



LEMAN A/S

Ventrupvej 6
2670 Greve
CVR No. 41955619

Annual report 2020

The Annual General Meeting adopted the
annual report on 05.05.2021

Thomas Krøyer

Chairman of the General Meeting

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Entity details

Entity

LEMAN A/S

Ventrupvej 6

2670 Greve

CVR No.: 41955619

Registered office: Greve

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Philippe Ziegler, Chairman

Charles Duro

Lilian Merete Mogensen

Karen Nielsen

Ole Michael Ringheim

Executive Board

Thomas Krøyer, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of LEMAN A/S for the financial year 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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.

Greve, 05.05.2021

Executive Board

Thomas Krøyer
Chief Executive Officer

Board of Directors

Philippe Ziegler
Chairman

Charles Duro

Lilian Merete Mogensen

Karen Nielsen

Ole Michael Ringheim

Independent auditor's report

To the shareholder of LEMAN A/S

Opinion

We have audited the financial statements of LEMAN A/S for the financial year 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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:

- 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.

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, 05.05.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Anders Kreiner

State-Authorised Public Accountant
Identification No (MNE) mne26765

Management commentary

Financial highlights

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	1,127,130	1,138,126	1,124,629	1,086,914	1,019,709
Gross profit/loss	187,085	214,128	208,712	198,297	196,956
Operating profit/loss	(12,132)	17,503	26,320	27,302	38,958
Net financials	8,783	11,386	6,547	(55)	6,054
Profit/loss for the year	(13,721)	12,960	17,611	23,468	41,604
Total assets	650,751	623,650	607,986	586,296	562,190
Investment in intangible assets	11,422	14,245	17,054	27,011	0
Investments in property, plant and equipment	4,029	2,212	1,093	13,006	11,307
Equity	421,894	445,827	431,420	415,689	397,120
Average number of employees	373	382	373	343	329
Ratios					
Gross margin (%)	16.60	18.81	18.56	18.24	19.31
Return on equity (%)	(3.16)	2.95	4.16	5.77	11.03
Equity ratio (%)	64.83	71.49	70.96	70.90	70.64

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

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

Revenue

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Primary activities

The Parent and all its subsidiaries primarily operate within transportation, freight forwarding and logistics.

Development in activities and finances

Revenue for the year amounted to DKK 1,127 million against DKK 1,138 million last year and thereby declined by 1%. The gross profit margin decreased to 16.6% from 18.8% last year. The decline in margin is primarily caused by cost associated with operating without IT support in the weeks following a hacker attack, which hit LEMAN towards the end of May. The financial impact of the hacker attack is estimated to be around DKK 30m. The profit before tax amounted to a loss of DKK -14.4 million against a profit of DKK 19.9 million last year. LEMAN fully recovered from the attack before the end of 2020.

The markets for international cargo transportation on which LEMAN operates showed very high volatility during 2020. COVID-19 had a significant negative impact on transport volumes in the first half of 2020. In contrast, a rebound during the second half of 2020 resulted in bottlenecks, capacity constraints and a surge in freight rates on many routes. The UK market proved particularly challenging, as the UK economy entered into a deep recession aggravated by the Brexit uncertainty.

In this volatile environment, the LEMAN organisation demonstrated the agility and creativity necessary to keep the supply chains open to our customers and the societies we serve. LEMAN was among the first movers to open an air bridge from China to Scandinavia when an urgent need for personal protective equipment such as face masks arose during Q2. We are proud of our contribution to meeting these requirements under extremely challenging operational circumstances. Twenty LEMAN flights were operated from Asia to Scandinavia during 2020. Another notable new product developed in 2020 was the land transport route by truck from China to Scandinavia, which became an attractive option for many customers due to capacity constraints and surging freight rates on more traditional modes of transport such as air freight and sea freight.

In April 2020, LEMAN established its own representation in Greenland. LEMAN has served customers in Greenland with global transport solutions for many years. By establishing own representation, LEMAN is now in an even stronger position to serve new and existing customers in this market. In September 2020, LEMAN opened a new branch office in Stavanger, Norway. The branch office in Stafford, UK was closed during the year.

Towards the end of May, LEMAN suffered a hacker attack on its core IT infrastructure. The ransomware attack was committed by professional hackers who managed to circumvent our IT security measures and cause significant damage before the attack was detected and stopped. For two weeks, the LEMAN organisation operated without any IT support before the IT applications gradually were restored and re-commissioned. LEMAN is grateful for the support we received from our customers and business partners during these difficult times and for the extreme dedication and commitment demonstrated by our staff throughout this period. Following the attack, several additional IT security measures have been put in place.

The financial results for the year are not satisfactory in absolute terms and 2020 is regarded as a financially 'lost year'. However, we can be satisfied with the underlying progress made on many fronts which have positioned LEMAN even better for the future. The progress made during the 2. Half of the year on the Company's strategic program, Mission LEMAN 3+, was very satisfactory and the long term targets remain unchanged.

Outlook

The Company will continue to execute on the launched series of profitable growth initiatives and investments to strengthen the diversification and the solid foundation across the LEMAN Group.

Management expects that the world economy will gradually recover during 2021 and that global trade will experience relatively high growth although remain volatile during 2021. The turnover for LEMAN is expected to be higher than in 2020 and profitability is expected to be restored to a Net Profit at the level of what is customary for the Group in line with previous years.

Particular risks

Financial risk

The Group is only exposed to changes in interest rates to a limited extent, as the Group's equity ratio and financial resources are considered very satisfactory.

Currency risk

Purchase and sales transactions are carried out in DKK, SEK, NOK, EUR, USD and USD-related currencies. Further, the Group has made investments in SEK, NOK, USD and EUR. In 2020, Management adopted a new hedging policy whereby the Group's exposure to mainly USD is partially hedged.

The Company's foreign currency exposures relating to sales transactions have as far as possible been hedged by offsetting purchase transactions in DKK, SEK, NOK, EUR, USD and USD-related currencies.

Group relations

LEMAN operates within transportation, freight forwarding and logistics. With its presence in seven countries combined with a vast network of trusted agents, the services cover the entire world. Besides the transportation of goods, LEMAN offers several value-adding services such as customs clearance, cargo insurance, warehousing, customised distribution solutions, etc.

Statutory report on corporate social responsibility

The Company's statutory report on corporate social responsibility is included in the annual report of LEMAN HOLDING A/S for 2020.

Statutory report on the underrepresented gender

The Company's statutory report on the underrepresented gender is included in the annual report of LEMAN HOLDING A/S for 2020.

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 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue	1	1,127,130	1,138,126
Other operating income	2	37,457	33,266
Cost of sales		(905,422)	(880,403)
Other external expenses		(72,080)	(76,861)
Gross profit/loss		187,085	214,128
Staff costs	3	(182,214)	(180,108)
Depreciation, amortisation and impairment losses	4	(17,003)	(16,517)
Operating profit/loss		(12,132)	17,503
Income from investments in group enterprises	5	(11,077)	(8,996)
Other financial income	6	10,018	11,949
Other financial expenses		(1,235)	(563)
Profit/loss before tax		(14,426)	19,893
Tax on profit/loss for the year	7	705	(6,933)
Profit/loss for the year	8	(13,721)	12,960

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	10	53,866	48,869
Goodwill		7,207	10,375
Development projects in progress	10	865	1,956
Intangible assets	9	61,938	61,200
Plant and machinery		9,778	13,545
Other fixtures and fittings, tools and equipment		5,240	7,037
Property, plant and equipment in progress		2,342	0
Property, plant and equipment	11	17,360	20,582
Investments in group enterprises		106,607	93,136
Receivables from group enterprises		68,827	0
Deposits		285	285
Financial assets	12	175,719	93,421
Fixed assets		255,017	175,203
Trade receivables		170,061	167,206
Receivables from group enterprises	13	136,130	225,519
Other receivables		1,816	1,097
Prepayments	14	9,615	5,940
Receivables		317,622	399,762
Other investments		76	76
Other investments		76	76
Cash		78,036	48,609
Current assets		395,734	448,447
Assets		650,751	623,650

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	15	10,000	10,000
Translation reserve		(3,954)	0
Reserve for net revaluation according to the equity method		16,630	33,965
Reserve for development expenditure		42,690	39,644
Retained earnings		216,528	362,218
Proposed dividend		140,000	0
Equity		421,894	445,827
Deferred tax	16	9,658	11,526
Other provisions	17	1,492	0
Provisions		11,150	11,526
Other payables		15,733	5,774
Non-current liabilities other than provisions	18	15,733	5,774
Trade payables		159,799	119,761
Joint taxation contribution payable		0	5,514
Other payables		40,267	34,108
Deferred income	19	1,908	1,140
Current liabilities other than provisions		201,974	160,523
Liabilities other than provisions		217,707	166,297
Equity and liabilities		650,751	623,650
Financial instruments	20		
Unrecognised rental and lease commitments	21		
Contingent liabilities	22		
Related parties with controlling interest	23		
Non-arm's length related party transactions	24		
Group relations	25		

Statement of changes in equity for 2020

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	10,000	0	33,965	39,644	362,218
Exchange rate adjustments	0	(5,070)	(6,258)	0	0
Tax of entries on equity	0	1,116	0	0	0
Transfer to reserves	0	0	0	3,046	(3,046)
Profit/loss for the year	0	0	(11,077)	0	(142,644)
Equity end of year	10,000	(3,954)	16,630	42,690	216,528

	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	0	445,827
Exchange rate adjustments	0	(11,328)
Tax of entries on equity	0	1,116
Transfer to reserves	0	0
Profit/loss for the year	140,000	(13,721)
Equity end of year	140,000	421,894

Notes

1 Revenue

	2020 DKK'000	2019 DKK'000
Denmark	1,127,130	1,138,126
Total revenue by geographical market	1,127,130	1,138,126

The Company's primary activities comprise transportation and logistics to and from foreign destinations on behalf of Danish and foreign customers. The revenue broken down by country is not based on the actual activity in each country but on the country in which the customer is invoiced.

2 Other operating income

Other operating income includes wage compensation received of DKK 3.2 million in consequence of the Company having a few employees sent home for a while due to COVID-19.

3 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	171,737	171,327
Pension costs	12,491	12,349
Other social security costs	2,651	2,265
Other staff costs	858	757
	187,737	186,698
Staff costs classified as assets	(5,523)	(6,590)
	182,214	180,108
Average number of full-time employees	373	382

	Remuneration of management 2020 DKK'000	Remuneration of management 2019 DKK'000
Executive Board	0	6,046
Board of Directors	0	453
Total amount for management categories	4,317	0
	4,317	6,499

The disclosure of the group management remuneration falls within section 98b(3)(2) of the Danish Financial Statements Act.

4 Depreciation, amortisation and impairment losses

	2020	2019
	DKK'000	DKK'000
Amortisation of intangible assets	10,684	9,334
Depreciation of property, plant and equipment	6,451	7,970
Profit/loss from sale of intangible assets and property, plant and equipment	(132)	(787)
	17,003	16,517

5 Income from investments in group enterprises

The subsidiaries' performance has been affected by hacker attack, COVID-19 and financial support packages received in consequence of COVID-19. The Group has received total compensation of DKK 11,9 million.

6 Other financial income

	2020	2019
	DKK'000	DKK'000
Financial income from group enterprises	8,263	7,592
Other interest income	402	1,569
Exchange rate adjustments	1,353	2,788
	10,018	11,949

7 Tax on profit/loss for the year

	2020	2019
	DKK'000	DKK'000
Current tax	0	5,514
Change in deferred tax	(752)	1,492
Adjustment concerning previous years	47	(73)
	(705)	6,933

8 Proposed distribution of profit and loss

	2020	2019
	DKK'000	DKK'000
Ordinary dividend for the financial year	140,000	0
Retained earnings	(153,721)	12,960
	(13,721)	12,960

9 Intangible assets

	Completed development projects DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	56,354	31,675	1,956
Transfers	1,956	0	(1,956)
Additions	10,557	0	865
Cost end of year	68,867	31,675	865
Amortisation and impairment losses beginning of year	(7,485)	(21,300)	0
Amortisation for the year	(7,516)	(3,168)	0
Amortisation and impairment losses end of year	(15,001)	(24,468)	0
Carrying amount end of year	53,866	7,207	865

10 Development projects

Completed development projects and development projects in progress include the development of other supportive IT systems. The development projects are expected to be completed within one to three years and comprise both external consultancy fees and internal labour costs.

11 Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	33,889	45,558	0
Additions	518	1,169	2,342
Disposals	(7,696)	(290)	0
Cost end of year	26,711	46,437	2,342
Depreciation and impairment losses beginning of year	(20,344)	(38,521)	0
Depreciation for the year	(3,485)	(2,966)	0
Reversal regarding disposals	6,896	290	0
Depreciation and impairment losses end of year	(16,933)	(41,197)	0
Carrying amount end of year	9,778	5,240	2,342

12 Financial assets

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	59,172	0	285
Additions	30,805	68,827	0
Cost end of year	89,977	68,827	285
Revaluations beginning of year	33,965	0	0
Exchange rate adjustments	(6,258)	0	0
Share of profit/loss for the year	(11,077)	0	0
Revaluations end of year	16,630	0	0
Carrying amount end of year	106,607	68,827	285

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
LEMAN U.S.A Inc.	USA	Inc.	100
LEMAN International Transport Limited	United Kingdom	Ltd.	100
Maru International Limited	United Kingdom	Ltd.	100
Maru Logistics Limited	United Kingdom	Ltd.	100
Dalpa International Limited	United Kingdom	Ltd.	100
LEMAN AB	Sweden	AB	100
LEMAN OY	Finland	OY	100
LEMAN AS	Norway	AS	100

13 Receivables from group enterprises

No due date has been determined for the receivables from group enterprises. However, they are expected to fall due within one year.

14 Prepayments

Prepayments comprise costs incurred such as rent, insurance premiums, subscription fees and freight forwarding costs relating to the next financial year.

15 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Class A shares	10,000	1	10,000
	10,000		10,000

16 Deferred tax

	2020 DKK'000	2019 DKK'000
Intangible assets	12,041	11,180
Property, plant and equipment	146	508
Receivables	(30)	(162)
Liabilities other than provisions	(330)	0
Tax losses carried forward	(2,169)	0
Deferred tax	9,658	11,526

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	11,526	10,034
Recognised in the income statement	(752)	1,492
Recognised directly in equity	(1,116)	0
End of year	9,658	11,526

17 Other provisions

Other provisions include provisions for payment of losses expected to incur in pending cases. Once the cases are settled, the outcome and timing will remain uncertain by their very nature, but all liabilities are assessed to be paid in the next three to four years. The liabilities include legal costs, such as legal fees and any damages.

18 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK'000
Other payables	15,733
	15,733

Other payables consist of frozen holiday allowance to employees. Management expects to use the possibility of paying the holiday allowance in 2021.

19 Deferred income

Deferred income relates to revenue cut-off.

20 Financial instruments

In the financial year, the Company decided to hedge part of the currency risk by entering into a forward exchange contract of DKK 25,122 thousand, distributed in USD. The fair value of the contract amounts to DKK 955 thousand, which has been recognised as other receivables, and the fair value adjustment has been recognised in the income statement. All forward exchange contracts expire in the financial year 2021.

21 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Liabilities under rental or lease agreements until maturity in total	33,053	46,275

The part of the rental and lease commitments falling due within a year amounts to DKK 12,151 (2019: DKK 14,562)

22 Contingent liabilities

	2020 DKK'000	2019 DKK'000
Recourse and non-recourse guarantee commitments	5,380	6,630
Contingent liabilities	5,380	6,630
Recourse and non-recourse guarantee commitments	30,980	33,325
Contingent liabilities to group enterprises	30,980	33,325

The Entity participates in a Danish joint taxation arrangement in which LEMAN 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 for income taxes etc for the jointly taxed entities and for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

23 Related parties with controlling interest

- LEMAN HOLDING A/S, Ventrupvej 6, 2670 Greve owns all shares in LEMAN A/S, thus exercising control.
- La Capite S.A., 10, Rue Nicolas Adames, L-1114 Luxembourg owns all shares in LEMAN HOLDING A/S, thus exercising control.
- Philippe Ziegler, Geneva, Switzerland owns 48% of the shares in La Capite SA and is the controlling shareholder of the Company.

24 Non-arm's length related party transactions

Only non-arm's-length related party transactions are disclosed in the annual report. No such transactions were conducted in the financial year.

25 Group relations

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

- LEMAN HOLDING A/S, Ventrupvej 6, 2670 Greve.

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

- LEMAN HOLDING A/S, Ventrupvej 6, 2670 Greve.

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.

A few changes have been made to the presentation of the Company's comparative figures. These changes do not affect the Company's income statement or equity.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the

balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

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 as 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.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in the reserve for fair value adjustments of hedging instruments in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Revenue

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

Segment information

The primary activities of the LEMAN Group comprise transportation and logistics to and from foreign destinations on behalf of Danish and foreign customers in Europe and the USA. The transportations are arranged through an extended network of cooperation among agents.

The services rendered by the Company or the Group comprise fairly uniform transportation services that do not differ significantly from one another. Consequently, further disclosures on business segments are irrelevant, just as disclosures on geographical markets are irrelevant.

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

Cost of sales comprises freight charges and other costs relating to the financial year measured at cost.

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 writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

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 or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and 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.

The Entity is jointly taxed with its Parent and all Danish group enterprises. 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

Goodwill

Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation period is usually ten years based on acquired market positions and a long-term earnings profile.

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

Intellectual property rights etc

Intellectual property rights comprise development projects in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under reserve for development costs, which is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs, amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at ten years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are three to ten years.

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

Property, plant and equipment

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

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.

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:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-8 years

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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

Goodwill is the positive difference between cost of the investments and fair value of the assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation period used is ten years.

Receivables

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

Prepayments

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

Other investments

Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

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. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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 retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other provisions

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date.

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.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Company has not prepared any cash flow statement.