"K" Line (Scandinavia) Holding A/S
Snorresgade 18-20
2300 Copenhagen S
Central Business Registration No. 29192979

Annual report 2017/18

The Annual General Meeting adopted the annual report on 03.07.2018

Chairman of the General Meeting

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Name: John Hemming

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Entity details

Entity
"K" Line (Scandinavia) Holding A/S
Snorresgade 18-20
2300 Copenhagen S

Central Business Registration No: 29192979
Registered in: Copenhagen
Financial year: 01.04.2017 - 31.03.2018

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Website: wwww.kline.dk
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Board of Directors
Akira Masaki, Chairman
Sune Simonsen
Arne Simonsen
Daisuke Arai

Executive Board
Ulrik Kamstrup Jespersen, Chief Executive Officer

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of "K" Line (Scandinavia) Holding A/S for the financial year 01.04.2017 - 31.03.2018.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.03.2018 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2017 - 31.03.2018.

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.

Copenhagen, 28.06.2018

Executive Board

Ulrik Kamstrup Jespersen
Chief Executive Officer

Board of Directors

Akira Masaki
Chairman

Sune Simonsen

Arne Simonsen

Daisuke Arai

Independent auditor's report

To the shareholders of "K" Line (Scandinavia) Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of "K" Line (Scandinavia) Holding A/S for the financial year 01.04.2017 - 31.03.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.03.2018 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2017 - 31.03.2018 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group’s and 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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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, 28.06.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Anders Kreiner
State Authorised Public Accountant
Identification number (MNE) mne26765

Management commentary

	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000
Financial highlights					
Key figures					
Revenue	175.140	239.447	248.879	299.173	243.580
Gross profit/loss	20.777	19.751	22.143	26.950	20.217
Operating profit/loss	7.927	6.134	6.734	12.936	6.656
Net financials	(57)	20	37	375	223
Profit/loss for the year	6.068	4.732	5.167	10.052	5.092
Total assets	71.972	54.646	49.347	62.773	51.285
Investments in property, plant and equipment	0	467	853	148	0
Equity	11.369	10.587	10.984	16.542	12.700
Cash flows from (used in) operating activities	5.899	7.089	1.493	11.560	6.459
Ratios					
Gross margin (%)	11,9	8,2	8,9	9,0	8,3
Net margin (%)	3,5	2,0	2,1	3,4	2,1
Return on equity (%)	55,3	43,9	37,5	68,8	39,6
Equity ratio (%)	15,8	22,3	22,3	26,4	24,9

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.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
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.

Management commentary

Primary activities
The Group's activities include sea freight, shipping and global logistics.

The "K" Line Scandinavia Group represents the activities of Kawasaki Kisen Kaisha Ltd. ("K" Line) in Denmark, Sweden and Norway.

Development in activities and finances
The activities have developed in line with expectations, and the results achieved, a profit of DKK 6,068 thousand, meet expectations and are – under the current market conditions – considered satisfactory.

Outlook
The Company's primary activities will be closed down during the financial year 2018/19 as the agency agreement has been rescinded.

Particular risks

Price risks
To a certain extent, the Group is dependent on the development in shipping prices on the global market as well as in the exchange rate movements in USD.

Currency exposure
Foreign activities lead to the fact that results, cash flows and equity are affected by the exchange rate movements in a number of foreign currencies. Exchange adjustments of investments in subsidiaries are taken directly to equity. To a wide extent, acquisition and sale of shipping take place in the same foreign currency.

It is not company policy to hedge the above risks by means of financial instruments.

Interest rate exposure
Reasonable changes in the interest level will have no material impact on the Group. Consequently, no agreements are made on hedging of the interest rate exposure.

Group relations

	Share-holding %
"K" Line (Sweden) AB, Sweden	100
"K" Line (Norway) AS, Norway	100

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.

Consolidated income statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Revenue		175.140	239.447
Cost of sales		(148.653)	(213.386)
Other external expenses		(5.710)	(6.310)
Gross profit/loss		**20.777**	**19.751**
Staff costs	1	(12.637)	(13.411)
Depreciation, amortisation and impairment losses	2	(213)	(206)
Operating profit/loss		**7.927**	**6.134**
Other financial income	3	68	104
Other financial expenses	4	(125)	(84)
Profit/loss before tax		**7.870**	**6.154**
Tax on profit/loss for the year	5	(1.802)	(1.422)
Profit/loss for the year	6	**6.068**	**4.732**

Consolidated balance sheet at 31.03.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Other fixtures and fittings, tools and equipment		397	651
Property, plant and equipment	7	**397**	**651**
Fixed assets		**397**	**651**
Trade receivables		43.025	27.435
Receivables from associates		2.690	1.255
Deferred tax	9	42	41
Other receivables		1.739	1.099
Income tax receivable		442	845
Prepayments	8	82	664
Receivables		**48.020**	**31.339**
Cash		**23.555**	**22.656**
Current assets		**71.575**	**53.995**
Assets		**71.972**	**54.646**

Consolidated balance sheet at 31.03.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Contributed capital		1.000	1.000
Retained earnings		10.369	4.587
Proposed dividend		0	5.000
Equity		**11.369**	**10.587**
Deferred tax	9	951	937
Provisions		**951**	**937**
Trade payables		9.595	6.478
Payables to group enterprises		44.676	31.883
Income tax payable		332	0
Other payables		5.049	4.761
Current liabilities other than provisions		**59.652**	**43.122**
Liabilities other than provisions		**59.652**	**43.122**
Equity and liabilities		**71.972**	**54.646**
Unrecognised rental and lease commitments	11		
Group relations	12		

Consolidated statement of changes in equity for 2017/18

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	1.000	4.587	5.000	10.587
Ordinary dividend paid	0	0	(5.000)	(5.000)
Exchange rate adjustments	0	(286)	0	(286)
Profit/loss for the year	0	6.068	0	6.068
Equity end of year	**1.000**	**10.369**	**0**	**11.369**

Consolidated cash flow statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Operating profit/loss		7.927	6.134
Amortisation, depreciation and impairment losses		213	256
Working capital changes	10	(785)	1.193
Cash flow from ordinary operating activities		**7.355**	**7.583**
Financial income received		68	104
Financial income paid		(125)	(84)
Income taxes refunded/(paid)		(1.399)	(514)
Cash flows from operating activities		**5.899**	**7.089**
Acquisition etc of property, plant and equipment		0	(467)
Sale of property, plant and equipment		0	293
Cash flows from investing activities		**0**	**(174)**
Dividend paid		(5.000)	(5.000)
Cash flows from financing activities		**(5.000)**	**(5.000)**
Increase/decrease in cash and cash equivalents		**899**	**1.915**
Cash and cash equivalents beginning of year		22.656	20.741
Cash and cash equivalents end of year		**23.555**	**22.656**

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
1. Staff costs		
Wages and salaries	10.514	11.227
Pension costs	665	767
Other social security costs	1.458	1.417
	12.637	**13.411**
Average number of employees	**26**	**27**

The Board of Directors is not remunerated. Remuneration for the Executive Board is not disclosed in accordance with section 98b(3)(2) of the Danish Financial Statements Act.

	2017/18 DKK'000	2016/17 DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	213	256
Profit/loss from sale of intangible assets and property, plant and equipment	0	(50)
	213	**206**

	2017/18 DKK'000	2016/17 DKK'000
3. Other financial income		
Other financial income	68	104
	68	**104**

	2017/18 DKK'000	2016/17 DKK'000
4. Other financial expenses		
Other financial expenses	125	84
	125	**84**

	2017/18 DKK'000	2016/17 DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	1.796	1.566
Change in deferred tax for the year	13	(144)
Adjustment concerning previous years	(7)	0
	1.802	**1.422**

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	5.000
Retained earnings	6.068	(268)
	6.068	**4.732**

	Other fixtures and fittings, tools and equipment DKK'000
7. Property, plant and equipment	
Cost beginning of year	1.235
Exchange rate adjustments	(61)
Disposals	(112)
Cost end of year	**1.062**
Depreciation and impairment losses beginning of the year	(584)
Exchange rate adjustments	20
Depreciation for the year	(213)
Reversal regarding disposals	112
Depreciation and impairment losses end of the year	**(665)**
Carrying amount end of year	**397**

8. Prepayments

Prepayments comprise various prepaid expenses. Prepayments are measured at cost.

	2017/18 DKK'000
9. Deferred tax	
Changes during the year	
Beginning of year	896
Recognised in the income statement	13
End of year	**909**

	2017/18 DKK'000	2016/17 DKK'000
10. Change in working capital		
Increase/decrease in receivables	(17.082)	(3.548)
Increase/decrease in trade payables etc	16.297	4.741
	(785)	**1.193**

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
11. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**64**	**884**
Herof liabilities under rental agreements or leases with group enterprises until expiry	**30**	**0**

12. Group relations

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

Kawasaki Kisen Kaisha Ltd., Tokyo, Japan

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

Kawasaki Kisen Kaisha Ltd., Tokyo, Japan

Parent income statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Revenue		95.327	79.151
Other operating income		276	276
Cost of sales		(83.910)	(66.866)
Other external expenses		(2.929)	(3.101)
Gross profit/loss		**8.764**	**9.460**
Staff costs	1	(5.565)	(5.908)
Depreciation, amortisation and impairment losses	2	(75)	(106)
Operating profit/loss		**3.124**	**3.446**
Income from investments in group enterprises		3.641	2.059
Other financial income	3	11	14
Profit/loss before tax		**6.776**	**5.519**
Tax on profit/loss for the year	4	(708)	(787)
Profit/loss for the year	5	**6.068**	**4.732**

Parent income statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Other fixtures and fittings, tools and equipment		4	79
Property, plant and equipment	6	**4**	**79**
Investments in group enterprises		7.522	4.167
Fixed asset investments	7	**7.522**	**4.167**
Fixed assets		**7.526**	**4.246**
Trade receivables		7.745	14.095
Receivables from group enterprises		1.826	3.093
Deferred tax	8	33	32
Other receivables		168	0
Income tax receivable		212	430
Prepayments	9	88	125
Receivables		**10.072**	**17.775**
Cash		**7.887**	**8.033**
Current assets		**17.959**	**25.808**
Assets		**25.485**	**30.054**

Parent balance sheet at 31.03.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Contributed capital	10	1.000	1.000
Reserve for net revaluation according to the equity method		7.348	3.993
Retained earnings		3.021	594
Proposed dividend		0	5.000
Equity		**11.369**	**10.587**
Trade payables		1.735	1.486
Payables to group enterprises		11.576	17.076
Other payables		805	905
Current liabilities other than provisions		**14.116**	**19.467**
Liabilities other than provisions		**14.116**	**19.467**
Equity and liabilities		**25.485**	**30.054**
Unrecognised rental and lease commitments	11		
Related parties with controlling interest	12		

Parent statement of changes in equity for 2017/18

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	1.000	3.993	594	5.000
Ordinary dividend paid	0	0	0	(5.000)
Exchange rate adjustments	0	(286)	0	0
Profit/loss for the year	0	3.641	2.427	0
Equity end of year	**1.000**	**7.348**	**3.021**	**0**

	Total DKK'000
Equity beginning of year	10.587
Ordinary dividend paid	(5.000)
Exchange rate adjustments	(286)
Profit/loss for the year	6.068
Equity end of year	**11.369**

Notes to parent financial statements

	2017/18 DKK'000	2016/17 DKK'000
1. Staff costs		
Wages and salaries	5.196	5.293
Pension costs	314	304
Other social security costs	55	311
	5.565	**5.908**
Average number of employees	**10**	**11**

The Board of Directors is not remunerated. Remuneration for the Executive Board is not disclosed in accordance with section 98b(3)(2) of the Danish Financial Statements Act.

	2017/18 DKK'000	2016/17 DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	75	106
	75	**106**

	2017/18 DKK'000	2016/17 DKK'000
3. Other financial income		
Other financial income	11	14
	11	**14**

	2017/18 DKK'000	2016/17 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	709	789
Change in deferred tax for the year	(1)	(2)
	708	**787**

	2017/18 DKK'000	2016/17 DKK'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	5.000
Transferred to reserve for net revaluation according to the equity method	3.641	2.059
Retained earnings	2.427	(2.327)
	6.068	**4.732**

Notes to parent financial statements

	Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment	
Cost beginning of year	375
Cost end of year	**375**
Depreciation and impairment losses beginning of the year	(296)
Depreciation for the year	(75)
Depreciation and impairment losses end of the year	**(371)**
Carrying amount end of year	**4**

	Investments in group enterprises DKK'000
7. Fixed asset investments	
Cost beginning of year	174
Cost end of year	**174**
Revaluations beginning of year	3.993
Exchange rate adjustments	(286)
Share of profit/loss for the year	3.641
Revaluations end of year	**7.348**
Carrying amount end of year	**7.522**

	2017/18 DKK'000
8. Deferred tax	
Changes during the year	
Beginning of year	32
Recognised in the income statement	1
End of year	**33**

9. Prepayments

Prepayments comprise various prepaid expenses. Prepayments are measured at cost.

Notes to parent financial statements

	Number	Par value DKK'000	Nominal value DKK'000
10. Contributed capital			
Share capital	1.000	1	1.000
	1.000		**1.000**

	2017/18 DKK'000	2016/17 DKK'000
11. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**64**	**515**
Herof liabilities under rental agreements or leases with group enterprises until expiry	**30**	**0**

12. Related parties with controlling interest

Related parties with a controlling or significant interest in “K” Line (Scandinavia) Holding A/S:

- Kawasaki Kisen Kaisha Ltd., Iino Building, 1-1, Uchisaiwaicho 2-Chome Chiyoda-ku, Tokyo 100-8540, Japan, shareholder

Accounting policies

Reporting class
This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Changes in accounting policies
The accounting policies have been subject to minor changes. The changes do not affect either assets, liabilities or income statement.

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.

Consolidated financial statements
The consolidated financial statements include "K" Line (Scandinavia) Holding A/S (Parent) and subsidiaries in which "K" Line (Scandinavia) Holding A/S either directly or indirectly holds more than 50% of the voting rights or in any other way have controlling influence. Jointly controlled entities are consolidated on a pro rata basis.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profits or losses from divestment of equity investments
Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

Foreign currency translation
Foreign currency transactions are translated applying the exchange rates at the transaction date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date are recognised in the income statement as financial income or financial expenses.

Receivables, payables, and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated applying the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the balance sheet date and the one in effect at the time when the receivable or payable arose are recognised in the income statement as financial income or financial expenses.

If the foreign subsidiaries meet the criteria of independent entities, their income statements and balance sheets are translated applying the exchange rates at the balance sheet date. Exchange differences that arise from translation of foreign subsidiaries' equity at the beginning of the year, applying the exchange rates at the balance sheet date, are recognised directly in equity.

Accounting policies

Income statement

Revenue

Revenue is recognised in the income statement if delivery to the Group's cooperators has taken place before year-end and if the income can be computed reliably and receipt is expected. Revenue is recognised net of VAT, duties and sales discounts.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Costs relating to revenue are accrued according to the method of revenue recognition. Other costs relating to the financial year in terms of time are charged to the income statement.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs 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.

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.

Accounting policies

Balance sheet

Property, plant and equipment

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

The basis of depreciation is cost less estimated residual value after the end of useful life.

Cost comprises the acquisition price and costs directly attributable to the acquisition until the time when it is ready to be put into operation. For group-manufactured assets, cost comprises costs of materials, components, subsuppliers and direct labour costs as well as indirect cost of sales.

Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-8 years

Estimated useful lives and residual values are reassessed annually.

On initial recognition, lease contracts regarding property, plant and equipment in which the Company holds all material risks and advantages related to the ownership (finance leasing) are measured in the balance sheet at fair value or present value, if lower, of future lease payments. At the computation of present value, the internal interest rate of the lease contract or an approximate value is used as discount factor. Assets held under finance leases are then treated as the Company's other property, plant and equipment.

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

Investments in group enterprises

Income statement

The Company's share of the subsidiaries' profits or losses after elimination of unrealised intra-group profits and losses and plus or minus amortisation of positive, or negative, goodwill is recognised in the income statement.

Balance sheet

Investments in subsidiaries are recognised in the balance sheet at the pro rata share of the enterprises' equity in accordance with the Parent's accounting policies plus or minus unrealised intra-group profits and losses and plus or minus the residual value of positive, or negative, goodwill calculated according to the purchase method.

Subsidiaries with negative equity are measured at zero value, and any receivable from these enterprises is written down by the Parent's share of such negative equity. If the negative equity exceeds the amounts receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the negative balance of the relevant subsidiary.

Net revaluation of investments in subsidiaries is taken to reserve for net revaluation under the equity method if the carrying amount exceeds cost less amortisation of goodwill.

Accounting policies

Receivables
Receivables are measured at amortised cost, usually equalling nominal value. Provisions for bad and doubtful debts are made at net realisable value.

Income tax payable or receivable
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.

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. The 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.

Deferred tax relating to re-taxation of previously deducted losses of foreign subsidiaries is recognised based on a specific assessment of the purpose of the individual subsidiary.

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.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.