
Worldwide Flight Services Denmark A/S

Kystvejen 32, DK-2770 Kastrup

Annual Report for 1 January - 31 December 2022

CVR No 28 48 82 62

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
27/6 2023

Thomas Hjorth Egeland
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 Worldwide Flight Services Denmark A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations and cash flows for 2022.

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.

Copenhagen, 27 June 2023

Executive Board

Thomas Hjorth Egeland
Executive Officer

Board of Directors

John Andrew Batten
Chairman

Thomas Hjorth Egeland

Kerry Mok Tee Heong

Independent Auditor's Report

To the Shareholder of Worldwide Flight Services Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Worldwide Flight Services Denmark A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 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 financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

Independent Auditor's Report

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.

Hellerup, 27 June 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen

State authorized public accountant

mne28703

Sune Christensen Bjerre

State authorized public accountant

mne47832

Company Information

The Company

Worldwide Flight Services Denmark A/S
Kystvejen 32
DK-2770 Kastrup

Telephone: + 45 32465000
E-mail: cph-cargo@wfs.aero

CVR No: 28 48 82 62
Financial period: 1 January - 31 December
Financial year: 18th financial year
Municipality of reg. office: Tårnby

Board of Directors

John Andrew Batten, Chairman
Thomas Hjorth Egeland
Kerry Mok Tee Heong

Executive Board

Thomas Hjorth Egeland

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2022 TDKK	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK
Key figures					
Profit/loss					
Gross profit/loss	127.514	109.453	101.712	105.593	98.944
Operating profit/loss	17.527	18.361	8.726	4.461	2.046
Profit/loss before financial income and expenses	17.527	18.361	11.382	4.461	2.046
Net financials	-5.292	-4.359	-3.903	-1.737	-8.011
Net profit/loss for the year	9.542	11.230	3.745	13.121	-5.965
Balance sheet					
Balance sheet total	466.502	372.698	321.472	133.428	110.858
Equity	82.508	72.966	61.735	57.990	44.869
Cash flows					
Cash flows from:					
- operating activities	20.804	21.233	2.582	9.597	4.105
- investing activities	-112.088	-22.059	-17.174	-13.910	-109
including investment in property, plant and equipment	-38.179	-22.059	-17.174	-13.910	-109
- financing activities	78.748	40.525	20.224	3.038	-777
Change in cash and cash equivalents for the year	-12.536	39.699	5.632	-1.275	3.219
Number of employees	150	136	148	155	147
Ratios					
Return on assets	3,8%	4,9%	3,5%	3,3%	1,8%
Solvency ratio	17,7%	19,6%	19,2%	43,5%	40,5%
Return on equity	12,3%	16,7%	6,3%	25,5%	-23,5%

Management's Review

Key activities

The Company's primary activities are handling and transportation of cargo for airlines and freight forwarders.

Development in the year

The income statement of the Company for 2022 shows a profit of DKK 9,542,253, and at 31 December 2022 the balance sheet of the Company shows equity of DKK 82,507,917.

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

2022 started as 2021 with still some unpredictability for the transport industry due to Covid19. Despite a challenging start for the year, the handled tonnage increased by 12% to 113,816 ton, which brings the level back to before Covid19 and exceeded the expected budget for 2022.

The original budget was in the range of 26-30 million. EBITDA before special items but was excluding ICP cost, why the correct range should have been 18-22 million.

The profit before tax ended at DKK 14.0 million., which is 86.7% more than in 2020 and pretax at DKK 7.5 million. This results from the increased handled tonnage and full impact of interest income from the liquidity from the sale and lease back at 31 March 2020.

2022 has been a good - and again challenging – year for WFS Denmark. The Air Cargo supply chain began as 2021, with diverting from standard Air traffic schedules to adhoc flight in combination with scheduled flight cancellations, challenging our resource planning to some extent. Our employees have worked hard to find solutions for our customers and significantly providing high standard of service quality. We are pleased to present a yet another strong result for the year 2022.

Operating risks

Air cargo is depending on frequently aircrafts schedules. The air cargo industry was heavily impacted by the reduced flights due to COVID-19 in 2021, which continuing trend into 2022. This period indicated that the need for air cargo still present, and to meet the demand, airlines changed aircraft configuration e.g., PAX-freighters version.

Market risks

World economy is controlling the purchasing power. The purchasing power is controlling the need for air cargo. Between 60-70% of our costs are staff related. This gives the company the possibility to adjust the main part of the costs according to the marked need and trend. This is according to the national union agreements and terms.

Management's Review

Foreign exchange risks

The Company's trading and financing is in EUR or DKK so the company is not exposed to currency risk.

Targets and expectations for the year ahead

2023 has started with high inflation on energy prices, and the prospect of labour shortages, capacity challenges and scarcity of materials increasing the prices.

Shipping of cargo has changed from the pattern we saw in 2021 and 2022, switching moderately from the Air segment to ocean. We are therefore expecting lower volume compared to previous years, although expectations for financial result is in same level.

The Company expect an EBITDA before special items to be in the range of DKK 17-23 million.

As part of our environmental focus, the Company will finalize 1,4-megawatt solar panels installations to offset electricity cost and reduced our carbon footprint.

Knowledge resources

The Company handles Cargo on behalf of its airlines and is responsible for handling this according to the contractual agreements. This requires specially trained staff. The company ensures constantly updating existing staff on the latest rules by attending courses internally and externally.

External environment

The activities of the Company does not have material impact on the external environment. The Company makes an effort to use scanning instead of printing to avoid unnecessary waste of paper resources.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2022 of the Company and the results of the activities and cash flows of the Company for the financial year for 2022 have not been affected by any unusual events.

Subsequent events

Reference is made to note 18 in the Financial Statements.

Income Statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Gross profit/loss		127.514.405	109.452.917
Staff expenses	1	-105.686.266	-87.650.569
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-4.301.052	-3.441.006
Profit/loss before financial income and expenses		17.527.087	18.361.342
Financial income	3	5.582.784	5.436.277
Financial expenses	4	-10.875.178	-9.795.726
Profit/loss before tax		12.234.693	14.001.893
Tax on profit/loss for the year	5	-2.692.440	-2.771.605
Net profit/loss for the year		9.542.253	11.230.288

Balance Sheet 31 December

Assets

	Note	2022 DKK	2021 DKK
Goodwill		0	0
Intangible assets	6	0	0
Land and buildings		149.651.523	95.648.023
Other fixtures and fittings, tools and equipment		919.443	1.112.218
Property, plant and equipment in progress		0	19.932.617
Property, plant and equipment	7	150.570.966	116.692.858
Deposits		42.768	147.827
Fixed asset investments		42.768	147.827
Fixed assets		150.613.734	116.840.685
Inventories		723.300	1.107.970
Trade receivables		24.857.458	27.303.795
Receivables from group enterprises		209.873.333	136.056.375
Other receivables		1.110.507	1.405.572
Deferred tax asset	8	39.574.569	37.796.548
Prepayments	9	627.749	529.108
Receivables		276.043.616	203.091.398
Cash at bank and in hand		39.121.783	51.658.085
Currents assets		315.888.699	255.857.453
Assets		466.502.433	372.698.138

Balance Sheet 31 December

Liabilities and equity

	Note	2022 DKK	2021 DKK
Share capital	10	502.000	502.000
Retained earnings		82.005.917	72.463.664
Equity		82.507.917	72.965.664
Other provisions	12	5.557.423	4.258.800
Provisions		5.557.423	4.258.800
Lease obligations		311.162.357	249.064.783
Other payables		7.154.471	7.154.471
Long-term debt	13	318.316.828	256.219.254
Lease obligations	13	6.685.567	5.248.879
Trade payables		8.705.441	16.824.107
Payables to group enterprises		9.630.553	0
Corporation tax		518.256	6.290.533
Other payables	13	34.580.448	10.890.901
Short-term debt		60.120.265	39.254.420
Debt		378.437.093	295.473.674
Liabilities and equity		466.502.433	372.698.138
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Subsequent events	18		
Accounting Policies	20		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	502.000	72.463.664	72.965.664
Net profit/loss for the year	0	9.542.253	9.542.253
Equity at 31 December	502.000	82.005.917	82.507.917

Cash Flow Statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Net profit/loss for the year		9.542.253	11.230.288
Adjustments	14	12.285.888	10.572.061
Change in working capital	15	20.153.792	16.640.053
Cash flows from operating activities before financial income and expenses		41.981.933	38.442.402
Financial expenses		-10.875.181	-9.795.725
Cash flows from ordinary activities		31.106.752	28.646.677
Corporation tax paid		-10.303.000	-7.413.292
Cash flows from operating activities		20.803.752	21.233.385
Purchase of property, plant and equipment		-38.179.160	-22.059.139
Change in receivables from group enterprises		-73.908.493	0
Cash flows from investing activities		-112.087.653	-22.059.139
Repayment of long term loans		0	-14.474.950
Proceeds from obtainment of lease debt		63.534.262	55.000.000
Repayment of payables to group enterprises		15.213.337	0
Cash flows from financing activities		78.747.599	40.525.050
Change in cash and cash equivalents		-12.536.302	39.699.296
Cash and cash equivalents at 1 January		51.658.085	11.958.789
Cash and cash equivalents at 31 December		39.121.783	51.658.085
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		39.121.783	51.658.085
Cash and cash equivalents at 31 December		39.121.783	51.658.085

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
1 Staff expenses		
Wages and salaries	90.606.011	75.695.650
Pensions	10.712.370	8.824.726
Other social security expenses	1.758.582	1.829.263
Other staff expenses	<u>2.609.303</u>	<u>1.300.930</u>
	<u>105.686.266</u>	<u>87.650.569</u>
Average number of employees	<u>150</u>	<u>136</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	<u>4.301.052</u>	<u>3.441.006</u>
	<u>4.301.052</u>	<u>3.441.006</u>
3 Financial income		
Interest received from group enterprises	5.519.802	4.588.651
Other financial income	<u>62.982</u>	<u>847.626</u>
	<u>5.582.784</u>	<u>5.436.277</u>

Notes to the Financial Statements

	2022 <u>DKK</u>	2021 <u>DKK</u>
4 Financial expenses		
Interest paid to group enterprises	112.860	0
Other financial expenses	<u>10.762.318</u>	<u>9.795.726</u>
	<u>10.875.178</u>	<u>9.795.726</u>
5 Tax on profit/loss for the year		
Current tax for the year	4.470.461	-4.671.555
Deferred tax for the year	<u>-1.778.021</u>	<u>7.443.160</u>
	<u>2.692.440</u>	<u>2.771.605</u>
6 Intangible assets		
		<u>Goodwill</u> DKK
Cost at 1 January		<u>7.087.981</u>
Cost at 31 December		<u>7.087.981</u>
Impairment losses and amortisation at 1 January		<u>7.087.981</u>
Impairment losses and amortisation at 31 December		<u>7.087.981</u>
Carrying amount at 31 December		<u>0</u>

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK	DKK	DKK
Cost at 1 January	149.678.539	21.196.780	19.932.617
Additions for the year	764.264	76.057	36.864.102
Transfers for the year	56.796.719	0	-56.796.719
Cost at 31 December	<u>207.239.522</u>	<u>21.272.837</u>	<u>0</u>
Impairment losses and depreciation at 1 January	54.030.516	20.084.561	0
Depreciation for the year	3.557.483	268.833	474.736
Impairment and depreciation of sold assets for the year	0	0	-474.736
Impairment losses and depreciation at 31 December	<u>57.587.999</u>	<u>20.353.394</u>	<u>0</u>
Carrying amount at 31 December	<u>149.651.523</u>	<u>919.443</u>	<u>0</u>
Including assets under finance leases amounting to	<u>146.846.209</u>	<u>0</u>	<u>0</u>

8 Deferred tax asset

	2022 DKK	2021 DKK
Deferred tax asset at 1 January	37.796.548	30.353.395
Amounts recognised in the income statement for the year	1.778.021	7.443.153
Deferred tax asset at 31 December	<u>39.574.569</u>	<u>37.796.548</u>

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

10 Share capital

The share capital consists of 5,002 shares of a nominal value of DKK 100. No shares carry any special rights.

Notes to the Financial Statements

	2022 DKK	2021 DKK
11 Distribution of profit		
Retained earnings	9.542.253	11.230.288
	9.542.253	11.230.288

12 Other provisions

Other provisions comprise of demolition provision related to building on leased land. The provision expires after 30 years.

Other provisions	5.557.423	4.258.800
	5.557.423	4.258.800

13 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:

Lease obligations

After 5 years	281.662.413	226.050.404
Between 1 and 5 years	29.499.944	23.014.379
Long-term part	311.162.357	249.064.783
Within 1 year	6.685.567	5.248.879
	317.847.924	254.313.662

Other payables

After 5 years	7.154.471	7.154.471
Long-term part	7.154.471	7.154.471
Other short-term payables	34.580.448	10.890.901
	41.734.919	18.045.372

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
14 Cash flow statement - adjustments		
Financial income	-5.582.784	-5.436.277
Financial expenses	10.875.178	9.795.726
Depreciation, amortisation and impairment losses, including losses and gains on sales	4.301.054	3.441.007
Tax on profit/loss for the year	2.692.440	2.771.605
	<u>12.285.888</u>	<u>10.572.061</u>
15 Cash flow statement - change in working capital		
Change in inventories	384.670	-644.537
Change in receivables	2.839.356	10.671.166
Change in other provisions	1.358.885	37.040
Change in trade payables, etc	15.570.881	6.576.384
	<u>20.153.792</u>	<u>16.640.053</u>

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
16 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with mortgage lease obligations:		
Land and buildings with carrying amount of	149.651.523	95.648.023
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	3.860.745	8.523.493
Between 1 and 5 years	<u>3.633.438</u>	<u>6.187.378</u>
	<u>7.494.183</u>	<u>14.710.871</u>

The Company has entered into a contract to rent a solar cell system from the 1st of January 2023. The total obligation amounts to DKK 18,7 million.

Notes to the Financial Statements

17 Related parties

	<u>Basis</u>
Controlling interest	
Worldwide Flight Services Holding SA	Controlling shareholder

Transactions

Transactions with related parties has been carried our at arm's length terms.

Consolidated Financial Statements

The Company is included in the Group Annual Report of:

<u>Name</u>	<u>Place of registered office</u>
Promontoria Holding 264 B.V.	Oude Utrechtseweg 32 3743 KN BAARN

The Group Annual Report of Promontoria Holding 264 B.V. may be obtained at the following address:

<https://companyinfo.nl/>

18 Subsequent events

The parent company Worldwide Flight Services Holding SA has after the balance sheet date been sold to SATS ltd.

Notes to the Financial Statements

	<u>2022</u> DKK	<u>2021</u> DKK
19 Receivables from group enterprises		
Receivables from group enterprises	<u>209.873.333</u>	<u>136.056.375</u>
	<u>209.873.333</u>	<u>136.056.375</u>

The company has a receivable from Worldwide Flight Services Holding SA, which is due to repayment on 21 April 2023.

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Worldwide Flight Services Denmark A/S for 2022 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 Financial Statements for 2022 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.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an 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 Company.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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

The company provides handling and transportation related services to customers for inbound and outbound cargo. Income from the rendering of services is recognised as revenue as the transport services are rendered to the customers. The revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment 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 Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

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

Tax on profit/loss for the year

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

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:

Buildings	20-40 years
Plant and machinery	5-7 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

Notes to the Financial Statements

20 Accounting Policies (continued)

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

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

Fixed asset investments

Fixed asset investments consist of receivables from group enterprises.

Inventories

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

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

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

Receivables

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

Prepayments

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

Equity

Dividend

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Provisions

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

Other provisions include warranty obligations in respect of repair work within the warranty period of 15 years. Provisions are measured and recognised based on experience with guarantee work.

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.

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

Financial Highlights

Explanation of financial ratios

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$