company and Group signed a commitment with Buckingham Palace towards the prevention of illegal trade of wildlife in 2016. The Company now has a Zero Tolerance Policy in the respect of this commitment and has an objective plan for its implementation in 2017.

The Group and Company maintains ISO 9001, ISO 14001 and OHSAS 18001 certifications through a dedicated HSEQ Department.

ISO 9001: 2015 Quality Management

The purpose of this certification is to ensure we take appropriate action to ensure all features of the service we offer meet the needs and expectations of our customers.

ISO 14001: 2015 Environmental Management

The purpose of this certification is to ensure we take appropriate action to ensure all features of the service we offer meet the needs and expectations of our customers.

OHSAS 18001: 2007 Occupational Health and Safety Management

The purpose of this certification is to ensure sound management of health and safety risks posed on employees, whilst also ensuring the safety of thoses who work with us.

For all business partners, this means demonstration and assurance of the Company's constant focus on client satisfaction, reduction of environmental risks and optimising the working environment.

Management commentary

By continious monitoring, evaluation and documentation of our entire value chain, the Company can thereby rely on doing business with a Company that systematically manages all risks associated to our worldwide activities.

Statutory report on corporate social responsibility
With reference to the Monjasa Holding A/S' consolidated statement for corporate social responsibility according to Danish Financial Statements Act section 99a sub-clause 6.

Statutory report on the underrepresented gender
This section constitutes Monjasa's statement of compliance with the Danish Financial Statements Act, section 99 (b).

Monjasa is committed to providing equal opportunities at the workplace – we recruit and promote employees based solely on merit rather than focusing on gender equality. We take pride in having a more proportionate gender distribution in the organisation compared to the industry average.

The general female composition is in line with 2015, constituting a split of 41% in 2016. The female representation of managers increased slightly from 25% to 27% in 2016. While we are aware that the gender composition at manager levels is disproportionate relative to our overall employee gender ratio, we remain steadfast in our view that the most competent and suitable candidates have been selected for the job.

In line with current legislation to counteract the gender imbalance in boardrooms, Monjasa A/S aims to introduce at least one female to the board by 2020. By the end of 2016, this goal has not been reached.

Events after the balance sheet date
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	Notes	2016 USD'000	2015 USD'000
Revenue	1	434.324	700.185
Other operating income		3.621	21.870
Cost of sales		(426.807)	(686.664)
Other external expenses		(11.130)	(8.265)
Gross profit/loss		**8**	**27.126**
Staff costs	2	(11.780)	(10.421)
Depreciation, amortisation and impairment losses	3	(1.205)	(1.225)
Operating profit/loss		**(12.977)**	**15.480**
Other financial income	4	6.665	4.706
Other financial expenses	5	(10.029)	(7.392)
Profit/loss before tax		**(16.341)**	**12.794**
Tax on profit/loss for the year	6	3.048	(5.167)
Profit/loss for the year	7	**(13.293)**	**7.627**

Balance sheet at 31.12.2016

	Notes	2016 USD'000	2015 USD'000
Acquired licences		1.937	1.367
Intangible assets	8	**1.937**	**1.367**
Land and buildings		1.195	1.046
Other fixtures and fittings, tools and equipment		1.227	1.629
Leasehold improvements		238	321
Property, plant and equipment	9	**2.660**	**2.996**
Other investments		243	213
Deposits		1.119	1.166
Fixed asset investments	10	**1.362**	**1.379**
Fixed assets		**5.959**	**5.742**
Raw materials and consumables		13.054	9.498
Inventories		**13.054**	**9.498**
Trade receivables		47.432	50.426
Receivables from group enterprises		5.375	18.926
Other receivables		2.741	12.251
Income tax receivable		2.707	0
Prepayments	11	261	668
Receivables		**58.516**	**82.271**
Cash		**5.507**	**10.435**
Current assets		**77.077**	**102.204**
Assets		**83.036**	**107.946**

Balance sheet at 31.12.2016

	Notes	2016 USD'000	2015 USD'000
Contributed capital	12	68	68
Retained earnings		18.304	31.597
Proposed dividend		0	20.000
Equity		**18.372**	**51.665**
Deferred tax	13	134	1.709
Provisions		**134**	**1.709**
Current portion of long-term liabilities other than provisions		0	39
Bank loans		12.830	10.586
Finance lease liabilities		29	0
Trade payables		17.245	18.935
Payables to group enterprises		31.563	22.664
Income tax payable		0	1.165
Other payables		2.863	1.183
Current liabilities other than provisions		**64.530**	**54.572**
Liabilities other than provisions		**64.530**	**54.572**
Equity and liabilities		**83.036**	**107.946**
Financial instruments	14		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Related parties with controlling interest	17		
Transactions with related parties	18		
Group relations	19		

Statement of changes in equity for 2016

	Contributed capital USD'000	Retained earnings USD'000	Proposed dividend USD'000	Total USD'000
Equity beginning of year	68	31.597	20.000	51.665
Ordinary dividend paid	0	0	(20.000)	(20.000)
Profit/loss for the year	0	(13.293)	0	(13.293)
Equity end of year	**68**	**18.304**	**0**	**18.372**

Notes

1. Revenue

The Company’s activities are perceived as one segment.

	2016 USD'000	2015 USD'000
2. Staff costs		
Wages and salaries	11.086	9.788
Pension costs	585	520
Other social security costs	109	113
	11.780	**10.421**
Average number of employees	**110**	**123**

Remuneration of management is omitted in pursuance of the Danish Financial Statements Act section 96 (b), subsection 3, as only one management person receives remuneration.

	2016 USD'000	2015 USD'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	506	321
Depreciation of property, plant and equipment	726	904
Profit/loss from sale of intangible assets and property, plant and equipment	(27)	0
	1.205	**1.225**

	2016 USD'000	2015 USD'000
4. Other financial income		
Financial income arising from group enterprises	121	442
Interest income	552	243
Other financial income	5.992	4.021
	6.665	**4.706**

Notes

	2016 USD'000	2015 USD'000
5. Other financial expenses		
Financial expenses from group enterprises	391	81
Interest expenses	475	1.186
Exchange rate adjustments	469	1.368
Other financial expenses	8.694	4.757
	10.029	**7.392**

	2016 USD'000	2015 USD'000
6. Tax on profit/loss for the year		
Tax on current year taxable income	(2.459)	1.165
Change in deferred tax for the year	(1.575)	2.997
Adjustment concerning previous years	986	1.005
	(3.048)	**5.167**

	2016 USD'000	2015 USD'000
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	20.000
Retained earnings	(13.293)	(12.373)
	(13.293)	**7.627**

	Acquired licences USD'000
8. Intangible assets	
Cost beginning of year	2.492
Additions	1.076
Cost end of year	**3.568**
Amortisation and impairment losses beginning of year	(1.125)
Amortisation for the year	(506)
Amortisation and impairment losses end of year	**(1.631)**
Carrying amount end of year	**1.937**

The residual value is estimated to USD 0.

Notes

	Land and buildings USD'000	Other fixtures and fittings, tools and equipment USD'000	Leasehold improve-ments USD'000
9. Property, plant and equipment			
Cost beginning of year	1.234	4.119	885
Transfers	0	44	0
Additions	161	130	53
Disposals	0	(13)	(2)
Cost end of year	**1.395**	**4.280**	**936**
Depreciation and impairment losses beginning of the year	(188)	(2.490)	(564)
Depreciation for the year	(12)	(563)	(135)
Reversal regarding disposals	0	0	1
Depreciation and impairment losses end of the year	**(200)**	**(3.053)**	**(698)**
Carrying amount end of year	**1.195**	**1.227**	**238**
Recognised assets not owned by entity	**-**	**105**	**-**

The residual value is estimated to USD 0.

	Other investments USD'000	Deposits USD'000
10. Fixed asset investments		
Cost beginning of year	213	1.166
Additions	30	103
Disposals	0	(150)
Cost end of year	**243**	**1.119**
Carrying amount end of year	**243**	**1.119**

11. Prepayments

Prepayments comprise prepaid cost relating to subsquent financial years as freight, insurance etc.

Notes

	Number	Par value USD'000	Nominal value USD'000
12. Contributed capital			
Shares	578.431	0,12	68
	578.431		**68**

The share capital is registered as DKK 578.431.

	2016 USD'000
13. Deferred tax	
Changes during the year	
Beginning of year	1.709
Recognised in the income statement	(1.575)
End of year	**134**

Deferred tax is related to Intangible assets, Tangible assets and derivative financial instruments.

14. Financial instruments

Net volumes	Net value M tonnes	2016 USD'000
18. Derivative financial instruments		
Derivatives maturing within 0-3 months	6.968	321
Derivatives maturing within 3-12 months	(16.800)	(1.201)
	(9.832)	**(880)**

	2016 USD'000	2015 USD'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**12.348**	**9.999**

16. Contingent liabilities

The Company has assumed contingent liabilities regarding charter hire, which at 31 December 2016 amount to USD 1.472k (2015: USD 5.454k)

The Entity participates in a Danish joint taxation arrangement in which Monjasa Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend

Notes

for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

The Company has issued a guarantee for the debt to financial institutions of the group enterprise Downstream Holding A/S and Monjasa Holding A/S, which at 31 December 2016 amounts to USD 135m (2015 USD 242m)

The guarantees consist of the following collaterals: receivables, inventory and floating charge.

The Company's factoring facility has security in specific receivables.

17. Related parties with controlling interest
Controlling interest

Monjasa Holding A/S, Fredericia, Denmark, controlling shareholder (ultimate)

Downstream Holding A/S, Fredericia, Denmark, immediate controlling shareholder

Other related parties

Anders Østergaard, Chairman of the Supervisory Board

Kenneth Henriks, member of the Supervisory Board

Svend Stenberg Mølholt, Chief Executive Officer and member of the Supervisory Board

Monjasa Holding A/S and related companies, Group enterprise

18. Transactions with related parties

The annual report discloses transactions with related parties that have not been completed on market terms. No such transactions have been completed during the financial year.

19. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Monjasa Holding A/S, Fredericia

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises large.

The accounting policies applied to these financial statements are consistent with those applied last year.

The functional and presentation currecy is USD with the applied exchange rate for 2016: 7.05 (2015: 6.83).

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Accounting policies

Income statement

Revenue

Revenue from the sale of goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Company's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

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

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, 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.

Accounting policies

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the Danish Parent company. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Intellectual property rights etc
Software is measured at cost less any accumulated amortisation and impairment losses or at a lower recoverable amout.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset’s fair value and present value of future lease payments.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	2 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Accounting policies

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Other investments
Other investments comprise unlisted securities and deposits which are measured at cost at the balance sheet date.

Inventories
Inventories are measured at the lower of cost using the weighted average method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
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.

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.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

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.

Other financial liabilities

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

Cash flow statement

Cash flow statement has been omitted in pursuance of the Danish Financial Statements Act section 86, subsection 4. Cash flows are included in the Consolidated Cash Flow Statement for Monjasa Holding A/S.