
J. Lauritzen Invest A/S

C/O J. Lauritzen A/S, Tuborg Havnevej 15, DK-2900
Hellerup

Annual Report for 1 January - 31 December 2021

CVR No 29 38 87 76

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
23/3 2022

Dorte Rolff
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of J. Lauritzen Invest A/S for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

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, 23 March 2022

Executive Board

Dorte Rolff

Board of Directors

Tommy Thomsen
Chairman

Inge Grønvold

Kristian Verner Mørch

Independent Auditor's Report

To the Shareholder of J. Lauritzen Invest A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of J. Lauritzen Invest A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 23 March 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Company Information

The Company

J. Lauritzen Invest A/S
C/O J. Lauritzen A/S
Tuborg Havnevej 15
DK-2900 Hellerup

CVR No: 29 38 87 76

Financial period: 1 January - 31 December

Incorporated: 7 February 2006

Financial year: 16th financial year

Municipality of reg. office: Hellerup

Board of Directors

Tommy Thomsen, Chairman
Inge Grønvold
Kristian Verner Mørch

Executive Board

Dorte Rolff

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2021 TUSD	2020 TUSD	2019 TUSD	2018 TUSD	2017 TUSD
Key figures					
Profit/loss					
Operating profit/loss	-396	0	-1	-1	-1
Profit/loss before financial income and expenses	-396	0	0	0	0
Net financials	45.106	0	-1	-1	-1
Profit/loss from discontinuing activities	-51.704	-43.859	0	0	0
Net profit/loss for the year	-7.194	-43.859	-1	-1	-1
Balance sheet					
Balance sheet total	144.402	282.660	339	340	340
Equity	108.729	80.708	338	339	340
Investment in property, plant and equipment	0	285.347	0	0	0
Ratios					
Solvency ratio	75,3%	28,6%	99,7%	99,7%	100,0%
Return on equity	-7,6%	-108,2%	-0,3%	-0,3%	-0,3%

Management's Review

Key activities

The purpose of the company is to conduct maritime transport and related business; other transport activities; other transport activities, including air transport; to carry on commercial, industrial and financing activities; exploration and extraction of oil, gas and minerals; and to invest capital in business of all the above kinds and in real estate.

Development in the year

The income statement of the Company for 2021 shows a loss of USDm 7.2, and at 31 December 2021 the balance sheet of the Company shows equity of USDm 108.7.

In December 2020, the Company (formerly Lauritzen Kosan A/S) agreed with Epic Gas Ltd. to sell its gas carrier activities and form the company BW Epic Kosan Ltd., which is listed in Oslo, Norway. As part of the transaction, Lauritzen Kosan A/S agreed to acquire the remaining 50% of the shares of its subsidiary LKT Gas Carriers Pte Ltd., which also participated in the transaction with Epic Gas Ltd. The transaction included transfer of all existing assets and liabilities, rights and obligation, ie. activities, and staff. As a consequence of the transaction, Lauritzen Kosan A/S ceased its activity as ship owner in the beginning of 2021.

In consideration for the net assets, Lauritzen Kosan A/S and its subsidiary LKT Gas Carriers Ltd. received shares in BW Epic Kosan Ltd.

The transaction with Epic Gas Ltd. was completed in early March 2021 based on the agreed value of the net assets per year-end 2020. Consequently, the transferred net assets also included the result of Lauritzen Kosan's activities from January 2021 until closing of the transaction and a nil result was therefore expected for 2021 for the Company.

The BW Epic Kosan Ltd. investment is considered an associated company (ownership of 25.1% of the issued share capital in BW Epic Kosan Ltd. and two seats on the Board of Directors). The value of the investment in BW Epic Kosan Ltd. is recognised in accordance with the equity method. The result of the investment for the year 2021 was a loss.

In September 2021, the Company committed to invest up to USDm 10 in Maritime Investment Fund II K/S, a private equity fund focussed on shipping managed by Navigare Capital Partners. By year-end 2021, USDm 6.4 of the investment commitment remained unutilised.

In December 2021, the ultimate owner of the Company, Lauritzen Fonden, contributed via J. Lauritzen A/S, its existing investment in Dee4 Capital Fund I K/S, a private equity fund focussed on shipping.

Management's Review

Also in December 2021, J. Lauritzen A/S, the parent company of Lauritzen Kosan A/S, announced its intention to merge Lauritzen Kosan with Lauritzen Ship Owner A/S effective from 1 January 2021, with Lauritzen Kosan A/S as the continuing company. The merger was approved in January 2022. The merger had negligible impact on the result for 2021 as Lauritzen Ship Owner A/S did not have activity in 2021. Comparative figures have not been restated due to the merger.

Targets and expectations for the year ahead

Management expects a positive result for 2022 under the assumption that each of the three mentioned investments will have a positive development in 2022.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 December 2021 of the Company and the results of the activities of the Company for the financial year for 2021 have not been affected by any unusual events.

Subsequent events

Refer to note 1 in the Financial Statements.

On 11 January 2022 Lauritzen Kosan A/S changed its name to J. Lauritzen Invest A/S.

Income Statement 1 January - 31 December

	Note	2021 TUSD	2020 TUSD
Other external expenses		-396	0
Gross profit/loss		-396	0
Income from investments in subsidiaries	2	4.610	0
Income from investments in associates	3	38.818	0
Financial income	4	1.842	0
Financial expenses	5	-164	0
Profit/loss before tax		44.710	0
Tax on profit/loss for the year	6	-200	0
Profit/loss from continuing activities		44.510	0
Profit/loss from discontinuing activities	7	-51.704	-43.859
Net profit/loss for the year		-7.194	-43.859

Balance Sheet 31 December

Assets

	Note	2021 TUSD	2020 TUSD
Investments in subsidiaries	8	22.607	0
Investments in associates	9	111.149	15.407
Receivables from associates	10	0	2.180
Other investments	10	8.622	0
Fixed asset investments		142.378	17.587
Fixed assets		142.378	17.587
Receivables from group enterprises		47	200
Other receivables		525	0
Receivables		572	200
Cash at bank and in hand		1.452	0
Assets relating to discontinued activities	7	0	264.873
Currents assets		2.024	265.073
Assets		144.402	282.660

Balance Sheet 31 December

Liabilities and equity

	Note	2021 TUSD	2020 TUSD
Share capital		71	71
Reserve for net revaluation under the equity method		36.895	0
Retained earnings		71.763	80.637
Equity		108.729	80.708
Provision for deferred tax	12	8.541	8.541
Provisions		8.541	8.541
Payables to group enterprises		3.737	29.599
Long-term debt	13	3.737	29.599
Trade payables		53	0
Payables to group enterprises	13	23.171	0
Corporation tax		171	366
Liabilities relating to discontinued activities	7	0	163.446
Short-term debt		23.395	163.812
Debt		27.132	193.411
Liabilities and equity		144.402	282.660
Subsequent events	1		
Distribution of profit	11		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TUSD	TUSD	TUSD	TUSD
Equity at 1 January	71	0	80.637	80.708
Net effect from merger under the pooling of interests method	0	0	31.003	31.003
Adjusted equity at 1 January	71	0	111.640	111.711
Group contribution	0	0	4.212	4.212
Badwill gain	0	36.895	-36.895	0
Net profit/loss for the year	0	0	-7.194	-7.194
Equity at 31 December	71	36.895	71.763	108.729

Notes to the Financial Statements

1 Subsequent events

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

On 11 January 2022, Lauritzen Kosan A/S changed its name to J. Lauritzen Invest A/S.

	<u>2021</u> TUSD	<u>2020</u> TUSD
2 Income from investments in subsidiaries		
Share of profits of subsidiaries	4.610	0
	<u>4.610</u>	<u>0</u>
3 Income from investments in associates		
Share of losses of associates	-10.331	0
Badwill gain	49.149	0
	<u>38.818</u>	<u>0</u>
4 Financial income		
Income from other investments	1.827	0
Other financial income	11	0
Exchange adjustments	4	0
	<u>1.842</u>	<u>0</u>
5 Financial expenses		
Other financial expenses	164	0
	<u>164</u>	<u>0</u>

Notes to the Financial Statements

	2021 <u>TUSD</u>	2020 <u>TUSD</u>
6 Tax on profit/loss for the year		
Current tax for the year	0	0
Adjustment of tax concerning previous years	<u>200</u>	<u>0</u>
	<u>200</u>	<u>0</u>
 7 Discontinuing activities		
Revenue	19.845	95.364
Other operating income	1.119	5.871
Vessel costs	-9.131	-46.180
Other external expenses	<u>-1.450</u>	<u>-9.388</u>
Gross profit/loss	10.383	45.667
Staff expenses	-4.417	-26.236
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	<u>-1.830</u>	<u>-41.965</u>
Profit/loss before financial income and expenses	4.136	-22.534
Income from investments in associates	594	-277
Financial income	18	812
Financial expenses	<u>-1.072</u>	<u>-12.953</u>
Profit/loss before tax	3.676	-34.952
Loss on Sale of Activity	-51.704	0
Tax on profit/loss for the year	<u>-173</u>	<u>-8.907</u>
Profit/loss from discontinuing activities	<u>-51.704</u>	<u>-43.859</u>
Property, plant and equipment	<u>0</u>	<u>243.382</u>
Fixed assets	<u>0</u>	<u>243.382</u>
Receivables	0	7.788
Cash at bank and in hand	<u>0</u>	<u>13.703</u>
Currents assets	<u>0</u>	<u>21.491</u>
 Assets relating to discontinued activities	 <u>0</u>	 <u>264.873</u>

Notes to the Financial Statements

	2021 TUSD	2020 TUSD
7 Discontinuing activities (continued)		
Debt	0	163.446
Liabilities relating to discontinued activities	0	163.446

On 23 December 2020, Epic Gas Ltd., a leading LPG shipping solutions company, and Lauritzen Kosan A/S, the gas carrier division of J. Lauritzen, announced that they have entered into a transaction agreement to combine their fleet and business activities to create BW Epic Kosan Ltd. The transaction with Epic Gas Ltd. was completed in early March 2021. In the Financial Statements, the disposed activities of Lauritzen Kosan are therefore presented as discontinued operations.

8 Investments in subsidiaries

Cost at 1 January	0	0
Additions for the year	9.487	0
Transfers from associates note 9.	21.940	0
Cost at 31 December	31.427	0
Value adjustments at 1 January	0	0
Net profit/loss for the year	4.610	0
Transfers from associates note 9.	-13.430	0
Value adjustments at 31 December	-8.820	0
Carrying amount at 31 December	22.607	0

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
LKT Gas Carriers Pte. Ltd.	Singapore	tUSD 37.500	100%

Notes to the Financial Statements

	2021 <u>TUSD</u>	2020 <u>TUSD</u>
9 Investments in associates		
Cost at 1 January	21.940	0
Transferred from other entities	0	21.940
Additions for the year	65.434	0
Transfer to subsidiaries note 8	<u>-21.940</u>	<u>0</u>
Cost at 31 December	<u>65.434</u>	<u>21.940</u>
Value adjustments at 1 January	-6.533	0
Transferred from other entities	0	-5.534
Net profit/loss for the year	-10.331	-999
Badwill gain	49.149	0
Transfer to subsidiaries note 8	<u>13.430</u>	<u>0</u>
Value adjustments at 31 December	<u>45.715</u>	<u>-6.533</u>
Carrying amount at 31 December	<u>111.149</u>	<u>15.407</u>

The initial shares at market value of TUSD 65.434 received as consideration from the sale of Kosan activities is recognized as addition to associates. The badwill gain of TUSD 49.149 is an one-off and relates to an adjustment between the market values of the shares received as consideration and the comparable equity value of BW Epic Kosan Ltd. at the time of the transaction.

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
BW Epic Kosan Ltd	Singapore	TNOK 159.467	25%

Notes to the Financial Statements

10 Other fixed asset investments

	Other investments TUSD
Cost at 1 January	0
Additions for the year	7.678
Disposals for the year	-883
Cost at 31 December	<u>6.795</u>
Revaluations at 1 January	0
Revaluations for the year	1.827
Revaluations at 31 December	<u>1.827</u>
Carrying amount at 31 December	<u>8.622</u>

11 Distribution of profit

	2021 TUSD	2020 TUSD
Retained earnings	-7.194	-43.859
	<u>-7.194</u>	<u>-43.859</u>

12 Provision for deferred tax

Expected tax of transition balance (leaving Danish Tonnage Tax Scheme)	8.541	8.541
	<u>8.541</u>	<u>8.541</u>

In 2005, the Danish based companies of the J. Lauritzen Group entered the Danish tonnage taxation system, the adoption of which is binding until at least 2024. Due to the transaction with BW Epic Kosan Ltd., a deferred tax on the transition balance ("Overgangssaldo") is likely to become payable in 2023.

Notes to the Financial Statements

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2021 TUSD	2020 TUSD
Payables to group enterprises		
Between 1 and 5 years	3.737	29.599
Long-term part	3.737	29.599
Within 1 year	23.171	0
	26.908	29.599

14 Contingent assets, liabilities and other financial obligations

Contingent assets

According to the Transaction Agreement related to the sale of net assets etc. to BW Epic Kosan Ltd., the Company is entitled to the following contingent additional considerations:

- up to 5,099,378 additional shares in BW Epic Kosan. The additional consideration is dependent/contingent of the revenue earned in the fiscal years 2021 and 2022 on the fleet contributed by the Company exceeding a baseline revenue. The number of additional shares to be received, if any, as additional consideration is not possible to assess before year-end 2022.

- a cash compensation at a maximum of USD 9m related to cost savings from synergies. The compensation is contingent of BW Epic Kosan Ltd. realizing synergies (savings) on certain administrative costs of a similar amount in fiscal years 2021 and 2022. The compensation cannot exceed the actual tax liability of the Company, which materializes due to the Company's exit from the Danish tonnage tax system. The possible value of the compensation is not possible to assess before year-end 2022.

Contingent liabilities

There is a residual liability corresponding to the Company's share of the non-paid capital totalling USD 6,796k tied to the Company's investment in other investments.

Notes to the Financial Statements

14 Contingent assets, liabilities and other financial obligations (continued)

The Company is jointly taxed with the Danish subsidiaries of the Lauritzen Foundation. The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

15 Related parties

Basis

Controlling interest

Lauritzen Foundation
J. Lauritzen A/S

Ultimate parent company
Parent Company

Transactions

The Company's intercompany transactions has during the year been entered into at arm's length.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company

Name

Place of registered office

Lauritzen Fonden

Tranegårdsvej 20, 2900 Hellerup

The Group Annual Report of Lauritzen Fonden may be obtained at the following address:

<http://datacvr.virk..dk/data>

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of J. Lauritzen Invest A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in TUSD. Applied US Dollar exchange rate on the 31 December 2021 : 656,12 (2020: 605,76).

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Lauritzen Fonden, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Lauritzen Fonden, the Company has not prepared a cash flow statement.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

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

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

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

Notes to the Financial Statements

16 Accounting Policies (continued)

Income Statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Vessel operating costs

Vessel operating costs comprise the raw materials and consumables consumed to achieve revenue for the year.

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 property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

The Company's current tax consists of tax payable according to the regulations of the Danish Tonnage Tax Act for shipping activities and according to general tax regulations for net financial income and other activities.

Income calculated in accordance with the Tonnage Tax Act includes a notional taxable income assessed on the basis of the tonnage employed during the year.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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

Vessels	25 years
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Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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

Investments in subsidiaries and associates

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

Investments in subsidiaries and associates are recognised and measured under the equity method. The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises.

On acquisition of subsidiaries and associates, fair value of the net assets is determined, and a positive difference between the consideration and the Company’s ownership share of the net assets (goodwill) is amortised over the expected useful life and included in the carrying amount of the investment. A negative difference (badwill) is recognized immediately as a gain in the income statement.

Indirect decreases in the ownership of associates through their sale of own shares are treated as sales, and the difference between the Group share of the consideration for the shares and the proportionate share of equity is recognised in the income statement.

The total net revaluation of investments in subsidiaries and associates 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 the subsidiaries and the associates.

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

The investments are assessed for impairment indicators annually. If such indicators exist, an impairment test is performed.

Other investments

Other investments comprise investments in unlisted securities in which the Company holds below 20% of the voting rights and does not exercise significant influence. Other investments are measured at fair value. The fair value is made up at the market value at the balance sheet date at a value made up using generally recognised valuation principles if the securities are unlisted. If the fair value cannot be reliably measured, cost is used as an alternative.

Inventories

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

Notes to the Financial Statements

16 Accounting Policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Notes to the Financial Statements

16 Accounting Policies (continued)

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

Loans, such as mortgage loans, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Financial Highlights

Explanation of financial ratios

Solvency ratio

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

Return on equity

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