Grant Thornton

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Nordic Bulk Carriers A/S

Tuborg Havnevej 4 - 8, 1., 2900 Hellerup

Company reg. no. 32 08 14 87

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 23 June 2023.

Carsten Andersen
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instanceUSD 146.940 means the amount of USD 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Nordic Bulk Carriers A/S for the financial year 1 January - 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Hellerup, 23 June 2023

Managing Director

Carsten Andersen

Board of directors

Mads Rosenberg Boye Petersen Chairman	Mark Lewis Filanowski	Gianni Vincenzo Del Signore

Independent auditor's report

To the Shareholder of Nordic Bulk Carriers A/S

Opinion

We have audited the financial statements of Nordic Bulk Carriers A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

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.

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 judgment and maintain professional skepticism throughout the audit. We also:

Independent auditor's report

- 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.

- 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.

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 Financial Statements Act.

Independent auditor's report

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

Copenhagen, 23 June 2023

Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Martin Bomholtz
State Authorised Public Accountant
mne34117

Company information

The company	Nordic Bulk Carriers A/S Tuborg Havnevej 4 - 8, 1. 2900 Hellerup	
	Web site	www.nordicbulkcarriers.com
	Company reg. no.	32 08 14 87
	Established:	13 March 2009
	Domicile:	Gentofte
	Financial year:	1 January 2022 - 31 December 2022
Board of directors	Mads Rosenberg Boye Petersen, Chairman Mark Lewis Filanowski Gianni Vincenzo Del Signore	
Managing Director	Carsten Andersen	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø	
Parent company	Pangaea Logistics Solutions Ltd., Bermuda	

Financial highlights

USD in thousands.	2022	2021	2020	2019	2018
Income statement:					
Revenue	366.598	480.910	237.260	242.531	191.069
Gross profit	11.632	13.068	6.211	8.810	8.993
Profit from operating activities	8.687	9.543	3.620	6.141	6.718
Net financials	181	61	-16	-27	-216
Net profit or loss for the year	8.425	8.999	3.042	5.656	6.146
Statement of financial position:					
Balance sheet total	63.602	76.001	39.193	46.400	31.833
Equity	35.076	27.709	17.838	17.676	10.409
Employees:					
Average number of full-time employees	14	15	12	12	12
Key figures in %:					
Gross margin ratio	3,2	2,7	2,6	3,6	4,7
Profit margin (EBIT-margin)	2,4	2,0	1,5	2,5	3,5
Liquidity ratio	221,4	156,5	182,0	160,6	147,6
Solvency ratio	55,1	36,5	45,5	38,1	32,7
Return on equity	26,8	39,5	17,1	40,3	74,3

The calculation of key figures and ratios follow the Danish Association of Finance Analysts' recommendations.

Management´s review

Description of key activities of the company

The Company is engaged in the Ocean transportation and related activities of dry bulk cargoes worldwide through chartering and operation of dry-bulk vessels.

Unusual matters

No unusual circumstances have affected the company's activities during the year.

Development in activities and financial matters

The revenue for the year totals USD 366.598.000 against USD 480.910.000 last year. Income or loss from ordinary activities after tax totals USD 8.425.000 against USD 8.999.000 last year.
The development must be seen in light of the fact that, according to the annual report 2021, the company expected revenues for 2022 in the region of USD 360.000.000 and income from ordinary activities after tax of USD 9.000.000. Management considers the net profit for the year satisfactory and expected.

The expected development

The company continues to implement its strategy by continuing its focus on delivering value adding logistical solutions to its clients. The shipping markets are expected to continue to be volatile but the company works actively to deliver premium performance through the chosen strategy.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Financial risks

Operating risks

The Company's operational risks primarily relate to marine disater, environmental accidents, cargo and property loss, war, political and regulatory actions. any of these events could increase our costs or lower our revenues.

Market risks

Traditionally, the shipping market is characterized by high volatility and Management expects the cyclical and volatile nature of the seaborne drybulk transportation industry may lead to decreases in charter and freight rates, which may have an adverse effect on the Company's revenues, earnings and profitability.

The Company assesses risk associated with fluctuating future freight rates and, when appropriate, hedges identified economic risk with appropriate derivative instruments, specifically forward freight agreements (FFAs). In addition, the company uses a cash-flow hedge to ensure that prices on bunker do not fluctuate above expected amounts.

Provided the current market rates continue throughout the year the management expect a result in line, with the result for 2022.

The current macro-economic environment and geo political tensions both affect the shipping markets and management expect significant volatility and market uncertainty in the short, medium and long term.

Management´s review

Foreign currency risks

The Company's cash flows are primarily in USD, and therefore the functional currency is USD. On this basis, Management has decided to present the financial statements in USD. The Company is to a minor degree exposed to currency fluctuations in the other currencies.

Credit risks

The Company's conservative approach to risk mitigation moreover comprises careful selection of contract partners. in times of expected low contribution margins, the assessment of the solvency of the counterparty is of decisive importance and, therefore, the Company's policy is not to do business with other parties without having thoroughly examined their creditworthiness and payment history in the market and through credit rating agencies.

Branches abroad

The company has established a branch in Singapore that handles the logistics of the Vessels operation in Asia / Pacific.

Corporate social responsibility report pursuant to section 99 a of the Danish Financial Statements Act

Corporate social responsibility is an integral part of the business strategy for Nordic Bulk Carriers A/S.
The company wants to act responsibly in relation to customers, employees, business partners and the outside world. Nordic Bulk Carriers has no written policies in Denmark but has chosen to refer to its statement on social responsibility on the parent company's website, https://www.pangaeals.com/wp-content/uploads/2022/09/The-Gov_Group-Pangaea-rapport-2021-ORIG3.pdf

Human rights

Nordic Bulk Carriers has no written policies in Denmark but follows the group's principles on Human Rights. Nordic Bulk Carriers has chosen to refer to the parent company's website https://www.pangaeals.com/wp-content/uploads/2018/07/Human-Rights-Responsibility-1.pdf

Fighting corruption and bribery

Nordic Bulk Carriers follows the group's principles against corruption and bribery. All international business partners are expected to follow this. Nordic Bulk Carriers has chosen to refer to its statement on Anti Corruption and Bribery on the parent company's website https://www.pangaeals.com/wp-content/uploads/2018/07/Anti-Corruption-Policy.pdf.

Report on gender composition in management according to section 99 b of the Danish Financial Statements Act

Target figures for the company's top management

Management´s review

Nordic Bulk Carriers believes that diversity among employees, including equal distribution of the sexes, contributes positively to the working environment and strengthens the company's performance and competitiveness. The company is working to increase the number of female managers in the company and has based on this from this year as the first year set specific targets for the proportion of the underrepresented gender and policies to ensure this.

The company is signatory to the Charter for More Women in Shipping initiative organized by Danish Shipping and view this initiative as fundamental to ensure equal opportunities for women in the shipping business. The company has set a target for 20% of all staff to be either women and/or from other diverse backgrounds.

Report on the company's policy on data ethics according to section 99 d of the Danish Financial Statements Act

Nordic Bulk Carriers has evaluated if it is relevant to prepare a policy for data ethics. Considering that the company does not deal with personal data for commercial purpose and therefore are limited in the data collection and processing, the company has decided not to prepare a data ethics policy.

Income statement 1 January - 31 December

USD thousand.

Note		2022	2021
1	Revenue	366.598	480.910
	Other operating income	69	0
2	Raw materials and consumables used	-350.773	-465.999
	Other external expenses	-4.262	-1.843
	Gross profit	**11.632**	**13.068**
3	Staff costs	-2.945	-3.525
	Operating profit	**8.687**	**9.543**
	Income from investments in group enterprises	42	85
	Other financial income	145	0
	Other financial expenses	-6	-24
	Pre-tax net profit or loss	**8.868**	**9.604**
4	Tax on ordinary results	-443	-605
5	**Net profit or loss for the year**	**8.425**	**8.999**

Balance sheet at 31 December

USD thousand.

Note	Assets	2022	2021
	Non-current assets		
7	Investments in group enterprises	367	325
8	Other receivables	80	81
	Total investments	447	406
	Total non-current assets	**447**	**406**
	Current assets		
9	Inventories	11.722	13.815
	Prepayments for goods	3	0
	Total inventories	11.725	13.815
	Trade receivables	18.781	32.237
10	Contract work in progress	3.828	8.942
	Other receivables	10	992
11	Prepayments	4.060	10.462
	Total receivables	26.679	52.633
	Cash and cash equivalents	24.751	9.147
	Total current assets	**63.155**	**75.595**
	Total assets	**63.602**	**76.001**

Balance sheet at 31 December

USD thousand.

Note	Equity and liabilities	2022	2021
	Equity		
12	Contributed capital	4.089	4.089
	Reserves for net revaluation as per the equity method	340	298
	Reserve for fair value adjustments	-94	965
	Results brought forward	30.741	22.357
	Total equity	**35.076**	**27.709**
	Liabilities other than provisions		
10	Prepayments received from customers concerning work in progress for the account of others	8.377	16.482
	Trade creditors	10.817	13.775
	Payables to group enterprises	3.543	9.674
	Income tax payable	33	15
	Other payables	423	831
13	Deferred income	5.333	7.515
	Total short term liabilities other than provisions	28.526	48.292
	Total liabilities other than provisions	**28.526**	**48.292**
	Total equity and liabilities	**63.602**	**76.001**

6 Fees for auditor

14 Contingencies

15 Financial risks

16 Related parties

Statement of changes in equity

USD thousand.

	Contributed capital	Reserve for net revalua-tion according to the eq-uity method	Other statutory reserves	Retained earnings	Total
Equity 1 January 2022	4.089	298	965	22.358	27.710
Share of results	0	42	0	8.383	8.425
Fair value adjustment of hedging instruments	0	0	-1.059	0	-1.059
	4.089	**340**	**-94**	**30.741**	**35.076**

Notes

USD thousand.

		2022	2021
1.	**Revenue**		
	Voyages	314.158	407.280
	Charters	52.440	73.630
		366.598	**480.910**

Information is not provided by geographical segment as the global market is one unit, and the activities of the individual vessels are not limited to specific parts of the world.

		2022	2021
2.	**Raw materials and consumables used**		
	Vessel operating expenses	139.772	150.421
	Charters expenses	189.658	296.879
	Opex expenses	8.612	3.541
	Commission and bonuses from suppliers	12.731	15.158
		350.773	**465.999**

		2022	2021
3.	**Staff costs**		
	Salaries and wages	2.889	3.469
	Pension costs	51	51
	Other costs for social security	5	5
		2.945	**3.525**
	Average number of employees	14	15

Staff costs include remuneration to the Executive Board and the Board of Directors with k.USD 3,100 thousand (2021: k.USD 2,250). The remuneration of the Board of Directors is remunerated by the parent company Pangaea Logistics Solutions Ltd.

		2022	2021
4.	**Tax on ordinary results**		
	Tax of the results for the year, parent company	461	611
	Adjustment of tax for previous years	-18	-10
	Other taxes	0	4
		443	**605**

Notes

USD thousand.

		2022	2021
5.	**Proposed distribution of net profit**		
	Reserves for net revaluation according to the equity method	42	85
	Transferred to retained earnings	8.383	8.914
	Total allocations and transfers	**8.425**	**8.999**
6.	**Fees for auditor**		
	Total fee for Grant Thornton, State Authorised Public Accountants	118	90
	Fees for auditors performing statutory audit	53	41
	Tax consultancy	30	0
	Other services	35	49
		118	**90**
7.	**Investments in group enterprises**		
	Acquisition sum, opening balance opening balance	27	27
	Cost end of period	**27**	**27**
	Revaluations, opening balance opening balance	298	213
	Results for the year before goodwill amortisation	42	85
	Revaluation end of period	**340**	**298**
	Carrying amount, end of period	**367**	**325**

Financial highlights for the enterprises according to the latest approved annual reports

USD in thousands	**Equity interest**	**Equity**	**Results for the year**	**Carrying amount, Nordic Bulk Carriers A/S**
Nordic Bulk Carriers Singapore Pte Ltd., Singapore	100 %	367	42	367
		367	**42**	**367**

Notes

USD thousand.

		31/12 2022	31/12 2021
8.	**Other receivables**		
	Cost opening balance	81	87
	Disposals during the year	-1	-6
	Cost end of period	**80**	**81**
	Book value end of period	**80**	**81**
9.	**Inventories**		
	Raw materials and consumables	11.722	13.815
		11.722	**13.815**

Inventory of raw materials and consumables (bunker oil) is measured at cost on basis of the FIFO method. As per 31/12 2022, the net realisble value of the inventory bunker oil is 1,81 t.USD lower than the cost amount. AS per 31/12 2021 the net realisble value was 3 t.USD lower than the cost amount.

		31/12 2022	31/12 2021
10.	**Contract work in progress**		
	Sales value of the production of the period	3.828	8.942
	Progress billings	-8.377	-16.482
	Contract work in progress, net	**-4.549**	**-7.540**
	The following is recognised:		
	Work in progress for the account of others (Current assets)	3.828	8.942
	Work in progress for the account of others (Prepayments received)	-8.377	-16.482
		-4.549	**-7.540**

Notes

USD thousand.

		31/12 2022	31/12 2021
11.	**Prepayments**		
	Prepaid expenses	4.060	3.020
	Accrued income	0	7.442
		4.060	**10.462**

		31/12 2022	31/12 2021
12.	**Contributed capital**		
	Contributed capital opening balance	4.089	4.089
		4.089	**4.089**

The share capital consists of 4.089.337 shares of a nominal value of USD 1. No shares carry any special rights. There have been no changes in share capital before 2015.

		31/12 2022	31/12 2021
13.	**Deferred income**		
	Prepayments/deferred income	5.333	7.515
		5.333	**7.515**

14. Contingencies

Contractual obligations relating to agreements for chartering of vessels on a fixed-price time charter that expire in the coming financial year amount to k.USD 26.334 (2021: k.USD 26.335).
The company also have a rent obligation towards there premises which amounts to k.USD 404 and is irrevocable until 31st of December 2025.

Nordic Bulk Carriers A/S is a party to an arbitration case. It is the management's opinion that the outcome of these lawsuits will not further affect the company's financial position beyond the receivables and liabilities recognized in the balance sheet as of 31 December 2022.

Notes

USD thousand.

15. Financial risks

Interest rate risks

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Hedging transaction, gross	Tax	Hedging transaction, net
Balance opening balance	1.182.244	-217.981	964.263
Changes of the year	-1.306.149	245.240	-1.060.909
Balance end of period	**-123.905**	**27.259**	**-96.646**

16. Related parties

Controlling interest

Pangaca Logistics Solutions Ltd., Bermuda

N.V.B Nordic Bulk Ventures Ltd., Cyprus

Transactions

The company has the following related party transactions in t.USD:

	2022	2021
Accounts receivables from related parties	41	62
Accounts payable from related parties	-3.584	-9.735
Raw materials and consumables used	-29.806	-18.736

Consolidated annual accounts

The company is included in the consolidated annual accounts of Pangaea Logistics Solutions, Ltd - c/o Phoenix Bulk Carriers (US) LLC, 109 Long Wharf, Newport, RI

Accounting policies

The annual report for Nordic Bulk Carriers A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (large enterprises).

The accounting policies are unchanged from the previous year, and the annual report is presented in American dollars (USD).

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of Nordic Bulk Carriers A/S and its group enterprises are included in the consolidated financial statements for Pangaea Logistics Solutions Ltd., Newport, USA, reg. no. .

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Pangaea Logistics Solutions Ltd.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Accounting policies

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Derivatives

At their initial recognition, derivatives are recognised at cost in the statement of financial position. Hereafter, they measured at fair value. Positive and negative fair values of derivatives are recognised under other receivables and payables, respectively.

Changes in the fair value of derived financial instruments classified as hedging of future cash flows are recognised in other receivables or other payables, and in equity.

For derived financial statements that are no longer recognised as hedging instruments, changes in fair value are recognised in the income statement on a current basis.

Fair value hierarchy

The company applies the concept of fair value when recognising xxx assets and the value of financial instruments. Fair value is defined as the amount at which an asset or a liability could be exchanged in an arm's length transaction between knowledgeable, willing parties. Measurement at fair value is based on a primary market. Four levels in the fair value hierarchy are used to calculate this value:

1. Calculation based on fair value in a similar market
2. Calculation according to accepted valuation methods on the basis of observable market information
3. Calculation based on accepted valuation methods and reasonable estimates.
4. Cost

Income statement

Revenue

Revenue is recognized in the income statement when:

- The income-generating activities have been carried out on the basis of a binding agreement
- The income can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Compan
- Costs relating to the transaction can be measured reliably

Revenue comprises freight, charter hire and demurrage revenues from the vessels and gains and losses on forward freight agreements designated as hedges. Revenue is recognized when it meets the general criteria mentioned above, and when the stage of completion can be measured reliably. Accordingly, freight, charter hire and demurrage revenue are recognized at selling price upon delivery of the service as per the charter parties concluded.
IAS 18 is used for interpretation of revenue.

Accounting policies

Voyages in progress at the balance sheet day is measured based on the percentage of completion method. Number of days of a voyage, as a percentage of the total number of days a voyage is estimated to last, is considered as a close approximation of percentage of completion. The voyage begins on the date when the cargo is loaded, and the voyage ends at the date of the next discharge (load to discharge). Demurrage is recognized if the claim is considered probable.

Raw materials and consumables used

Raw materials and consumables used comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other external expenses

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in group enterprises and associates

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual entities are recognised in the income statement as a proportional share of the entities' post-tax profit or loss.

After full elimination of intercompany profit or loss less amortised of consolidated goodwill, the investment in the individual associates are recognised in the income statement as a proportional share of the associate' post-tax profit or loss.

Accounting policies

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The Company's current tax is paid according to the regulations of the Danish Tonnage Tax Act.

The balance sheet

Financial fixed assets

Investments in group enterprises and associates

Investments in group enterprises and associates are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in group enterprises and associates are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in group enterprises and associates but are not represented in the parent, the following accounting policies have been applied.

Investments in group enterprises and associates with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises and associates transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises and associates.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Accounting policies

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Other financial instruments

Financial instruments recognised under non-current assets comprise listed bonds and shares measured at fair value on the reporting date. Listed financial instruments are measured at market price.

Other unlisted financial instruments are measured at cost. Write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises og associates are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

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

Contract work in progress

Voyages in progress at the balance sheet day is measured based on the percentage of completion method. Number of days of a voyage, as a percentage of the total number of days a voyage is estimated to last, is considered as a close approximation of percentage of completion. The voyage begins on the date when the cargo is loaded, and the voyage ends at the date of the next discharge (load to discharge). Demurrage is recognized if the claim is considered probable.

The individual work in progress is recognised in the statement of financial position under accounts receivables or liabilities. Net assets consist of the sum of the work in progress, where the selling price of the work performed exceeds invoicing on account. Net liabilities consist of the sum of the work in progress, where invoicing on account exceeds the selling price.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Accounting policies

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Liabilities other than provisions relating to investment properties are measured at amortised cost.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Deferred income

Payments received concerning future income are recognised under deferred income.

Segmental statement

Information on activity and geographical markets is provided. The segmental statement complies with the consolidated accounting policies, risks, and management control systems of the company.

Assets in the segment comprise the assets used directly in the segment's revenue-generating activity.

Segment liabilities comprise liabilities derived from the segment's operations, including accounts payable and other liabilities.