
Lightship Chartering A/S

Ryvangs Alle 54, DK-2900 Hellerup

Annual Report for 1 January - 31 December 2015

CVR No 89 99 01 14

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/5 2016

Merete Byrch Holtzer
Chairman



pwc

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements	2
Management's Review	
Company Information	4
Group Chart	5
Financial Highlights	6
Management's Review	7
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Cash Flow Statement 1 January - 31 December	13
Notes to the Financial Statements	14
Accounting Policies	22

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Lightship Chartering A/S for the financial year 1 January - 31 December 2015.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2015.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hellerup, 25 May 2016

Direktion

Giovanni Garufi
CEO

Bestyrelse

Morten Have
Chairman

Giovanni Garufi

Kasper Bøgelund Olsen

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

To the Shareholders of Lightship Chartering A/S

Report on the Financial Statements and the Consolidated Financial Statements

We have audited the Financial Statements and the Consolidated Financial Statements of Lightship Chartering A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The Financial Statements and the Consolidated Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements and the Consolidated Financial Statements

Management is responsible for the preparation of Financial Statements and the Consolidated 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 and Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements and the Consolidated 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 whether the Financial Statements and the Consolidated Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements and the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements and the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements and Consolidated 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 and the Consolidated Financial Statements.

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

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

Opinion

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Company and the Group at 31 December 2015 and of the results of the Company and the Group operations and of consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements and the Consolidated Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements and the Consolidated Financial Statements.

Hellerup, 25 May 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Flemming Eghoff
statsautoriseret revisor

Claus Damhave
statsautoriseret revisor

Company Information

The Company

Lightship Chartering A/S
Ryvangs Alle 54
DK-2900 Hellerup

CVR No: 89 99 01 14
Financial period: 1 January - 31 December
Municipality of reg. office: København

Board of Directors

Morten Have, Chairman
Giovanni Garufi
Kasper Bøgelund Olsen

Executive Board

Giovanni Garufi

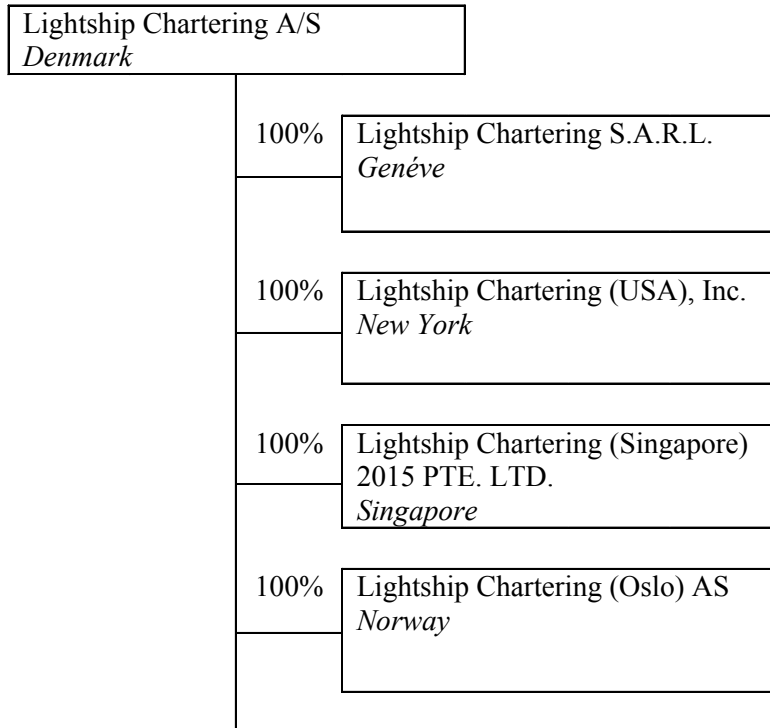
Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Group Chart

Moderselskab
Parent Company

**Konsoliderede
dattervirksomheder**
Consolidated subsidiaries



Financial Highlights

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

	Group				
	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK	2011 TDKK
Key figures					
Profit/loss					
Revenue	46.765	67.686	66.350	61.259	70.188
Gross profit/loss	24.389	49.836	53.391	49.581	54.042
Operating profit/loss	-15.541	3.233	10.061	3.828	7.416
Net financials	-593	4.305	-4.558	-800	749
Net profit/loss for the year	-16.209	4.259	3.750	3.373	5.414
Balance sheet					
Balance sheet total	26.844	38.582	41.880	34.840	46.593
Equity	16.868	30.692	31.633	26.380	34.343
Cash flows					
Cash flows from:					
- operating activities	-3.682	1.291	5.690	1.631	492
- investing activities	-542	-1.604	-596	427	-1.816
- financing activities	0	-4.570	1.576	-11.512	-18.633
Change in cash and cash equivalents for the year	-4.223	-4.883	6.670	-9.454	-19.957
Number of employees	35	39	43	44	44
Ratios					
Gross margin	52,2%	73,6%	80,5%	80,9%	77,0%
Solvency ratio	62,8%	79,6%	75,5%	75,7%	73,7%
Return on equity	-68,2%	13,7%	12,9%	11,1%	13,3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Primary activity

Lightship Chartering A/S' activity is to carry on shipping business as chartering broker and other shipping related activities.

Development in activities and finances

The company has incurred a loss of DKK 16,209 mill for the year against a profit of DKK 4,259 mill for full the full year 2014.

Many circumstances and facts have contributed to this dissatisfactory result.

The general development in the dry bulk shipping market has been the worst for many years causing low activity and low freight rates and also causing direct financial losses from clients not performing or going out of business. One of Lightship chartering top 10 clients went bankrupt in the beginning of 2015 and another client did not fulfill their agreements.

Lightship Chartering A/S' joint venture with Maersk Broker (Dry) was terminated in June 2015. A lot of efforts and manpower were used in first half of 2015 to get the joint venture up running. Additional costs were used for auditors and lawyers in setting up the joint venture, common IT solutions, etc.

Further spending was used setting up offices in Singapore and Oslo during the summer 2015. Not to mention closing down the office in New York.

At the end of August 2015 four partners of Lightship Chartering A/S resigned the positions with the company. Their resignations have caused additional costs for Lightship Chartering A/S including termination compensation.

Shortly after the resignation Lightship Chartering A/S discovered discrepancies in fixtures made by a former senior partner. As a result hereof, Lightship Chartering A/S has been presented with considerable claims caused by the partner in question.

Lightship Chartering A/S has taken all necessary precautions to mitigate the losses and the effects for its clients. Lightship Chartering A/S has also introduced new procedures to avoid similar situations in the future and thereby maintaining its position as a trusted first class shipbroker.

Without all the above circumstances and costs Lightship Chartering A/S would have been profitable for the year 2015.

Management's Review

Outlook

After overcoming the challenging year 2015 Management expects the Lightship Group to have a positive development during 2016 and a positive year end result. Although, year 2016 has started as one of the worst years ever the Lightship Group has managed to make a positive result for the first four months.

Lightship Chartering A/S will also seek new business areas within the shipping market and develop our offices further. During 2016 we have established Lightship Tankers for which our expectations are very positive.

Business risks

Lightship Chartering is exposed to the general developments in dry bulk shipping market as well as our customers' activity level.

Financial exposure

The exposure to receivables in foreign currencies - mainly USD and CHF - is considered to be the main financial risk affecting the Entity.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group		Parent	
		2015 DKK	2014 DKK	2015 DKK	2014 DKK
Revenue		46.764.812	67.685.898	15.138.412	30.637.636
Other external expenses		-22.375.954	-17.849.829	-11.848.176	-8.324.377
Gross profit/loss		24.388.858	49.836.069	3.290.236	22.313.259
Staff expenses	1	-38.407.184	-45.027.133	-14.132.521	-22.599.746
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-1.522.543	-1.576.418	-1.158.892	-983.161
Profit/loss before financial income and expenses		-15.540.869	3.232.518	-12.001.177	-1.269.648
Income from investments in subsidiaries		0	0	-6.247.517	3.631.703
Financial income	3	2.041.780	4.305.754	2.203.476	2.514.708
Financial expenses	4	-2.634.633	-722	-247.052	-139.215
Profit/loss before tax		-16.133.722	7.537.550	-16.292.270	4.737.548
Tax on profit/loss for the year	5	-75.722	-3.278.989	82.826	-478.987
Net profit/loss for the year		-16.209.444	4.258.561	-16.209.444	4.258.561

Distribution of profit

	Parent	
	2015 DKK	2014 DKK
Proposed distribution of profit		
Proposed dividend for the year	0	0
Reserve for net revaluation under the equity method	-6.247.517	-2.099.987
Retained earnings	-9.961.927	6.358.548
	-16.209.444	4.258.561

Balance Sheet 31 December

Assets

	Note	Group		Parent	
		31 December	31 December	31 December	31 December
		2015	2014	2015	2014
		DKK	DKK	DKK	DKK
Goodwill		0	0	0	0
Intangible assets	6	0	0	0	0
Other fixtures and fittings, tools and equipment		681.592	1.281.334	334.512	868.092
Leasehold improvements		1.860.076	2.232.617	1.304.990	2.230.302
Property, plant and equipment	7	2.541.668	3.513.951	1.639.502	3.098.394
Investments in subsidiaries	8	0	0	32.713.208	31.110.591
Other investments	9	277.250	237.750	277.250	237.750
Fixed asset investments		277.250	237.750	32.990.458	31.348.341
Fixed assets		2.818.918	3.751.701	34.629.960	34.446.735
Trade receivables		10.858.551	15.378.587	1.960.584	6.975.216
Receivables from group enterprises		0	0	0	1.396.766
Other receivables		1.081.749	3.883.784	156.864	183.776
Corporation tax		1.384.754	0	250.000	0
Prepayments		386.452	1.031.473	286.847	417.517
Receivables		13.711.506	20.293.844	2.654.295	8.973.275
Cash at bank and in hand		10.313.651	14.536.789	1.760.874	4.922.513
Currents assets		24.025.157	34.830.633	4.415.169	13.895.788
Assets		26.844.075	38.582.334	39.045.129	48.342.523

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent	
		31 December	31 December	31 December	31 December
		2015	2014	2015	2014
		DKK	DKK	DKK	DKK
Share capital		1.000.000	1.000.000	1.000.000	1.000.000
Reserve for net revaluation under the equity method		0	0	15.092.158	18.953.927
Retained earnings		15.867.845	29.691.545	775.687	10.737.614
Equity	10	16.867.845	30.691.545	16.867.845	30.691.541
Provision for deferred tax		0	87.727	0	87.727
Provisions relating to investments in group enterprises		0	0	326.913	0
Other provisions		1.707.500	0	1.707.500	0
Provisions		1.707.500	87.727	2.034.413	87.727
Trade payables		3.751.278	2.433.650	1.063.933	1.072.562
Payables to group enterprises		0	0	14.776.591	12.150.156
Corporation tax		0	955.282	0	64.260
Other payables		4.517.452	4.414.130	4.302.347	4.276.277
Short-term debt		8.268.730	7.803.062	20.142.871	17.563.255
Debt		8.268.730	7.803.062	20.142.871	17.563.255
Liabilities and equity		26.844.075	38.582.334	39.045.129	48.342.523
Contingent assets, liabilities and other financial obligations	11				
Related parties and ownership	12				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1.000.000	0	29.691.541	30.691.541
Exchange adjustments relating to foreign entities	0	0	2.385.748	2.385.748
Net profit/loss for the year	0	0	-16.209.444	-16.209.444
Equity at 31 December	1.000.000	0	15.867.845	16.867.845

Parent

Equity at 1 January	1.000.000	18.953.927	10.737.614	30.691.541
Exchange adjustments relating to foreign entities	0	2.385.748	0	2.385.748
Net profit/loss for the year	0	-6.247.517	-9.961.927	-16.209.444
Equity at 31 December	1.000.000	15.092.158	775.687	16.867.845

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2015 DKK	2014 DKK
Net profit/loss for the year		-16.209.444	4.258.561
Adjustments	13	2.191.118	553.099
Change in working capital	14	11.095.544	-5.221.921
Cash flows from operating activities before financial income and expenses		-2.922.782	-410.261
Financial income		2.041.778	2.203.476
Financial expenses		-2.634.635	-247.051
Cash flows from ordinary activities		-3.515.639	1.546.164
Corporation tax paid		-2.503.485	-1.348.149
Other Adjustments including exchange adjustments		2.337.594	1.092.774
Cash flows from operating activities		-3.681.530	1.290.789
Purchase of intangible assets		0	-12.836
Purchase of property, plant and equipment		-997.050	-1.591.014
Fixed asset investments made etc		-39.500	0
Sale of property, plant and equipment		494.942	0
Cash flows from investing activities		-541.608	-1.603.850
Sale of treasury shares		0	3.058.174
Dividend paid		0	-7.627.944
Cash flows from financing activities		0	-4.569.770
Change in cash and cash equivalents		-4.223.138	-4.882.831
Cash and cash equivalents at 1 January		14.536.789	19.419.620
Cash and cash equivalents at 31 December		10.313.651	14.536.789
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		10.313.651	14.536.789
Cash and cash equivalents at 31 December		10.313.651	14.536.789

Notes to the Financial Statements

	Group		Parent	
	2015 DKK	2014 DKK	2015 DKK	2014 DKK
1 Staff expenses				
Wages and salaries	35.589.282	41.713.700	13.328.322	21.527.336
Pensions	537.759	654.512	524.407	654.512
Other social security expenses	1.677.854	1.987.417	131.287	212.498
Other staff expenses	602.289	671.504	148.505	205.400
	38.407.184	45.027.133	14.132.521	22.599.746
Average number of employees	35	39	15	24
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	0	113.755	0	0
Depreciation of property, plant and equipment	1.522.397	1.292.196	1.158.746	964.369
Impairment of intangible assets	0	151.675	0	0
Gain and loss on disposal	146	18.792	146	18.792
	1.522.543	1.576.418	1.158.892	983.161
3 Financial income				
Interest received from group enterprises	0	0	222.814	166.008
Other financial income	3.530	2.542	0	0
Exchange adjustments	1.989.900	4.245.480	1.932.312	2.290.968
Exchange gains	48.350	57.732	48.350	57.732
	2.041.780	4.305.754	2.203.476	2.514.708

Notes to the Financial Statements

	Group		Parent	
	2015 DKK	2014 DKK	2015 DKK	2014 DKK
4 Financial expenses				
Interest paid to group enterprises	0	0	246.903	139.215
Other financial expenses	239	722	149	0
Exchange loss	2.634.394	0	0	0
	2.634.633	722	247.052	139.215
5 Tax on profit/loss for the year				
Current tax for the year	158.548	1.657.937	0	564.260
Deferred tax for the year	-87.727	1.621.052	-87.727	-85.273
Adjustment of tax concerning previous years	4.901	0	4.901	0
	75.722	3.278.989	-82.826	478.987
6 Intangible assets				
Group				Goodwill DKK
Cost at 1 January				683.000
Cost at 31 December				683.000
Impairment losses and amortisation at 1 January				683.000
Amortisation for the year				0
Impairment losses and amortisation at 31 December				683.000
Carrying amount at 31 December				0
Amortised over				5 years

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	6.889.900	2.728.167	9.618.067
Exchange adjustment	285.569	26.223	311.792
Additions for the year	373.810	623.220	997.030
Disposals for the year	-1.910.692	0	-1.910.692
Cost at 31 December	<u>5.638.587</u>	<u>3.377.610</u>	<u>9.016.197</u>
Impairment losses and depreciation at 1 January	5.606.251	497.865	6.104.116
Exchange adjustment	240.124	23.642	263.766
Depreciation for the year	526.370	996.027	1.522.397
Reversal of impairment and depreciation of sold assets	-1.415.750	0	-1.415.750
Impairment losses and depreciation at 31 December	<u>4.956.995</u>	<u>1.517.534</u>	<u>6.474.529</u>
Carrying amount at 31 December	<u>681.592</u>	<u>1.860.076</u>	<u>2.541.668</u>
Depreciated over	<u>3 years</u>	<u>5 years</u>	

Notes to the Financial Statements

7 Property, plant and equipment (continued)

Parent

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	4.416.841	2.728.167	7.145.008
Disposals for the year	-659.900	0	-659.900
Kostpris at 31 December	<u>3.756.941</u>	<u>2.728.167</u>	<u>6.485.108</u>
Impairment losses and depreciation at 1 January	3.548.749	497.865	4.046.614
Depreciation for the year	233.434	925.312	1.158.746
Reversal of impairment and depreciation of sold assets	-359.754	0	-359.754
Impairment losses and depreciation at 31 December	<u>3.422.429</u>	<u>1.423.177</u>	<u>4.845.606</u>
Carrying amount at 31 December	<u>334.512</u>	<u>1.304.990</u>	<u>1.639.502</u>
Depreciated over	<u>3 years</u>	<u>5 years</u>	

Notes to the Financial Statements

	Parent	
	31 December 2015	31 December 2014
	DKK	DKK
8 Investments in subsidiaries		
Cost at 1 January	1.118.306	1.118.306
Additions for the year	23.283	0
Cost at 31 December	<u>1.141.589</u>	<u>1.118.306</u>
Value adjustments at 1 January	18.953.927	15.952.742
Exchange adjustment	2.385.748	-630.518
Net profit/loss for the year	<u>-6.247.517</u>	<u>3.631.703</u>
Value adjustments at 31 December	<u>15.092.158</u>	<u>18.953.927</u>
Equity investments with negative net asset value amortised over receivables	<u>16.152.548</u>	<u>11.038.358</u>
Equity investments with negative net asset value transferred to provisions	<u>326.913</u>	<u>0</u>
Carrying amount at 31 December	<u>32.713.208</u>	<u>31.110.591</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Lightship Chartering S.A.R.L.	Schweiz, Geneve	CHF 20.000	100%	32.713.188	-2.002.908
Lightship Chartering (USA), Inc.	USA, New York	USD 200.000	100%	-14.451.603	-2.103.235
Lightship Chartering (Singapore) PTE. LTD.	Singapore	SGD 1	100%	-1.018.910	-1.031.756
Lightship Chartering (Oslo) AS	Norge, Oslo	NOK 30.000	100%	-1.008.928	-1.109.618
				<u>16.233.747</u>	<u>-6.247.517</u>

Notes to the Financial Statements

9 Other fixed asset investments

	<u>Group</u>	<u>Parent</u>
	Other investments	
	DKK	DKK
Cost at 1 January	53.704	53.704
Cost at 31 December	53.704	53.704
Revaluations at 1 January	184.046	184.046
Revaluations for the year	39.500	39.500
Revaluations at 31 December	223.546	223.546
Carrying amount at 31 December	277.250	277.250

10 Equity

The share capital consists of 1.000.000 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

	Group		Parent	
	31 December	31 December	31 December	31 December
	2015	2014	2015	2014
	DKK	DKK	DKK	DKK
11 Contingent assets, liabilities and other financial obligations				

Rental agreements and leases

Lease obligations under operating leases. Total future lease payments:

Within 1 year	3.113.751	390.000	540.000	390.000
Between 1 and 5 years	2.521.174	0	0	0
	5.634.925	390.000	540.000	390.000

Contingent liabilities

The Company has discovered discrepancies in fixtures made by a former senior partner. As a result hereof the company has now been presented with various claims caused by the partner in question.

12 Related parties and ownership

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Morten Have, Vésenaz, Schweiz
 Giovanni Garufi, Lausanne, Schweiz
 Kasper Bøgelund Olsen, Geneve, Schweiz
 Charles Bensen Aarvik, Chene Bourg, Schweiz

Notes to the Financial Statements

	Group	
	<u>2015</u>	<u>2014</u>
	DKK	DKK
13 Cash flow statement - adjustments		
Financial income	-2.041.780	-4.305.754
Financial expenses	2.634.633	722
Depreciation, amortisation and impairment losses, including losses and gains on sales	1.522.543	1.576.417
Tax on profit/loss for the year	75.722	3.278.989
Other adjustments	0	2.725
	<u>2.191.118</u>	<u>553.099</u>
14 Cash flow statement - change in working capital		
Change in receivables	7.967.092	-3.687.633
Change in other provisions	1.707.500	0
Change in trade payables, etc	1.420.952	-1.534.288
	<u>11.095.544</u>	<u>-5.221.921</u>

Accounting Policies

Basis of Preparation

The Annual Report of Lightship Chartering A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2015 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Lightship Chartering A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Accounting Policies

Business combinations

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Accounting Policies

Financial income and expenses

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

Tax on profit/loss for the period

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

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Accounting Policies

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The items "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables.

Prepayments

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

Equity

Dividend

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

Provisions

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Accounting Policies

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

Accounting Policies

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

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