
Weco A/S

Rungsted Strandvej 113, DK-2960 Rungsted Kyst

Annual Report for 1 January - 31 December 2018

CVR No 29 62 28 68

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
24/4 2019

Rasmus Lund-Jacobsen
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 Weco A/S for the financial year 1 January - 31 December 2018.

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 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

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.

Rungsted Kyst, 24 April 2019

Executive Board

Oluf Myhrmann

Board of Directors

Johan Wedell-Wedellsborg
Chairman

Oluf Myhrmann

Rasmus Lund-Jacobsen

Independent Auditor's Report

To the Shareholder of Weco A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Weco A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Independent Auditor's Report

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or 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 and the Group'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 Group's and 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 Group and 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 24 April 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Flemming Eghoff
State Authorised Public Accountant
mne30221

Mark Philip Beer
State Authorised Public Accountant
mne29472

Company Information

The Company

Weco A/S
Rungsted Strandvej 113
DK-2960 Rungsted Kyst

Telephone: + 45 45 17 77 77

CVR No: 29 62 28 68

Financial period: 1 January - 31 December

Municipality of reg. office: Hørsholm

Board of Directors

Johan Wedell-Wedellsborg, Chairman
Oluf Myhrmann
Rasmus Lund-Jacobsen

Executive Board

Oluf Myhrmann

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	Group				
	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Revenue	1,026,644	830,005	958,515	1,348,267	804,595
Operating profit/loss	-54,670	-121,852	-137,078	-119,591	-37,428
Profit/loss before financial income and expenses	-37,266	-110,747	-86,476	-104,370	-25,042
Net financials	752,058	106,212	213,283	260,296	82,179
Net profit/loss for the year	714,778	-3,769	126,879	149,879	54,474
Balance sheet					
Balance sheet total	2,228,052	1,544,925	1,797,895	1,837,522	1,626,888
Equity	1,791,074	1,085,976	1,222,544	1,017,740	875,976
Cash flows					
Cash flows from:					
- operating activities	-24,637	-85,364	41,077	23,473	21,058
- investing activities	14,534	233,525	122,773	131,311	-279,881
including investment in property, plant and equipment	-41,177	-10,552	-53,515	-95,390	447,248
- financing activities	-57,966	-143,958	-106,924	-139,112	209,254
Change in cash and cash equivalents for the year	-68,069	4,203	56,926	15,672	-49,569
Number of employees	49	85	110	199	213

Financial Highlights

	Group				
	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Ratios					
Gross margin	2.9 %	1.9 %	9.6 %	7.1 %	9.3 %
Profit margin	-3.6 %	-13.3 %	-9.0 %	-7.7 %	-3.1 %
Return on assets	-1.7 %	-7.2 %	-4.8 %	-5.7 %	-1.5 %
Solvency ratio	80.4 %	70.3 %	68.0 %	55.4 %	53.8 %
Return on equity	49.7 %	-0.3 %	11.3 %	15.8 %	6.4 %

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.

In connection with changes to accounting policies because of changes in the Danish financial statements act, the comparative figures back from 2015 have not been restated.

Management's Review

Key activities

The primary activity of the Group is shipping operations, and the group has a portfolio of equity investments in biotech, properties and the food & beverage segment, as well as other securities.

Development in the year

The income statement of the Group for 2018 shows a profit of TDKK 714,778, and at 31 December 2018 the balance sheet of the Group shows equity of TDKK 1,791,074.

After transforming the Group's shipping activities in 2016 and 2017, Weco Shipping activities are again growing and delivered a close to break-even result in 2018. The Groups investments outside shipping delivered strong results, in particular the biotech investment in Y-mAbs Therapeutics, which was stock listed on NASDAQ in September 2018.

The past year and follow-up on development expectations from last year

Results for the year are in line with the expectations expressed in the Annual Report for 2017 within the shipping activities, while the result for other investments is above expectations.

Within the different shipping segments, Project and RoRo vessels delivered stable earnings through improved timecharter rates, the tanker vessels experienced poor market rates and incurred losses, while the Group's owned dry bulk vessels and chartering activities in Weco Bulk delivered strong result.

Management's Review

Special risks - operating risks and financial risks

Market risks

Revenues from the shipping operations are linked to global market trends, which through demand fluctuations affect freight rates as well as prices of tonnage and fuel. Management continuously assesses the extent to which it is relevant to take measures against these market fluctuations, e.g. through long term contracts.

International provisions imply that in case of a maritime accident that results in oil or chemical spillage, the Group will be imposed heavy financial liabilities in terms of the clean-up work. To reduce this risk, the widest possible insurance coverage has been taken out, comprising environmental and pollution coverage, coverage of the value of vessel and cargo, liability coverage as regards third parties and war risk insurance.

The Group's portfolio of securities is managed by external partners based on a risk profile defined by Management. Efforts are made to reduce the overall risk through a combination of Danish and foreign shares and bonds.

The Group's property portfolio is generally affected by developments in the Danish property market. Except for the Group's headquarters, the portfolio comprises only residential properties.

Interest rate risks

The interest rate risk on floating-rate loans is to a limited extent hedged by interest rate swaps converting the floating interest rate to a fixed interest rate.

Currency risks

Most of the income from shipping activities is in USD and EUR with most operational expenses as well as financial expenses being in USD, and administrative expenses being in USD and DKK.

Targets and expectations for the year ahead

Management expects stable earnings from the Group's Project and RoRo vessels, and improved earnings from the owned tanker vessels in commercial management. Management furthermore expects to continue the profitable growth of its dry bulk activities, while continuously managing exposure to market risks. A positive contribution is also expected from investments outside shipping.

Basis of earnings

Research and development

The Group is not involved in research and development activities.

Management's Review

Intellectual capital resources

Through retention and recruitment of new competences, as well as through cooperation, alliances and education, the intellectual capital resources which are major parameters in the development and perfection of new services increase.

The Group has defined goals, positions and strategies that systematically strengthen the value creation and form the basis of the Group's innovative skills, just as it is important to the future success of the Group to attract and retain well-educated employees who identify with the stated core values. Therefore, heavy investments are made to continuously improve the qualifications of both the land-based and offshore staff of the Group.

Annual performance reviews are held with all employees. During the reviews, the employees' goals, plans for the future and career opportunities are discussed and planned.

Statement in compliance with section 99 (a) of the Danish Financial Statements Act

The Group is under the Danish financial statements act required to report on Corporate Social Responsibility (CSR). WECO's values and approach to do business has always been based on responsibility and accountability, and the company is compliant with all legal requirements within the areas of climate change, environment, human rights, employee conditions and anti-corruption.

Business model

The mission statement of WECO is "We are dedicated to innovative and individual shipping solutions".

The main activities within the Group contains shipping and includes 15 owned and long-term chartered Bulk, Tank, Project and RoRo vessels, as well as Weco Bulk operating about 30 short-term chartered vessels from external suppliers as their business model. This operation is carried out from offices in Denmark, USA, Brazil, Singapore, Spain and Poland with 49 staff in total.

All technical management (crewing, maintenance, control of costs) with respect to owned vessels has been outsourced to external suppliers.

Contracting with suppliers of vessels follows the standard contractual terms provided by the international shipping organization BIMCO. To the extend it has been incorporated into the standard terms, this includes clauses on CSR. WECO select suppliers based on experience and informal expectations and requirements related to energy efficiency and legal compliance. All chartered vessels undergo inspection from relevant authorities, hereunder also the International Transport Worker's Federation, ITF.

Management's Review

WECO acknowledges the importance of being alert to challenges within climate change, environment, human rights, employee conditions and anti-corruption, but being a relatively small organization, WECO do not see the need of formalizing its management approach into written policies and procedures. The management approach is very agile and allows for all within the organization to address top management directly with questions and when in need of approval.

In addition, the Group holds minority shares in real estate companies, food and beverage companies and in biotech. WECO has no control over these companies, and the company sees no additional risks in relation to CSR emerging from these activities.

Assessment of risks

Climate change and the environment

It is the ambition to continuously improve energy efficiency with all vessels, both owned and chartered. Consequently, WECO is always inquiring about energy efficiency when engaging a supplier including contractual terms ensuring the supplier vessel is compliant with low-sulfur bunker regulation.

However, as the fuel consumption is the only material impact, WECO may influence, and since the number of transactions are limited, the company do not see risks material enough to require a formalized policy.

Human rights

The Group respects and recognizes human rights, the rights of the child and all International Labor Organization (ILO) charters.

With its current business model WECO only to a limited extend employ crew on the vessels. All technical management is handled by service providers including ensuring that crew are paid and taken care of in accordance with relevant legislation and standards. When selecting a supplier, it is contractually ensured that the responsibility of work and employment conditions belong to the supplier and that the ITF are granted access to check and review compliance in accordance with international agreements. Consequently, WECO do not see risks leading to a need for a formalized policy on human rights.

Anti-corruption

The Group has a zero tolerance towards corruption and bribery practices.

Contracts with both customers and suppliers follow the standards provided by BIMCO. Port costs forwarded by chartered vessels that are to be paid by WECO undergo quality assurance and approval from an external service provider, which know all official rates in ports. Further, all costs related to voyages are approved directly by management applying a four eye principle, so the risks related to corruption and bribery are considered very low. Taking into consideration the very small organization, there is no need for a formalized policy on anti-corruption.

Management's Review

Policies on CSR

Referencing the above assessment and evaluation of risks related to CSR, the Group has decided not to author formalized policies for impacts related to climate change, environmental issues, human rights and anti-corruption.

Policy regarding employees

It is the policy to enable WECO to attract, retain and evolve the best possible employees, meaning employees that are highly qualified and motivated to successfully manage present and future assignments.

Activities and results

WECO believe that personal development is key to the success and well-being of the company's employees. Also in 2018, annual meetings have been held with all employees where the performance of the individual was assessed and evaluated and where targets for 2019 were decided in agreement with the employee. WECO has continued to offer opportunities for further training and education, and the company fulfill its responsibility for educating the next generation by taking in trainees on an annual basis.

WECO has ensured paid health insurance for all employees and has in 2018 continued its offer for employees to be able to work from home, should it be necessary as a mean to provide grounds for a healthy work life balance.

As a result, the employee turnover has been at a satisfactory level also in 2018.

Statement in compliance with section 99 (b) of the Danish Financial Statements Act

Within the Group it has been decided that each company required to report in accordance with section 99b of the Danish financial statements act must do so on its own. Since no companies registered in Denmark within the Group have more than 50 employees, there are no policies, activities or results related to the underrepresented gender on other management levels.

Management's Review

Target for the Board of WECO A/S

In 2014 the Group set a target to have 40% women on the Board of Directors by 2018. Being a company managed directly by the owners and given the development of the business, it has not been possible for the Group to either add or occupy one of the four positions of the Board with a woman. In general, there are not many female candidates available, and further the general assembly and the owners have not seen the need to make adjustments to the current board leading to that there are still only men on the Board at the end of 2018.

For 2019 the Group have set a new target of having one woman on the Board of Directors no later than at the end of 2024.

Policy to increase gender diversity on other management levels

Weco A/S as the holding company has less than 50 employees and are consequently not required to author and report upon a policy to increase the number of women on other management levels.

Uncertainty relating to recognition and measurement

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

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 Company	
		2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Revenue	1	1,026,644	830,005	0	0
Other operating income		17,404	11,105	1,653	0
Vessel operating costs		-986,343	-795,884	0	0
Other external expenses		-28,294	-29,795	-3,848	-15,179
Gross profit/loss		29,411	15,431	-2,195	-15,179
Staff expenses	2	-41,744	-77,805	-4,216	-1,147
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-24,933	-48,373	-961	-1,862
Profit/loss before financial income and expenses		-37,266	-110,747	-7,372	-18,188
Income from investments in subsidiaries	4	237	0	260,458	-29,752
Income from investments in associates	5	15,164	152,322	1,445	-13,822
Financial income	6	762,253	15,159	188,991	16,512
Financial expenses	7	-25,596	-61,269	-8,901	-2,019
Profit/loss before tax		714,792	-4,535	434,621	-47,269
Tax on profit/loss for the year	8	-14	766	-179	0
Net profit/loss for the year		714,778	-3,769	434,442	-47,269

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Goodwill		0	896	0	896
Intangible assets	9	0	896	0	896
Land and buildings	10	29,383	29,492	0	0
Investment properties	11	5,161	5,306	0	0
Other fixtures and fittings, tools and equipment	10	58,273	47,167	49,058	38,099
Vessels	10	622,182	608,085	0	0
Property, plant and equipment		714,999	690,050	49,058	38,099
Investments in subsidiaries	12	0	0	1,001,141	725,694
Investments in associates	13	146,261	288,586	17,066	49,475
Other investments	14	1,047,434	136,912	377,576	132,719
Fixed asset investments		1,193,695	425,498	1,395,783	907,888
Fixed assets		1,908,694	1,116,444	1,444,841	946,883
Bunkers and lube oil		20,937	9,199	0	0
Inventories		20,937	9,199	0	0
Trade receivables		24,018	43,367	0	0
Receivables from group enterprises		0	0	23,136	47,678
Receivables from associates		42,937	35,754	2,756	4,816
Other receivables	15	44,733	64,544	15,909	11,973
Corporation tax		2,445	1,234	1,421	591
Prepayments	16	32,892	23,724	0	0
Receivables		147,025	168,623	43,222	65,058
Current asset investments	17	37,341	68,535	37,341	68,535
Cash at bank and in hand		114,055	182,124	9,385	43,761
Currents assets		319,358	428,481	89,948	177,354
Assets		2,228,052	1,544,925	1,534,789	1,124,237

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Share capital		50,000	50,000	50,000	50,000
Revaluation reserve		4,064	4,064	0	0
Reserve for net revaluation under the equity method		0	47,513	794,367	497,514
Retained earnings		1,381,459	924,989	591,156	479,052
Proposed dividend for the year		15,000	0	15,000	0
Equity attributable to shareholders of the Parent Company		1,450,523	1,026,566	1,450,523	1,026,566
Minority interests		340,551	59,410	0	0
Equity	18	1,791,074	1,085,976	1,450,523	1,026,566
Provision for deferred tax	20	708	774	0	0
Provisions relating to investments in group enterprises		0	0	0	6,920
Provisions relating to investments in associates		0	5,858	0	5,858
Provisions		708	6,632	0	12,778
Mortgage loans		13,298	13,760	0	0
Lease obligations		266,499	291,648	0	0
Other payables		15,222	15,752	0	0
Long-term debt	21	295,019	321,160	0	0

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Mortgage loans	21	462	451	0	0
Lease obligations	21	26,627	21,851	0	0
Prepayments received from customers		4,410	11,469	0	0
Trade payables		13,352	28,409	0	0
Payables to group enterprises		0	0	67,180	33,527
Payables to associates		8,257	399	0	0
Other payables	21	33,036	68,578	17,086	51,366
Deferred income	22	55,107	0	0	0
Short-term debt		141,251	131,157	84,266	84,893
Debt		436,270	452,317	84,266	84,893
Liabilities and equity		2,228,052	1,544,925	1,534,789	1,124,237
Distribution of profit	19				
Contingent assets, liabilities and other financial obligations	23				
Related parties	24				
Fee to auditors appointed at the general meeting	25				
Accounting Policies	26				

Statement of Changes in Equity

Group

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	50,000	4,064	47,513	924,989	0	1,026,566	59,410	1,085,976
Exchange adjustments	0	0	5,347	22,699	0	28,046	904	28,950
Extraordinary dividend paid	0	0	0	-45,000	0	-45,000	0	-45,000
Dividend from group enterprises	0	0	-28,776	28,776	0	0	0	0
Fair value adjustment of hedging instruments,	0	0	0	6,469	0	6,469	0	6,469
Other equity movements	0	0	-52,223	52,223	0	0	-99	-99
Net profit/loss for the year	0	0	28,139	391,303	15,000	434,442	280,336	714,778
Equity at 31 December	50,000	4,064	0	1,381,459	15,000	1,450,523	340,551	1,791,074

Statement of Changes in Equity

Parent Company

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	50,000	0	497,514	479,052	0	1,026,566	0	1,026,566
Exchange adjustments	0	0	28,046	0	0	28,046	0	28,046
Extraordinary dividend paid	0	0	0	-45,000	0	-45,000	0	-45,000
Dividend from group enterprises	0	0	-39,188	39,188	0	0	0	0
Fair value adjustment of hedging instruments,	0	0	0	6,469	0	6,469	0	6,469
Other equity movements	0	0	20,632	-20,632	0	0	0	0
Net profit/loss for the year	0	0	287,363	132,079	15,000	434,442	0	434,442
Equity at 31 December	50,000	0	794,367	591,156	15,000	1,450,523	0	1,450,523

Cash Flow Statement 1 January - 31 December

Note	Group	
	2018 TDKK	2017 TDKK
Net profit/loss for the year	714,778	-3,769
Adjustments	-726,384	-68,635
Change in working capital	2,226	33,104
Cash flows from operating activities before financial income and expenses	-9,380	-39,300
Financial income	11,629	15,158
Financial expenses	-25,596	-61,258
Cash flows from ordinary activities	-23,347	-85,400
Corporation tax paid	-1,290	36
Cash flows from operating activities	-24,637	-85,364
Purchase of property, plant and equipment	-41,177	-10,552
Fixed asset investments made etc	-43,526	-129,129
Sale of property, plant and equipment	18,860	12,312
Sale of fixed asset investments etc	46,205	356,269
Dividends received from securities	5,200	0
Dividends received from associates	28,672	4,625
Dividends received from other fixed assets	300	0
Cash flows from investing activities	14,534	233,525
Repayment of mortgage loans	-451	-421
Repayment of loans from credit institutions	0	-147,968
Reduction of lease obligations	-20,373	42,679
Repayment of payables to associates	0	386
Raising of loans from associates	7,858	0
Other equity entries	0	-810
Dividend paid	-45,000	-37,824
Cash flows from financing activities	-57,966	-143,958

Pengestrømsopgørelse 1. januar - 31. december

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
Change in cash and cash equivalents		-68,069	4,203
Cash and cash equivalents at 1 January		<u>182,124</u>	<u>177,921</u>
Cash and cash equivalents at 31 December		<u>114,055</u>	<u>182,124</u>
Cash at bank and in hand		<u>114,055</u>	<u>182,124</u>
Cash and cash equivalents at 31 December		<u>114,055</u>	<u>182,124</u>

Notes to the Financial Statements

	Group		Parent Company	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
1 Revenue				
Geographical segments				
Globally	1,026,644	830,005	0	0
	1,026,644	830,005	0	0
Business segments				
Freight income	590,216	339,312	0	0
Time charter	436,428	487,876	0	0
Line service	0	2,817	0	0
	1,026,644	830,005	0	0
2 Staff expenses				
Wages and salaries	35,666	70,536	4,035	799
Pensions	2,739	2,026	118	69
Other social security expenses	473	1,267	12	30
Other staff expenses	2,866	3,976	51	249
	41,744	77,805	4,216	1,147
Including remuneration to the Executive Board and Board of Directors	5,265	1,722	4,005	444
Average number of employees	49	85	2	2

Notes to the Financial Statements

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	0	895	0	895
Depreciation of property, plant and equipment	32,190	35,884	967	967
Revaluations of investment properties	145	0	0	0
Gain and loss on disposal	-7,402	11,594	-6	0
	24,933	48,373	961	1,862
4 Income from investments in subsidiaries				
Share of results of subsidiaries	0	0	260,458	-31,249
Profit from sale	237	0	0	1,497
	237	0	260,458	-29,752
5 Income from investments in associates				
Share of result of associates	28,776	-48,785	1,445	-12,372
Amortisation of goodwill	-16,958	-3,053	0	-1,450
Gain on sale of investments in associates	3,346	204,160	0	0
	15,164	152,322	1,445	-13,822

Notes to the Financial Statements

	Group		Parent Company	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
6 Financial income				
Income from fixed asset investments	750,624	9,709	186,939	12,266
Interest received from group enterprises	0	0	1,286	806
Other financial income	2,155	5,450	766	3,440
Exchange gains	9,474	0	0	0
	762,253	15,159	188,991	16,512
7 Financial expenses				
Interest paid to group enterprises	0	0	1,458	631
Other financial expenses	25,596	23,793	7,354	1,229
Exchange loss	0	37,476	89	159
	25,596	61,269	8,901	2,019
8 Tax on profit/loss for the year				
Current tax for the year	0	-742	0	0
Deferred tax for the year	-66	-24	0	0
Adjustment of tax concerning previous years	80	0	179	0
	14	-766	179	0

Notes to the Financial Statements

9 Intangible assets

Group

	Goodwill TDKK
Cost at 1 January	3,542
Disposals for the year	<u>-3,542</u>
Cost at 31 December	<u>0</u>
Impairment losses and amortisation at 1 January	2,646
Reversal of amortisation of disposals for the year	<u>-2,646</u>
Impairment losses and amortisation at 31 December	<u>0</u>
Carrying amount at 31 December	<u>0</u>
Amortised over	<u>5 years</u>

Parent Company

	Goodwill TDKK
Cost at 1 January	3,542
Disposals for the year	<u>-3,542</u>
Cost at 31 December	<u>0</u>
Impairment losses and amortisation at 1 January	2,646
Reversal of amortisation of disposals for the year	<u>-2,646</u>
Carrying amount at 31 December	<u>0</u>
Amortised over	<u>5 years</u>

Notes to the Financial Statements

10 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Vessels
	TDKK	TDKK	TDKK
Cost at 1 January	26,625	65,871	832,006
Exchange adjustment	0	919	41,775
Additions for the year	0	19,453	21,724
Disposals for the year	0	-6,800	-5,013
Cost at 31 December	<u>26,625</u>	<u>79,443</u>	<u>890,492</u>
Revaluations at 1 January	<u>4,064</u>	<u>0</u>	<u>0</u>
Revaluations at 31 December	<u>4,064</u>	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 1 January	1,197	18,704	223,921
Exchange adjustment	0	490	14,639
Depreciation for the year	109	2,331	29,750
Impairment and depreciation of sold assets for the year	0	-355	0
Impairment losses and depreciation at 31 December	<u>1,306</u>	<u>21,170</u>	<u>268,310</u>
Carrying amount at 31 December	<u>29,383</u>	<u>58,273</u>	<u>622,182</u>
Depreciated over	<u>20 - 100 years</u>	<u>3 - 10 years</u>	<u>2 - 25 years</u>
Including assets under finance leases amounting to	<u>0</u>	<u>0</u>	<u>439,482</u>

Notes to the Financial Statements

10 Property, plant and equipment (continued)

Parent Company

	Other fixtures and fittings, tools and equipment
	<u>TDKK</u>
Cost at 1 January	40,035
Additions for the year	16,714
Disposals for the year	<u>-4,788</u>
Cost at 31 December	<u>51,961</u>
Impairment losses and depreciation at 1 January	1,936
Depreciation for the year	<u>967</u>
Impairment losses and depreciation at 31 December	<u>2,903</u>
Carrying amount at 31 December	<u>49,058</u>

Notes to the Financial Statements

11 Assets measured at fair value

	<u>Group</u>
	Investment pro- perties
	TDKK
Cost at 1 January	5,178
Cost at 31 December	5,178
Value adjustments at 1 January	128
Revaluations for the year	-145
Value adjustments at 31 December	-17
Carrying amount at 31 December	5,161

Assumptions underlying the determination of fair value of investment properties

Investment properties are measured at fair value. The determination of fair value is based on a return-based model, and Management uses accounting estimates when determining the fair value. The use of accounting estimates implies that the statement of fair value is subject to some uncertainty. The fair value is stated based on assumptions that Management considers probable and realistic. Management reassesses assumptions on a current basis, and any changes to the assumptions are reflected in the fair value. The discount rate applied is 4.25% (2017: 5.00%).

Notes to the Financial Statements

	Parent Company	
	2018 TDKK	2017 TDKK
12 Investments in subsidiaries		
Cost at 1 January	204,379	199,537
Additions for the year	1,881	5,015
Disposals for the year	0	-173
Cost at 31 December	206,260	204,379
Value adjustments at 1 January	514,395	637,049
Disposals for the year	0	-213
Exchange adjustment	28,046	-86,858
Net profit/loss for the year	260,458	-31,249
Dividend to the Parent Company	-38,549	0
Other equity movements, net	0	-4,334
Value adjustments at 31 December	764,350	514,395
Equity investments with negative net asset value amortised over receivables	30,531	0
Equity investments with negative net asset value transferred to provisions	0	6,920
Carrying amount at 31 December	1,001,141	725,694

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Weco Shipping A/S	Hørsholm, Denmark	TDKK 35,000	100 %
Weco Biotech ApS	Hørsholm, Denmark	TDKK 200	73 %
Weco-Properties ApS	Hørsholm, Denmark	TDKK 10,000	100 %
Weco LIT ApS	Hørsholm, Denmark	TDKK 1,000	75 %
WF&B ApS	Hørsholm, Denmark	TDKK 50	100 %
WI 2017 ApS	Hørsholm, Denmark	TDKK 100	100 %

Notes to the Financial Statements

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
13 Investments in associates				
Cost at 1 January	241,073	302,038	73,276	30,304
Additions for the year	35,276	124,358	12,951	42,972
Disposals for the year	-231	-185,323	0	0
Transfers for the year	-75,333	0	-68,647	0
Cost at 31 December	200,785	241,073	17,580	73,276
Value adjustments at 1 January	41,655	42,079	-29,659	-14,348
Disposals for the year	-44,864	0	-16,970	0
Exchange adjustment	4,606	-24,357	0	-1,106
Net profit/loss for the year	28,776	-48,875	1,445	-12,372
Dividends received	-28,672	-4,625	-638	0
Other equity movements, net	0	80,486	0	-383
Amortisation of goodwill	-16,958	-3,053	0	-1,450
Transfers for the year	-51,225	0	37,602	0
Value adjustments at 31 December	-66,682	41,655	-8,220	-29,659
Equity investments with negative net asset value amortised over receivables	12,158	0	7,706	0
Equity investments with negative net asset value transferred to provisions	0	5,858	0	5,858
Carrying amount at 31 December	146,261	288,586	17,066	49,475
Remaining positive difference included in the above carrying amount at 31 December	0	12,694	0	16,971

Notes to the Financial Statements

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Northern Medical Group A/S	Hørsholm, Denmark	TDKK 1,400	50 %
Kronborg Shipping K/S	Hørsholm, Denmark	TDKK 40,000	72 %
Kronborg Management ApS	Hørsholm, Denmark	TDKK 1,000	72 %
Stenwec I P/S	Hellerup, Denmark	TDKK 500	50 %
Komplementarselskabet Stenwec ApS	Hellerup, Denmark	TDKK 50	50 %
Interessentskabet af 1. juni 2017	Gentofte, Denmark	TDKK 50	50 %
Brøndbyvestervej 18 ApS	Gentofte, Denmark	TDKK 50	46 %
Emmerys ApS	København, Denmark	TDKK 500	20 %
Medusa Denmark A/S	Hørsholm, Denmark	TEUR 1,100	50 %
Omni Elearning 2017 ApS	København, Denmark	TDKK 212	31 %
Orion I ApS	København, Denmark	TDKK 20	49 %
Thaiden Maritime Ltd.	Thailand	TUSD 7,139	49 %
Majool Artclub ApS	Copenhagen, DK	TDKK 120	33 %
Cajool Artclub ApS	Hørsholm, Denmark	TDKK 100	40 %
LitUpp Development A/S	København, Denmark	TDKK 1,051	34 %
Areto Holding Inc	Liberia	TUSD 0	50 %
Golden Weco Bulk	Liberia	TUSD 0	50 %
Golden Weco Dry	Liberia	TUSD 0	50 %

All foreign associates are recognised and measured as separate entities.

Notes to the Financial Statements

14 Other fixed asset investments

	Group	Parent Company
	Other investments	Other investments
	TDKK	TDKK
Cost at 1 January	22,765	15,777
Exchange adjustment	-444	0
Additions for the year	8,250	8,250
Transfers for the year	75,333	68,647
Cost at 31 December	<u>105,904</u>	<u>92,674</u>
Revaluations at 1 January	114,147	116,942
Dividend received	-300	0
Exchange adjustment	-193	0
Revaluations for the year	776,651	205,562
Transfers for the year	51,225	-37,602
Revaluations at 31 December	<u>941,530</u>	<u>284,902</u>
Carrying amount at 31 December	<u>1,047,434</u>	<u>377,576</u>

15 Other receivables

Other receivables consist of loans. Hereof DKK 10,097 falls due for payment after 12 months.

16 Prepayments

Prepayments consist of prepaid expenses concerning charter, insurance premiums, etc.

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
17 Current asset investments				
Shares and bonds	<u>37,341</u>	<u>68,535</u>	<u>37,341</u>	<u>68,535</u>
	<u>37,341</u>	<u>68,535</u>	<u>37,341</u>	<u>68,535</u>

Notes to the Financial Statements

18 Equity

The share capital consists of 50,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

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

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
19 Distribution of profit				
Extraordinary dividend paid	45,000	35,000	45,000	35,000
Proposed dividend for the year	15,000	0	15,000	0
Reserve for net revaluation under the equity method	28,139	-54,259	287,363	-35,627
Minority interests' share of net profit/loss of subsidiaries	280,336	43,500	0	0
Retained earnings	346,303	-28,010	87,079	-46,642
	714,778	-3,769	434,442	-47,269

20 Provision for deferred tax

Provision for deferred tax at 1 January	774	798	0	0
Amounts recognised in the income statement for the year	-66	-24	0	0
Provision for deferred tax at 31 December	708	774	0	0

Notes to the Financial Statements

21 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:

	Group		Parent Company	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Mortgage loans				
After 5 years	11,346	12,291	0	0
Between 1 and 5 years	1,952	1,469	0	0
Long-term part	13,298	13,760	0	0
Within 1 year	462	451	0	0
	13,760	14,211	0	0
Lease obligations				
After 5 years	44,547	45,521	0	0
Between 1 and 5 years	221,952	246,127	0	0
Long-term part	266,499	291,648	0	0
Within 1 year	26,627	21,851	0	0
	293,126	313,499	0	0
Other payables				
After 5 years	9,929	10,715	0	0
Between 1 and 5 years	5,293	5,037	0	0
Long-term part	15,222	15,752	0	0
Within 1 year	1,323	1,260	0	0
Other short-term payables	31,713	67,318	17,086	51,366
Short-term part	33,036	68,578	17,086	51,366
	48,258	84,330	17,086	51,366

22 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

23 Contingent assets, liabilities and other financial obligations

Security

The Group has provided security for mortgage debt totaling DKK 13,760k (2017: 14,211k) by way of mortgages on the Company's properties. The total carrying amount of the properties concerned is DKK 29,383k (2017: DKK 29,492k).

The Group has placed security for associated companies' debt of DKK 54,763k (2017: DKK 84,118k).

The Group has placed security for group companies' debt of DKK 0k (2017: DKK 125,000k).

The parent company has placed security for associated debt of DKK 0k (2017: DKK 18,973k).

Rental agreements and leases

The Group has entered into operating lease agreements with a total future lease payment of DKK 1,434k (2017: DKK 2,590k).

Contingent liabilities

The Group's contractual obligations relating to short-term chartering of vessels total DKK 705,086k (2017: DKK 876,378k).

The Group has entered agreements on acquisition of vessels as well as shares of vessels for a total amount of DKK 48,191k (2017: DKK 260,723k).

Contingent assets

The Group has an insurance claim of DKK 9,505k regarding one of the group's vessels. At the time of the group financial statements, it is uncertain how much the compensation will amount to.

Other contingent liabilities

There is a residual liability corresponding to the Group's share of the non-paid capital totalling DKK 12,615k (2017: DKK 13,657k) tied to the Group's investment in an associate.

As part of the ordinary shipping liner operations, the Group regularly receives loading claims from customers. The individual claims are provided for in the Financial Statements based on an individual assessment.

Notes to the Financial Statements

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

The Danish Group companies are jointly and severally liable for the tax on the Group's jointly taxed income.

At the withdrawal from the tonnage tax regime, a tax liability totaling DKK 49,041k is incumbent on the Group.

The Parent Company has given notice of support on going concern to some of the subsidiaries.

24 Related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
25 Fee to auditors appointed at the general meeting				
Audit fee to PricewaterhouseCoopers	725	674	68	55
Tax advisory services	402	477	300	185
Non-audit services	278	528	126	186
	1,405	1,679	494	426

Notes to the Financial Statements

26 Accounting Policies

The Annual Report of Weco A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2018 are presented in TDKK.

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Weco 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.

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group 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 Group.

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

DKK is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Segment reporting

Information on business segments and geographical segments based on the Group's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

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.

Notes to the Financial Statements

26 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment together with gains and losses on the sale of intangible assets and 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 Group.

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 less goodwill amortisation.

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

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

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

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 5-10 years.

Investment properties and other property, plant and equipment

Investment properties

On acquisition investment properties are measured at cost comprising the acquisition price and costs of acquisition.

Notes to the Financial Statements

26 Accounting Policies (continued)

After the initial recognition investment properties are measured at fair value.

The fair value of certain investment properties has been determined at 31 December 2018 by using a return-based model under which the expected future cash flows for the coming year combined with a rate of return form the basis of the fair value of the property. The calculations are based on budgets for the coming years. The budget takes into account developments in rentals, vacancies, operating expenses, maintenance and administration, etc.

Other property, plant and equipment

Other property, plant and equipment are measured at cost added revaluations and 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 added revaluations and reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	20 - 100 years
Other fixtures and fittings, tools and equipment	3 - 10 years
Vessels	2 - 25 years

Aquired artwork is carried at cost with no depreciation.

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.

Investments in subsidiaries and associates

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

Notes to the Financial Statements

26 Accounting Policies (continued)

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 calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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 DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Current and fixed asset investments

Other investments, recognised as current and fixed asset investments, consist of shares and bonds that are measured at their fair value at the balance sheet date.

Bunkers and lube oil

Bunkers and lube oil are measured at the lower of cost under the FIFO method and net realisable value.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning time charter, insurance premiums, etc.

Equity

Dividend

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

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

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.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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.

Notes to the Financial Statements

26 Accounting Policies (continued)

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".

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year}}{\text{Average equity}}$