Grant Thornton

**Grant Thornton**
Statsautoriseret
Revisionspartnerselskab

Stockholmsgade 45
2100 København Ø
CVR-nr. 34209936

T (+45) 33 110 220
F (+45) 33 110 520

www.grantthornton.dk

# 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 2021

The annual report was submitted and approved by the general meeting on the 6 May 2022.

Mads Rosenberg Boye Petersen
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 presented the annual report of Nordic Bulk Carriers A/S for the financial year 1 January - 31 December 2021.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2021 and of the company's results of activities in the financial year 1 January – 31 December 2021.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

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

Hellerup, 6 May 2022

**Managing Director**

Mads Rosenberg Boye Petersen

**Board of directors**

| | | |
|---|---|---|
| Mark Lewis Filanowski<br>Chairman | Mads Rosenberg Boye Petersen | 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 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, 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 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

## 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, 6 May 2022

**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<br>Tuborg Havnevej 4 - 8, 1.<br>2900 Hellerup | |
| | Web site | www.nordicbulkcarriers.com |
| | Company reg. no. | 32 08 14 87 |
| | Established: | 13 March 2009 |
| | Domicile: | Gentofte |
| | Financial year: | 1 January 2021 - 31 December 2021 |
| **Board of directors** | Mark Lewis Filanowski, Chairman<br>Mads Rosenberg Boye Petersen<br>Gianni Vincenzo Del Signore | |
| **Managing Director** | Mads Rosenberg Boye Petersen | |
| **Auditors** | Grant Thornton, Statsautoriseret Revisionspartnerselskab<br>Stockholmsgade 45<br>2100 København Ø | |
| **Parent company** | Pangaea Logistics Solutions Ltd., Bermuda | |

## Financial highlights

| USD in thousands. | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Income statement:** | | | | | |
| Revenue | 465.752 | 237.260 | 242.531 | 191.069 | 176.773 |
| Gross profit | 13.068 | 6.211 | 8.810 | 8.993 | 6.535 |
| Profit from operating activities | 9.543 | 3.620 | 6.141 | 6.718 | 4.630 |
| Net financials | 61 | -16 | -27 | -216 | -155 |
| Net profit or loss for the year | 8.999 | 3.042 | 5.656 | 6.146 | 4.048 |
| **Statement of financial position:** | | | | | |
| Balance sheet total | 76.001 | 39.193 | 46.400 | 31.833 | 28.047 |
| Equity | 27.709 | 17.838 | 17.676 | 10.409 | 6.127 |
| **Employees:** | | | | | |
| Average number of full-time employees | 15 | 12 | 12 | 12 | 9 |
| **Key figures in %:** | | | | | |
| Gross margin ratio | 2,8 | 2,6 | 3,6 | 4,7 | 3,7 |
| Profit margin (EBIT-margin) | 2,0 | 1,5 | 2,5 | 3,5 | 2,6 |
| Liquidity ratio | 156,5 | 182,0 | 160,6 | 147,6 | - |
| Solvency ratio | 36,5 | 45,5 | 38,1 | 32,7 | 21,8 |
| Return on equity | 39,5 | 17,1 | 40,3 | 74,3 | 98,1 |

The calculation of key figures and ratios does in all material respects follow the Danish Association of Finance Analysts' recommendations and does only in a few respects deviate from the recommendations.

The key figures appearing from the survey have been calculated as follows:

**Gross margin** $$\frac{\text{Gross results x 100}}{\text{Net turnover}}$$

**Profit margin (EBIT margin)** $$\frac{\text{Results from primary activities (EBIT) x 100}}{\text{Net turnover}}$$

**Acid test ratio** $$\frac{\text{Current assets x 100}}{\text{Short-term liabilities}}$$

**Equity share** $$\frac{\text{Equity, closing balance x 100}}{\text{Assets in total, closing balance}}$$

**Return on equity** $$\frac{\text{Results for the year x 100}}{\text{Average equity}}$$

# Management´s review

## The principal 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.

## Uncertainties as to recognition or measurement

The company has no uncertainties relating to recognition and measurement.

## Development in activities and financial matters

The revenue for the year totals k.USD 465,752 against k.USD 237,260 last year. Income or loss from ordinary activities after tax totals k.USD 8,999 against k.USD 3,042 last year.
The development must be seen in light of the fact that, according to the annual report 2020, the company expected revenues for 2021 in the region of same level as 2020 but due to market factors the level has increased beyond expectations. Management considers the net profit or loss for the year very satisfactory.

*Investments*

During 2021, The Parent Group has invested in four new vessels that are bareboat chartered to the company. These delivered into use during 2021, but the accounting effect will be fully implemented during 2022.

*Financial resources*

Nordic Bulk Carriers A/S is well consolidated and has a solvency ratio on 36,5%. The company's financial preparedness amounts to USD 76 million at the end of the financial year which 9,1 million USD is in cash and cash equivalents and USD 66,85 million in short-term securities.

## 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

However, the enterprise's current and planned activities do not give rise to particular financial risks, and the company's cash resources are assessed to be adequately hedged.

## 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.

## Management´s review

*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).

Provided the current market rates continue throughout the year the management expect a result in line, or better, with the result for 2021.

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.

*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.

**Environmental issues**

Nordic Bulk Carriers acknowledge that the shipping business in general has an obligation to limits its negative environmental impact. This concerns both emissions and the direct pollution of the seas. The company has as their main objective to reduce this pollution by taking various measures to reduce the overall fuel consumption as well as using more environmentally, and compliant, fuel on board its vessels. The Company’s climate policies are further described on the Pangaea Logistics home page (https://www.pangaeals.com/about)

**Know how resources**

It is important for Nordic Bulk Carriers A / S 'continued growth to attract and retain poorly competent employees in the operation. This will require a separate expertise in the field of shippping.

## Management´s review

**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*

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.

**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 chosen to refer to its statement on social responsibility on the parent company's website, see https://www.pangaeals.com/investors/corporate-governance.*

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

The Company does not have a policy on data ethics as the Company does not use personal data for commercial purposes etc. and it is not a part of the company's business strategy.

# 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 profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

**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.

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.

## Accounting policies

**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.

## 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 Company
- 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.

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.

**Voyages expenses**

Vessels operation expenses comprise the expenses, incurred to generate revenue for the year. The expenses include charter hire for charted vessels (operating leases), bunker oil consumption, staff costs, other voyage costs such as commissions and harbour charges, repair and maintaince costs, insurance costs and other operation expenses. Like revenue, vessels operation expenses are recognised on the basis of stage of completion.

**Other external costs**

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

## Accounting policies

**Staff costs**

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

**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 equity investments in subsidiaries and associates**

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

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

**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

**Impairment loss relating to non-current assets**

The carrying amount of both intangible and tangible fixed assets as well as equity investments in subsidiaries 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. Writedown 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.

## Accounting policies

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

**Financial fixed assets**

**Investments in subsidiaries and associates**

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

Investments in subsidiaries 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 enterpriseswith a strong market position and a long-term earnings profile.

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

Investments in subsidiaries 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 subsidiaries and associates transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries 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 subsidiaries 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.

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.

## Accounting policies

**Other securities and equity investments**

Securities and equity investments recognised under fixed assets comprise listed bonds and shares which are measured at fair value on the balance sheet date. Listed securities are measured at market price.

Other unlisted securities are measured at cost. Writedown takes place to the recoverable amount, if this value is lower than the book value.

**Deposits**

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

**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.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market 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.

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.

## Accounting policies

**Voyages 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.

**Deferred income**

Deferred income arises from prepayments for voyages and time-charter income. Part of deferred incomecomprises prepaid time-charter income.

**Available funds**

Available funds comprise cash at bank.

**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.

**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.

**Provisions**

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

## Accounting policies

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. Provisions for warranty commitments are measured on basis of the obtained experience with guarantee work. Provisions with an expected due date later than 1 year from the reporting date are discounted at a rate reflecting risk and maturity of the liability.

On the acquisition of entities, provisions for restructuring within the acquired entity are included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been recognised in the financial statements of the acquired entity in advance of the acquisition. Provisions for restructuring are included to the extent that they have been decided at the date of acquisition at the latest and that the process have been commenced.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

**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.

**Accrued expenses and deferred income**

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

## Income statement 1 January - 31 December

USD thousand.

| Note | | 2021 | 2020 |
|---|---|---|---|
| 1 | Revenue | 465.752 | 237.260 |
| 2 | Direct costs | -450.841 | -229.312 |
| | Other external costs | -1.843 | -1.737 |
| | **Gross profit** | **13.068** | **6.211** |
| 3 | Staff costs | -3.525 | -2.591 |
| | **Operating profit** | **9.543** | **3.620** |
| | Income from equity investments in subsidiaries | 85 | 54 |
| | Other financial income | 0 | 8 |
| | Other financial expenses | -24 | -78 |
| | **Pre-tax net profit or loss** | **9.604** | **3.604** |
| 4 | Tax on ordinary results | -605 | -562 |
| **5** | **Net profit or loss for the year** | **8.999** | **3.042** |

## Balance sheet at 31 December

USD thousand.

| Note | Assets | 2021 | 2020 |
|---|---|---|---|
| | **Non-current assets** | | |
| 8 | Investments in subsidiaries | 325 | 240 |
| 9 | Deposits | 81 | 87 |
| | Total investments | 406 | 327 |
| | **Total non-current assets** | **406** | **327** |
| | **Current assets** | | |
| 10 | Inventories | 13.815 | 6.442 |
| | Total inventories | 13.815 | 6.442 |
| | Freight receivables | 32.237 | 12.265 |
| 11 | Voyages in progress | 8.942 | 4.011 |
| | Amounts owed by group enterprises | 0 | 90 |
| | Other debtors | 992 | 153 |
| 12 | Accrued income and deferred expenses | 10.462 | 5.004 |
| | Total receivables | 52.633 | 21.523 |
| | Available funds | 9.147 | 10.901 |
| | **Total current assets** | **75.595** | **38.866** |
| | **Total assets** | **76.001** | **39.193** |

## Balance sheet at 31 December

USD thousand.

**Equity and liabilities**

| Note | | 2021 | 2020 |
|---|---|---|---|
| | **Equity** | | |
| 13 | Contributed capital | 4.089 | 4.089 |
| | Reserves for net revaluation as per the equity method | 298 | 213 |
| | Reserve for fair value adjustments | 965 | 92 |
| | Results brought forward | 22.357 | 13.444 |
| | **Total equity** | **27.709** | **17.838** |
| | **Liabilities other than provisions** | | |
| 11 | Prepayments received from customers concerning work in progress for the account of others | 16.482 | 7.623 |
| | Trade creditors | 13.775 | 9.019 |
| | Debt to group enterprises | 9.674 | 1.097 |
| | Income tax payable | 15 | 32 |
| | Other debts | 831 | 933 |
| 14 | Accrued expenses and deferred income | 7.515 | 2.651 |
| | Total short term liabilities other than provisions | 48.292 | 21.355 |
| | **Total liabilities other than provisions** | **48.292** | **21.355** |
| | **Total equity and liabilities** | **76.001** | **39.193** |

**6 Fee, auditor**

**15 Contingencies**

**16 Financial risks**

**17 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 2021 | 4.089 | 213 | 92 | 13.443 | 17.837 |
| Share of results | 0 | 85 | 0 | 8.914 | 8.999 |
| Fair value adjustment of hedging instruments | 0 | 0 | 873 | 0 | 873 |
| | **4.089** | **298** | **965** | **22.357** | **27.709** |

## Notes

USD thousand.

| | | 2021 | 2020 |
|---|---|---|---|
| **1.** | **Revenue** | | |
| | Voyages | 392.122 | 215.819 |
| | Charters | 73.630 | 21.441 |
| | | **465.752** | **237.260** |

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.

| | | 2021 | 2020 |
|---|---|---|---|
| **2.** | **Direct costs** | | |
| | Vessel operating expenses | 150.421 | 108.195 |
| | Charters expenses | 296.879 | 121.117 |
| | Opex expenses | 3.541 | 0 |
| | | **450.841** | **229.312** |
| **3.** | **Staff costs** | | |
| | Salaries and wages | 3.469 | 2.543 |
| | Pension costs | 51 | 44 |
| | Other costs for social security | 5 | 4 |
| | | **3.525** | **2.591** |
| | Average number of employees | 15 | 12 |

Staff costs include remuneration to the Executive Board and the Board of Directors with k.USD 2,250 thousand (2020: k.USD 1,500). The remuneration of the Board of Directors is remunerated by the parent company Pangaea Logistics Solutions Ltd.

| | | 2021 | 2020 |
|---|---|---|---|
| **4.** | **Tax on ordinary results** | | |
| | Tax of the results for the year, parent company | 611 | 551 |
| | Adjustment of tax for previous years | -10 | 11 |
| | Other taxes | 4 | 0 |
| | | **605** | **562** |

# Notes

USD thousand.

| | | 2021 | 2020 |
|---|---|---|---|
| **5.** | **Proposed distribution of the results** | | |
| | Reserves for net revaluation as per the equity method | 85 | 54 |
| | Allocated to results brought forward | 8.914 | 2.988 |
| | **Distribution in total** | **8.999** | **3.042** |

| | | 2021 | 2020 |
|---|---|---|---|
| **6.** | **Fee, auditor** | | |
| | Total fee for Grant Thornton, State Authorised Public Accountants | 90 | 72 |
| | Fee concerning compulsory audit | 41 | 41 |
| | Assurance engagements | 0 | 27 |
| | Other services | 49 | 4 |
| | | **90** | **72** |
| **7.** | **Other fixtures and fittings, tools and equipment** | | |
| | Cost opening balance | 271 | 271 |
| | **Cost end of period** | **271** | **271** |
| | Depreciation and writedown opening balance | -271 | -271 |
| | **Depreciation and writedown end of period** | **-271** | **-271** |
| | **Carrying amount, end of period** | **0** | **0** |

## Notes

USD thousand.

| | | 31/12 2021 | 31/12 2020 |
|---|---|---|---|
| **8.** | **Investments in subsidiaries** | | |
| | Acquisition sum, opening balance opening balance | 27 | 27 |
| | **Cost end of period** | **27** | **27** |
| | Revaluations, opening balance opening balance | 213 | 159 |
| | Results for the year before goodwill amortisation | 85 | 54 |
| | **Revaluation end of period** | **298** | **213** |
| | **Carrying amount, end of period** | **325** | **240** |

**Subsidiaries:**

| | Domicile | Equity interest |
|---|---|---|
| Nordic Bulk Carriers Singapore Pte Ltd. | Singapore | 100 % |

| | | 31/12 2021 | 31/12 2020 |
|---|---|---|---|
| **9.** | **Deposits** | | |
| | Cost opening balance | 87 | 85 |
| | Additions during the year | 0 | 2 |
| | Disposals during the year | -6 | 0 |
| | **Cost end of period** | **81** | **87** |
| | **Book value end of period** | **81** | **87** |
| **10.** | **Inventories** | | |
| | Raw materials and consumables | 13.815 | 6.442 |
| | | **13.815** | **6.442** |

## Notes

USD thousand.

| | | 31/12 2021 | 31/12 2020 |
|---|---|---|---|
| **11.** | **Voyages in progress** | | |
| | Sales value of the production of the period | 8.942 | 4.011 |
| | Payments on account received | -16.482 | -7.623 |
| | **Voyages in progress, net** | **-7.540** | **-3.612** |
| | The following is recognised: | | |
| | Work in progress for the account of others (Current assets) | 8.942 | 4.011 |
| | Work in progress for the account of others (Prepayments received) | -16.482 | -7.623 |
| | | **-7.540** | **-3.612** |
| **12.** | **Accrued income and deferred expenses** | | |
| | Prepaid expenses | 3.020 | 1.915 |
| | Accrued income | 7.442 | 3.089 |
| | | **10.462** | **5.004** |
| **13.** | **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 2021 | 31/12 2020 |
|---|---|---|---|
| **14.** | **Accrued expenses and deferred income** | | |
| | Prepayments/deferred income | 7.515 | 2.651 |
| | | **7.515** | **2.651** |

**15. 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 26,335 (2020: k.USD 22.524).

The company also have a rent obligation towards there premises which amounts to k.USD 404 and is irrevocable until 31st of December 2025.

## Notes

USD thousand.

### 16. 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 | 120.751 | -26.565 | 94.186 |
| Changes of the year | 1.061.493 | -191.416 | 870.077 |
| **Balance end of period** | **1.182.244** | **-217.981** | **964.263** |

### 17. 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:

| | 2021 |
|---|---|
| Paid rent to related parties | 28.566 |
| Accounts receivables from related parties | 61.719 |
| Accounts payable from related parties | 9.735 |
| Profit-share | 19.460 |
| Comissions | 724 |

**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