

TIP Trailer Services Denmark ApS
Annual Report 2015
Registration no. 66293815

TIP Trailer Services

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Grydhøjparken 20, 8381 Tilst

4th of March 2016

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Statement by the Executive and Board of Directors

The Board of Directors and the Executive Board have today discussed and approved the annual report of TIP Trailer Services Denmark ApS for the financial year 1 January – 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act. It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2015.

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

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


Copenhagen, 04.03.2016


Executive Board:

DocuSigned by:

Christian Petersen
Christian Petersen

Board of Directors:

DocuSigned by:

Robert Fast
Chairman

DocuSigned by:

Malachy McEnroe

DocuSigned by:

Christian Petersen

To the Shareholders of TIP Trailer Services Denmark ApS

Independent auditors' report on the financial statements

We have audited the financial statements of TIP Trailer Services Denmark ApS for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet, cash flow statement and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

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Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Report on other legal and regulatory requirements

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the financial statements.

Copenhagen, 04.03.2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab

CVR no. 30700228

Signed in Counterpart

Hans Peter Roug

State Authorised
Public Accountant

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TIP Trailer Services

Management's review

Company details

TIP Trailer Services Denmark ApS
c/o Gorrissen Federspiel Kierkegaard
H.C Andersens Boulevard 12
DK-1553 Copenhagen V

Telephone: +45 35 42 00 77

Fax: +45 35 42 02 82

Registration No.: 66 29 38 15

Established: 3-Sept-1980

Registered office: Copenhagen

Board of Directors

Robert Fast

Christian Petersen

Malachy McEnroe

Executive Board

Christian Petersen

Auditors

Ernst & Young Godkendt

Revisionspartnerselskab

Vaerkmestergade 25, 8000 Aarhus C

Management's review

Financial highlights

DKK Thousand	2015	2014	2013	2012	2011
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Key figures

Revenue	107,542	118,481	134,770	151,663	163,691
Profit/loss from ordinary operating activities	-40,727	-13,182	-13,005	117	-776
Profit/loss from financial income and financial expenses	369	-456	-4,912	-20,003	-15,398
Profit/(loss) for the year	-40,358	-13,638	-17,917	2,472	-16,174

Fixed assets	262,484	246,845	271,711	360,842	431,138
Current assets	128,034	86,437	76,713	55,745	57,813
Total assets	390,518	333,282	348,424	416,588	488,951
Share capital	-60,006	-60,006	-60,006	-60,005	-60,005
Capital and reserves	268,400	308,758	-322,396	-56,669	-54,197
Provisions	0	0	0	0	0
Long-term liabilities	0	0	0	-330,052	-411,724
Short-term liabilities	-122,118	-24,524	-26,028	-29,866	-32,767

Investments in Property, Plant and Equipment	-92,284	-38,833	-5,721	-10,610	-17,926
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Financial ratios

Net profit ratio	-38%	-11%	-10%	0%	0%
Return on investments	-11%	-4%	-3%	0%	0%

The financial ratios have been calculated as follows:

Net profit ratio $\text{Operating (profit/loss) x 100 / Revenue}$

Return on investment $\text{Operating (profit/loss) x 100 / Average operating assets}$

Operating assets Total Assets

Management's review

Operating review

Activity

TIP Trailer Services Denmark ApS (the "Company") principal activities are to provide leasing of trailers, lease management and maintenance services. The operating area is restricted to Denmark.

Development in activities

Operating Loss amounts to DKK 40 million compared to 2014 where there was a loss of DKK 14 million.

The net book value of trailers has increased during the year from DKK 195 million in 2014 to DKK 213 million in 2015. Sales of trailers accounted for DKK 39 million while additions during 2015 amounted to DKK 92 million.

Financial position

The Company has capital and reserves of DKK 268 million at year end. The capital structure is considered satisfactory and sufficient to continue with the Company's activities in the upcoming financial year.

Outlook

Due to high level of Group expenses for 2015, the Company suffered by extra DKK 18 million for management service costs. Management expects to lower this expense in future. Additionally, Management expects an improvement on ordinary operations in 2016, by increasing the utilization rate and expanding the maintenance service in Denmark.

Environmental issues

The company's influence on the external environment and working environment aims to reduce the risk of pollution and avoid working accidents.

Events after the balance sheet date

No events have occurred after the balance sheet date that significantly influences the assessment of the financial result.

Financial statements for the year ended 31 December

Accounting policies

The annual report of TIP Trailer Services Denmark ApS (the "Company") for the year ended December 31, 2015 has been prepared in accordance with the provisions applying to class C enterprises (medium) under the Danish Financial Statements Act.

Accounting policies applied in the preparation of the financial statements are consistent with those of last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as interest income or expense and similar items.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as interest income or expense and similar items.

Financial statements for the year ended 31 December

Accounting policies

Income statement

Revenue

Revenue is comprised of lease income, rebills to customers and profit/loss on disposal of trailers.

Revenues are accrued so that leases invoiced, but covering a period of the coming financial year is stated as over-billings, and not invoiced leases covering the period this financial year is stated as short-billings.

Operating costs

Operating costs comprise maintenance, lease expenses and insurance.

Staff costs

Staff costs comprise salaries, wages, remuneration, pensions, social costs and other staff costs to employees of the Company, including the executive and board of directors.

Other external costs

Other external costs comprise of rental expenses, travel costs, marketing, bad debt provisions, office costs and bank charges.

Interest income and expense and similar items

Interest income and expense and similar items comprise interest income and expense, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme etc.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in capital and reserves is recognised directly in capital and reserves.

Financial statements for the year ended 31 December

Accounting policies

Balance sheet

Property, plant and equipment excluding trailers

Land and buildings and fixtures and fittings and tools and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	40 years
Fixtures and fittings, tools and equipment	3-5 years

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or costs.

Trailers

The lease portfolio is operating lease and is recorded in the balance sheet under tangible assets.

The valuation of the trailer fleet is based on cost less accumulated depreciation. Trailers are depreciated on a straight line basis so that the costs of the trailers less expected market value at termination of the lease contracts are depreciated over the contract period.

Major refurbishments are capitalised and depreciated together with the trailers.

Trailers are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired.

Inventories

Inventories are carried at the lower of cost and net realizable value and are to be sold within one year. The cost of inventories is usually the current net book value of ELTO(Equipment Leased out To Others) transferred to inventories and is determined for each item individually. The net realizable value is periodically re-assessed for all units that have been held for sale for six months or more and adjusted, if necessary.

Sales of inventories are recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually on receipt of cash. Book value of the assets sold and any costs directly associated with the sale are recorded at the same time. The revenue and the related book value are recognised as revenue from disposal of ELTO and cost of disposed ELTO respectively in the statement of profit or loss.

Financial statements for the year ended 31 December

Accounting policies

Impairment of non-current assets

The carrying amount of property, plant and equipment, including trailers, is subject to an annual test of indications of impairment other than the decrease in value reflected by amortization or depreciation. Impairment tests are conducted on individual assets or group of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Receivables

Receivables are measured at amortised cost. Write-down is made to net realisable value for bad debt losses.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

Current tax payable and receivable is recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to equipment and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

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Financial liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Cash flow statement

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

Cash and cash equivalent comprise cash at bank and in hand.

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Financial statements for the year ended 31 December

Income statement

DKK'000	Note	2015	2014
Revenue		107,542	118,481
Operating Costs		-38,856	-42,923
Gross Margin		68,686	75,558
Depreciation and Impairment	3	-37,396	-34,907
Ordinary Operating Profit		31,290	40,651
Staff Costs	1	-41,192	-37,711
Other External Costs		-30,825	-16,122
Operating Loss		-40,727	-13,182
Interest income from group companies		388	426
Interest expense from group companies		-19	-882
Loss from ordinary activities before tax		-40,358	-13,638
Tax on loss from ordinary activities	2	0	0
Loss for year		-40,358	-13,638
Proposed distribution of profit/ loss			
DKK'000			
Proposed dividends		0	0
Retained earnings		-40,358	-13,638
		<u>-40,358</u>	<u>-13,638</u>

Financial statements for the year ended 31 December

Balance sheet

DKK'000	Note	<u>2015</u>	<u>2014</u>
ASSETS			
Fixed assets			
Property, plant and equipment	3		
Land and buildings		49,623	51,268
Trailers		212,627	195,344
Fixtures and fittings, tools and equipment		235	233
		<u>262,484</u>	<u>246,845</u>
Total fixed assets		<u>262,484</u>	<u>246,845</u>
Current assets			
Inventories		14,200	8,323
Receivables			
Trade receivables		29,718	27,010
Amounts owed from group enterprises		74,446	35,746
Prepayments		152	175
VAT refund		0	1,614
		<u>118,516</u>	<u>72,869</u>
Cash at bank and in hand		<u>9,518</u>	<u>13,569</u>
Total current assets		<u>128,034</u>	<u>86,437</u>
TOTAL ASSETS		<u><u>390,518</u></u>	<u><u>333,282</u></u>

Financial statements for the year ended 31 December

Balance sheet

DKK'000	Note	<u>2015</u>	<u>2014</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	60,006	60,006
Retained earnings		<u>208,394</u>	<u>248,752</u>
Total capital and reserves		<u>268,400</u>	<u>308,758</u>
Liabilities			
Short-term liabilities			
Amounts owed to group enterprises		96,754	0
Trade payables		13,291	9,246
Deposits received from customers		1,061	840
Other payables		10,699	14,438
VAT Payable		<u>313</u>	<u>0</u>
		<u>122,118</u>	<u>24,524</u>
Total liabilities		<u>122,118</u>	<u>24,524</u>
TOTAL EQUITY AND LIABILITIES		<u>390,518</u>	<u>333,282</u>
Contingent liabilities	5		
Related party disclosures	6		

Financial statements for the year ended 31 December

Cash flow statement

DKK'000	2015	2014
Lease revenue	107,542	118,481
Operating costs	-38,856	-42,923
Staff costs	-41,192	-37,711
Other operating costs	-30,825	-16,122
Cash generated from operation activities before changes in working capital	-3,331	21,725
Changes in working capital	-231	9,999
Cash generated from operating activities	-3,562	31,724
Interest received	388	426
Interest paid	-19	-882
Cash generated from ordinary activities	-3,193	31,268
Repaid income tax refund in joint taxation	0	0
Cash flows from operating activities	-3,193	31,268
Acquisition of fixed assets	-92,284	-38,833
Disposal of fixed assets	33,371	20,470
Cash flows from investing activities	-58,913	-18,363
Change in Group financing	58,055	4,420
Cash flows from financing activities	58,055	4,420
Net cash flows from operating, investing and financing activities	-4,051	17,325
Cash and cash equivalents at 1 January 2015	13,569	-3,756
Cash and cash equivalents at 31 December 2015	9,518	13,569

Financial statements for the year ended 31 December

Notes

DKK'000 2015 2014

1 Staff costs

Wages and salaries	37,986	34,823
Pensions	3,037	2,728
Other social security costs	<u>169</u>	<u>160</u>
	<u>41,192</u>	<u>37,711</u>
Average number of employees	<u>82</u>	<u>67</u>

With reference to the Danish Financial Statements Act. §98 b, 3, the wage for the executive Board is not described. The board of directors have not received a wage.

2 Tax on the loss for the year

Current tax for the year	0	0
Adjustment for deferred tax for the year	0	0
Income tax payments/refund from joint taxation, prior years	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

Deferred tax assets amounts to DKK 153 million.

Deferred tax assets have not been recongnized since the potential value is uncertain.

Financial statements for the year ended 31 December

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3 Property, plant and equipment

DKK'000	Land and buildings	Trailers	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2015	78,565	579,126	1,704	659,396
Additions	319	71,653	91	72,063
Transferred from Group undertakings, original cost price	0	34,755	0	34,755
Transferred to Group undertakings, original cost price	0	-145,810	0	-145,810
Disposals	0	-16,825	0	-16,825
Cost at 31 December 2015	<u>78,884</u>	<u>522,899</u>	<u>1,795</u>	<u>603,579</u>
Depreciation at 1 January 2015	-27,297	-383,782	-1,471	-412,551
Depreciation	-1,965	-35,342	-89	-37,396
Transferred from Group undertakings	0	-14,534	0	-14,534
Transferred to Group undertakings	0	111,287	0	111,287
Disposals	0	12,099	0	12,099
Depreciation at 31 December 2015	<u>-29,262</u>	<u>-310,272</u>	<u>-1,560</u>	<u>-341,095</u>
Carrying amount at 31 December 2015	<u><u>49,623</u></u>	<u><u>212,627</u></u>	<u><u>235</u></u>	<u><u>262,484</u></u>

Financial statements for the year ended 31 December

Notes

4 Capital and reserves

DKK'000	Share Capital	Retained earnings	Total
Capital and reserves at 1 January 2015	60,006	248,752	308,758
Loss for the year	0	-40,358	-40,358
Capital and reserves at 31 December 2015	<u>60,006</u>	<u>208,394</u>	<u>268,400</u>

The share capital comprises 60.006 shares of DKK 1,000 thousand each.

Share capital for the latest five years is specified as follows:

DKK'000	2015	2014	2013	2012	2011
Share capital at 1 January	60,006	60,006	60,005	60,005	60,005
Cash capital increase	0	0	1	0	0
Share capital at 31 December	<u>60,006</u>	<u>60,006</u>	<u>60,006</u>	<u>60,005</u>	<u>60,005</u>

5 Contingent liabilities, contingent assets and security

Total operating leasing obligations amounts to DKK 1,575 thousands.

6 Related Party Disclosures

Related parties in control of TIP Trailer Services Denmark ApS:

- TIP Holdings UK Limited, (main shareholder)
- Hainan Airlines Company Limited Employees Union Committee, China (ultimate consolidated company)

TIP Holdings UK Limited holds the entire share capital.

The Company's majority ultimate shareholders are the Hainan Airlines Company Limited Employees Union Committee ("HNA Employees Union") and the Hainan Province Cihang Foundation ("Cihang Foundation") indirectly controlling the majority interest in the Company. The HNA Employees Union, established on 10 February 1993 in accordance with the China Labor Union Law and the Civil Procedural Law of China, is a legal person organized for the sole benefit of all employees of Hainan Airlines Company Limited ("Hainan Airlines"), a public air carrier duly licensed by the relevant Chinese government authorities, and a company listed and traded on China's Shanghai Stock Exchange (stock number 600221). The Cihang Foundation, established on 8 October 2010 in accordance with China's Foundation Control Measures Law, is a legal person organized for the sole purpose of engaging in charitable and educational activities and no individuals are permitted to have or entitled to any benefit under this foundation.

7 Mortgages and Collateral

The Company is party to the Global TIP Holdings Two BV group revolving credit facility. Under this arrangement all assets:

- Land and buildings with a carrying amount of DKK 49,623 thousand at 31 December 2015 have been provided as collateral for mortgages of DKK 60,000 thousand.
 - The Company's Trailers, Cash and Trade receivables with a carrying amount of DKK 251,863 thousand at 31 December 2015 have been provided as a collateral for mortgages of DKK 70,000 thousand.
- are secured by a cross guarantee to the lenders against amounts drawn down under this facility along with all group companies.

The guarantee towards other companies is limited to an amount equal to or the greater of

- The equity at the date of the accession of the agreement (268,400 thousand)
- The equity at the date when a claim for payment is made against the company