Ultranav Denmark ApS

2019

Annual Report

Ultranav Denmark ApS | Smakkedalen 6 |2820 Gentofte, Denmark | CVR.no. 32 94 95 41

Approved on the annual general meeting 2 April 2020.

Bent Jensen

Chairman of the meeting

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STATEMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and Executive Management have prepared the 2019 Annual Report. The Annual Report was considered and adopted today.

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

We consider the accounting policies used appropriate and the accounting estimates made reasonable, and in our opinion the consolidated financial statements and the financial statement of the Parent Company provide the relevant information for assessing the financial position of the Group and the Parent Company. In our opinion the consolidated financial statements and the financial statement of the Parent Company give a true and fair view of the assets, liabilities and financial position of the Group and the Parent Company, the results of the Group's and the Parent Company's operations and the Group's cash flows for the period 1 January - 31 December 2019.

In our opinion the Management's review in the preceding pages gives a true and fair presentation of the development in the activities and the financial position of the Group and the Parent Company, the results for the year and of the Group's and the Parent Company's financial position in general. Further, in our opinion the Management's review describes the most significant risks and uncertainties that may affect the Group and the Parent Company.

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

Copenhagen, 9 March 2020

EXECUTIVE MANAGEMENT

Francisco Larrain

BOARD OF DIRECTORS

Dag von Appen
Chairman

Enrique Ide

Carsten Haagensen

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ULTRANAV DENMARK APS

Opinion

We have audited the consolidated financial statements and the Parent Company financial statements of Ultranav Denmark ApS for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the Parent Company financial statements are prepared in accordance with the Danish Financial Statements Act.

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 2019 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the Parent Company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 Parent 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 Parent 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 as to 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 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 the financial statements.

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

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

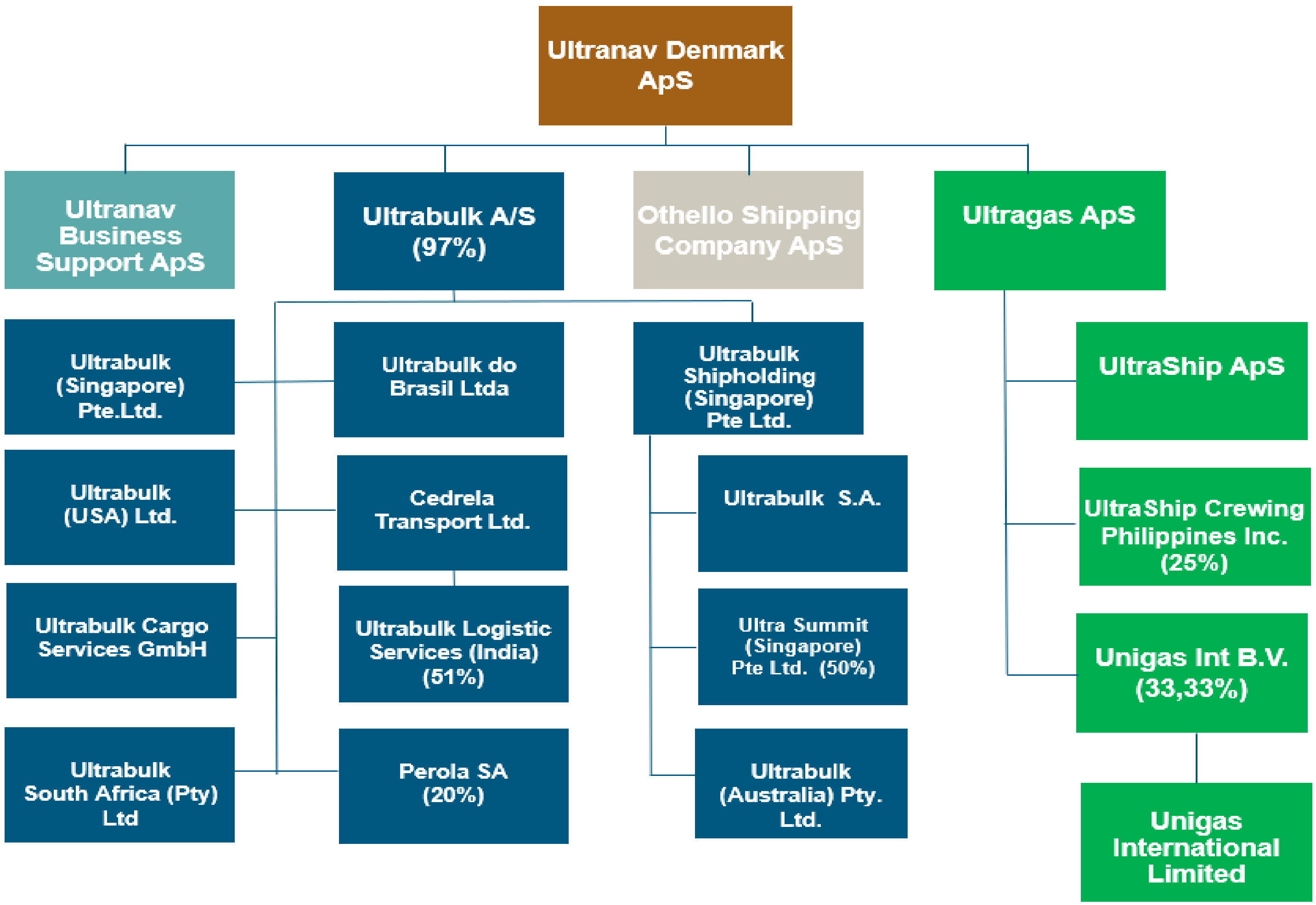
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 9 March 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed
State Authorised Public Accountant
MNE no. 28677

Tommy Borggaard Nielsen
State Authorised Public Accountant
MNE no. 34340

GROUP STRUCTURE



KEY FIGURES

KEY FIGURES (USD '000)	**2019**	**2018**	**2017**	**2016**	**2015**
Revenue	1.121.982	1.165.948	1.000.580	706.875	790.404
Gross profit (Net earnings from shipping activities)	43.088	45.856	8.543	22.697	48.309
Operating profit (EBIT)	-3.348	3.958	-30.956	-15.366	10.077
Net financials	-3.516	-1.429	940	-39	-2.198
Net profit/(loss)	**-8.402**	**2.458**	**-31.559**	**-16.849**	**6.739**
Profit/(loss) for the year for the Ultranav Denmark Shareholders	-8.547	2.009	-31.490	-16.772	7.136
Total assets	327.526	345.137	331.880	311.118	337.570
Equity	**190.812**	**192.944**	**195.636**	**121.822**	**132.139**
Cash flow from operating activities	18.853	6.370	-32.711	6.785	21.548
Cash flow from investing activities	13.277	-16.826	-19.525	-4.447	-15.970
- of which relates to investment in tangible assets	-26.056	-43.516	-20.266	-5.027	-48.273
Cash flow from financing activities	-18.158	7.443	37.515	-5.303	12.991
Total cash flow	**13.972**	**-3.013**	**-14.721**	**-2.965**	**18.569**
Financial ratios					
Operating profit margin	-0,30%	0,34%	-3,09%	-2,17%	1,27%
Gross profit margin	3,84%	3,93%	0,85%	3,21%	6,11%
Equity ratio	58,26	55,90	58,95	39,16	39,32
Return of equity	-4,38%	1,27%	-19,88%	-13,27%	5,29%
Total Investment in tangible assets	69.275	87.082	70.318	53.344	58.400
USD/DKK rate year-end	667,59	651,94	620,77	705,28	683,00
Average USD/DKK rate	667,03	631,74	659,53	673,27	672,68

ULTRANAV DENMARK APS MAIN ACTIVITIES

Ultranav Denmark ApS is the holding company (the Parent) for the activities in Ultrabulk A/S Group, Ultragas ApS Group, Ultranav Business Support ApS and Othello Shipping Company ApS in the following collectively referred to as the Group.

Ultranav Denmark ApS is a subsidiary of Naviera Ultranav Limitada, Santiago, Chile.

The main activities of Ultranav Denmark ApS are ship owning and ship operating activities with a main focus on dry bulk activities within the Panamax, Supramax, Handy and MPP segments and transport of liquid gas products in semi-refrigerated gas carriers with a carrying capacity of up to 22,000 cbm.

Bulk activities

During 2019 Ultrabulk A/S operated on average 142 bulk carriers from its head office in Copenhagen and its offices in Cape Town, New York, Rio de Janeiro, Santiago, Singapore and Sydney.

Ultrabulk A/S core fleet of owned and long-term chartered vessels decreased by 1 units in 2019 to reach 48 units as of the end of 2019. Another 5 vessels will be added to the core fleet by end 2020.

It continues to be a fundamental element in Ultrabulk A/S's policy to maintain a relatively narrow balance between long-term cargo contract commitments and the long-term controlled tonnage capacity, and further cargo contracts have been concluded during the year.

Mission statement

A partner you can trust.

Vision statement

We aspire to build and operate the best platform of shipping services for the development and success of our clients, employees and communities.

Core values

Excellence

We constantly measure, analyze and adjust in order to enhance quality.

Integrity

We are committed to being reliable, trustworthy, and dependable.

Passion

We address challenges with passion and positive commitment.

Safety

We are committed to developing and stimulating a safe working culture onboard ships and ashore.

Gas activities

At year-end 2019, Ultragas operated 18 LPG carriers ranging in size from 3,500 to 22,000 cbm all of which are semi-refrigerated vessels and, of which 8 can carry ethylene. All vessels were bareboat chartered from companies in the Ultranav Group. Three vessels were taken on long term bareboat charter, the “Happy Peregrine”, “Happy Kestrel” and “Happy Osprey”, all 3 vessels entered the Danish International Register of Shipping (DIS). Three vessels “Happy Bee”, “Happy Bear” and “Nordic Gas” were sold and left the fleet during 2019.

The commercial operation of the vessels up to 12,000 cbm is performed by Unigas International BV (Unigas) in Rotterdam, a company which Ultragas owns equally with two partners. Unigas is a leading operator in the segment up to 15,000 cbm and operated as at year end a total of 37 LPG and Ethylene carriers of which 11 units are provided by Ultragas.

The handy size fleet (vessels between 15,000-25,000 cbm) is commercially operated by own in-house organization. By the end of the year Ultragas operated 7 such vessels, which made Ultragas the second largest operator in the “handy” size segment.

Technical management

UltraShip ApS’ (UltraShip) prime activity is to perform technical management for Ultragas ApS’ (Ultragas) entire fleet of LPG carriers as well as other owned vessels within the Ultranav Group. UltraShip also provides technical supervision, including new buildings and projects, for Ultragas and affiliated companies within the Ultranav Group.

As of end 2019, UltraShip had 18 gas carriers in technical management which was the entire Ultragas fleet of gas carriers. The vessels are managed at a high standard and registered with first class flag states, including DIS and with recognized classification societies of which Lloyds Register is the predominant.

During 2019, Ultrabulk A/S had three bulk carriers under the technical management of UltraShip.

Supporting activities

Ultranav Business Support ApS has enhanced its capacity and capability of providing high quality support to the bulk and gas carrier operations in the areas of corporate finance, treasury, accounting, operations control, IT, laytime, business intelligence, commercial support and HR functions.

Other activities

Othello Shipping Company ApS has had only limited activities during the year.

PART OF A LARGE AND DIVERSIFIED GROUP

Ultranav Denmark ApS is part of the Ultranav Group (“Ultranav”). Ultranav is a privately owned shipowning and operating company headquartered in Santiago, Chile.

Through nine business units, Ultranav operates in five market segments: Oil, gas, dry bulk, coastal trades, and towage & offshore. Ultranav operates a fleet of gas and chemical carriers, tankers for crude oil and clean petroleum products, bulk carriers, feeder container ships, multipurpose vessels, harbour tugs, PSVs, AHTS, pusher tugs, barges and pilot boats.

Ultranav is focused on providing efficient, safe and environmentally friendly maritime transportation, harbour towage and maritime support services to the mutual benefit of its customers, employees and all relevant stakeholders. Ultranav aspires to be **“A Partner You Can Trust”.**

Ultranav aims to support customers and partners in those segments and niches where it can develop long-term sustainable competitive advantages by adding value to its customers.

Ultranav focuses on customers who value mutually beneficial long-term relationships. Ultranav has a flexible organization managed by qualified professionals committed to providing the best services to the satisfaction of its customers.

Figures and facts as per 2019

Number of vessels and tugs in our fleet

117 Tankers

15 MPP & Containers

20 Gas Carriers

176 Dry Cargo

Grand Total: 437

71 Harbor Tugs

23 PSV

3 AHTS

2 Pusher Tugs

5 Barges

5 Pilot/Crew Boats

CORPORATE GOVERNACE

It continues to be of absolute and paramount importance for Ultranav to present itself and to act as a fair and trustworthy partner – ”A partner you can trust”.

This applies to all areas of activities and cooperation and in relation to all stakeholders.

It is important for Ultranav that activities are planned and executed in a responsible and reliable manner and with a sound and sustainable balance between the considerations for the surrounding society, respect for the environment, the well-being of employees, and the need for commercial development.

Ultranav Denmark ApS is committed to a sustainable and responsible growth and as a member of Danish Shipping, the Group participates in the CSR committee, coordinating and safeguarding industry CSR policy.

Corporate Social Responsibility

As of 2019 Ultranav Denmark ApS reports on all CSR relevant activities according to the new requirements in the Danish Financial Statements Act §99a. The report covers all the Danish Ultranav companies; Ultrabulk A/S, Ultragas ApS, UltraShip ApS, Othello Shipping Company ApS and Ultranav Business Support ApS. The report is published online and is to be found on the following URL: www.ultranav.dk/content/csr

According to the requirements in Danish Financial Statement Act § 99b Ultranav Denmark ApS must report on gender composition in the management. Ultranav applies a policy stating that gender composition of management shall reflect the gender balance of society as a whole – with due regard to the specific conditions in the shipping business.

By the end of 2019, the 3 members of the Board of Directors are men, unchanged from last year, and in line with previous decision to ensure continuity in an unusual and challenging market environment. The objective is for shareholder-elected women to represent at least 25% of the Board of Directors members in 2020. It is assessed that the current members possess the relevant competences. In senior management positions both genders are represented. The representation of women in the senior management team has not increased in 2019 and the aim and expectation are to increase female participation at senior management level in the coming years.

Ultranav Denmark ApS policy states and ensures equal career opportunities for men and women and is actively used as a tool for recruiting and working with both genders, and equality in general. In the recruiting processes, it is the target to have both genders presented in the final stage of selection.

DEVELOPMENT OF ACTIVITIES AND FINANCIAL CONDITIONS

The consolidated result for Ultranav Denmark ApS before financial items was a loss of USD 3.3 million, whereas the result after tax was a loss of USD 8.4 million lower than expected, compared to a profit after tax in 2018 of USD 2.5 million.

Ultrabulk A/S net profit was USD 12.8 million (USD 15.5 million in 2018).

The activities of Ultragas produced a net loss of MUSD 13.7 (2018: loss MUSD 7.2), largely because of depressed market conditions, where earnings have fallen short of the bareboat hires payable.

The equity of Ultranav Denmark ApS Group as of end 2019 was USD 190.8 million (USD 192.9 million in 2018).

The Parent Company had a net profit of USD 5.4 million (USD 1.6 million in 2018) and the Parent Company's equity as of end 2018 was USD 168.1 million (USD 162.7 million end of 2018).

Outlook for 2020

Ultrabulk is confident that it will be able to maintain and develop its market position and it is well positioned to address the opportunities that will arise under present market conditions. Based on the Company's current coverage, and while acknowledging the very volatile market conditions, a positive EBIT and a positive Net Profit is expected for 2020.

The demand for gas carriers is positively supported by a relatively high average age for gas vessels, especially the less than 15,000 cbm segment, combined with a very limited order book for semi-refrigerated vessels and an expected continued growth in supply of LPG – mainly driven by increased US production and stable to increasing demand for transport of petrochemical gases, supported by a growing global economy.

Further, growing long haul petrochemical shipments are expected to directly and indirectly support both Unigas and the handy-size segment, and fleet utilization is expected to improve during 2020.

Additional exports of shale-based LPG from North America, stimulated by higher oil prices, may influence fleet utilization and charter rates positively. Ultragas expects an improved result in 2020.

To secure the operation, Ultragas has credit facilities available through intra-group arrangements. The parent company Ultranav Denmark ApS has confirmed that it will provide liquidity to Ultragas, as may be necessary for Ultragas to meet its obligations as they fall due. This commitment is valid until 1 January 2021.

The corona virus outbreak poses a downside risk to global growth and therefore to global demand for transport. Due to these uncertainties, it is currently not possible to predict the consequences for 2020 and onwards.

Overall Ultranav Denmark ApS expects to produce an improved net result in 2020 compared to 2019.

CONSOLIDATED INCOME STATEMENT

Figures in USD '000	Note	2019	2018
Revenue	2	1.121.982	1.165.948
Voyage related expenses and operating costs of vessels	4	-458.401	-469.743
Charter hire		-620.493	-650.349
Gross profit (Net earnings from shipping activities)		**43.088**	**45.856**
Other external expenses	3	-9.672	-9.380
Staff costs	4	-24.145	-23.943
Operating loss before depreciation, amortization and impairment loss (EBITDA)		**9.272**	**12.532**
Profit on sale of vessels etc.		457	3.109
Depreciation	7, 8	-12.774	-12.498
Share of joint ventures' profit after tax	10	-303	815
Operating profit/(loss) (EBIT)		**-3.348**	**3.958**
Share of associates' profit after tax	9	-1.311	61
Other financial items, net	5	-2.205	-1.490
Loss before tax		**-6.864**	**2.530**
Tax	6	-1.538	-72
Net profit/(loss)		**-8.402**	**2.458**

CONSOLIDATED BALANCE SHEET

ASSETS			
Figures in USD '000	**Note**	**2019**	**2018**
Goodwill		1.507	4.524
Contractual rights		11.187	16.117
Total intangible assets	**7**	**12.694**	**20.641**
Vessels		62.831	84.697
New building contracts		5.630	1.508
Fixtures, fittings and equipment		814	878
Total tangible assets	**8**	**69.275**	**87.083**
Investment in associates	9	2.031	2.630
Investment in joint ventures	10	25.279	25.582
Derivative financial instruments	16	1.408	1.553
Receivables associated companies		2.691	0
Deferred tax assets	11	0	838
Financial assets, non-current		**31.409**	**30.602**
Total non-current assets		**113.378**	**138.326**
Inventories		29.804	24.848
Trade receivables		47.722	43.973
Other receivables		24.271	39.928
Intercompany receivables		1.564	514
Prepayments		15.199	16.369
Derivative financial instruments	16	1.312	876
Cash and short-term deposits		94.276	80.304
Current assets		**214.148**	**206.812**
TOTAL ASSETS		**327.526**	**345.137**

EQUITY AND LIABILITIES			
Figures in USD '000	***Note***	**2019**	**2018**
Share capital	12	20.577	20.577
Retained earnings		171.379	180.282
Other reserves		-6.528	-13.112
Proposed dividend to shareholders		0	0
Total equity of majority interest		**185.428**	**187.747**
Non-controlling interests	13	5.385	5.197
Total equity		**190.812**	**192.944**
Interest bearing loans and borrowings	14	28.486	41.563
Derivative financial instruments	16	1.763	10.110
Total non-current liabilities		**30.249**	**51.673**
Trade payables		62.594	52.200
Other payables		4.300	3.256
Deferred income		21.054	30.059
Interest-bearing loans and borrowings	14	3.699	5.256
Intercompany payables		8.412	6.349
Derivative financial instruments	16	5.430	2.511
Income tax payable		975	888
Total current liabilities		**106.464**	**100.519**
Total liabilities		**136.713**	**152.193**
TOTAL EQUITY AND LIABILITIES		**327.526**	**345.137**

CONSOLIDATED CASH FLOW STATEMENT

Figures in USD '000	**2019**	**2018**
Profit/loss(-) before tax	-6.864	2.530
Paid tax including added interest on tax	-608	-642
Adjustment for non-cash items etc.		
Gain on sale of vessel, plant and equipment	-457	-3.109
Depreciation	12.774	12.498
Share of gain/loss in associated companies	1.311	-61
Share of gain/loss in joint venture	303	-815
Interest expenses	4.114	2.596
Interest income	-1.910	-1.106
Net forward contract activity	225	915
Net foreign exchange differences and other changes	-1.603	-1.090
Working capital adjustments:		
Change in current assets	7.073	-11.502
Change in current liabilities	4.496	6.157
Net cash flows from operating activities	**18.853**	**6.370**

Figures in USD '000	**2019**	**2018**
Investments in tangible assets	-26.056	-43.516
Sale of tangible assets	39.986	25.295
Dividend received	128	289
Receivables associated companies	-2.691	0
Interest received	1.910	1.106
Net cash flows from investing activities	**13.277**	**-16.826**
Bank loan	0	14.055
Repayment loan	-15.376	-4.670
Dividend minority shareholder	-150	0
Interest paid	-2.632	-1.942
Net cash flows from financing activities	**-18.158**	**7.443**
Net change in cash and cash equivalents	13.972	-3.013
Cash and cash equivalents at 1 January	80.304	83.316
Cash and cash equivalents at 31 December	**94.276**	**80.304**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in USD '000	Share capital (Note 12)	Other Reserves: Hedging reserves	Other Reserves: Translation reserve	Other Reserves: Total reserves	Retained earnings	Dividend	Total equity of majority interest	Non controlling interests	Total Equity
At 1 January 2018	**20.577**	**-6.004**	**-2.451**	**-8.455**	**177.654**	**504**	**190.280**	**5.356**	**195.636**
Profit for the year	0	0	0	0	**2.009**	**0**	**2.009**	**449**	**2.458**
Currency exchange in foreign companies	0	0	-621	**-621**	**0**	**0**	**-621**	**0**	**-621**
Change in hedging instruments	0	-4.036	0	**-4.036**	**0**	0	**-4.036**	**0**	**-4.036**
Other changes	0	0	0	**0**	**619**	0	**619**	**-608**	**11**
Proposed dividend to shareholders	0	0	0	**0**	**0**	-504	**-504**	**0**	**-504**
At 31 December 2018	**20.577**	**-10.040**	**-3.072**	**-13.112**	**180.282**	**0**	**187.747**	**5.197**	**192.944**
Loss for the year	0	0	0	**0**	**-8.547**	0	**-8.547**	**145**	**-8.402**
Currency exchange in foreign companies	0	0	814	**814**	**0**	0	**814**	**26**	**840**
Change in hedging instruments	0	5.770	0	**5.770**	**0**	0	**5.770**	**178**	**5.948**
Other changes	0	0	0	**0**	**-357**	0	**-357**	**-11**	**-368**
Dividens	0	0	0	**0**	**0**	0	**0**	**-150**	**-150**
Proposed dividend to shareholders	0	0	0	**0**	**0**	0	**0**	**0**	**0**
At 31 December 2019	**20.577**	**-4.270**	**-2.258**	**-6.528**	**171.379**	**0**	**185.428**	**5.385**	**190.812**

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Note 1 – Group accounting policies and significant estimates

Ultranav Denmark ApS is a company domiciled in Denmark.

The annual report of Ultranav Denmark Aps for 2019 has been prepared in accordance with the Danish Financial Statements Act for class C-companies (large).

Basis of preparation

The annual report has been prepared on the historical cost basis except all financial assets and liabilities held for trading. These financial assets and liabilities have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges and otherwise carried at cost are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The accounting policies set out below have been used consistently in respect of the financial year and the comparative figures.

The annual report has been presented in USD thousands (USD ´000), except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the Parent Company Ultranav Denmark ApS and subsidiaries in which the Company has control, i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is obtained when a Company directly or indirectly holds more than 50% of the voting rights in the subsidiary or which it, in some other way, controls.

Enterprises over which a Company exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%.

When assessing whether a Company exercises control or significant influence, potential voting rights which are exercisable at the balance sheet date are taken into account.

The financial statements of the controlled subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intercompany balances, income and expenses, unrealised gains and losses and dividends resulting from intercompany transactions are eliminated in full.

The accounting items of subsidiaries are included in full in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly owned are included in the Group's profit/loss and equity, respectively, but are disclosed separately.

Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to Ultranav Denmark ApS. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

The cost of a business combination comprises the fair value of the consideration agreed upon and the aggregate of acquired identifiable assets, liabilities and contingent liabilities measured at fair value at the acquisition date.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquired subsidiary over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. Subsequent to the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is amortised over up to 20 years.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Common control transactions are accounted for using the pooling-of-interest method. The receiving company of the net assets initially recognizes the assets and liabilities transferred at their carrying amount. The result of operations for the period in which the transfer occurs is presented as though the transfer had occurred at the beginning of the period. Financial statements and financial information for prior years are restated to provide appropriate comparative information.

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in other currencies than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

In the consolidated financial statements, the income statements of entities with another functional currency than USD are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the transaction date exchange rate to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such foreign operations at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised in equity under a separate translation reserve.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, bunker hedge and FFA's to hedge part of risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivate contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The fair value of bunker and the fair value of FFA's are determined by reference to market values for similar instruments.

For the purpose of accounting, hedges are classified as:

- fair value hedges when hedging the exposure to change in fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedge when hedging exposure to variability in cash flow that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At time of entering into a hedge relationship, the Group designates and documents the hedge relationship to which the Group wishes to apply for hedge accounting and the risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness requirements.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

Derivatives designated as hedging instruments are measured at fair value and changes in fair value are recognised in the income statement. Correspondingly, a change in the fair value of the hedged item attributable to the hedged risk is recognised in the income statement. The fair value hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting stated above.

Cash flow hedges

Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are recognized in comprehensive income. The ineffective part of the hedging instrument is recognised directly in the income statement. Gains and losses that are recognised in comprehensive income are taken to the income statement in the same period or periods as the cash flow which comprises the hedged item is recognised in the income statement. The principle also applies if the hedged forecasted transaction results in an asset or liability being recognised in the balance sheet. If the cash flow hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative gain or loss of the hedging instrument recognised in comprehensive income remains separately recognised in comprehensive income until the forecast transaction occurs. If the cash flow hedged transaction is no longer expected to occur, any previously accumulated gain or loss of the hedging instrument that has been recognised in comprehensive income will be carried to profit or loss. Derivatives not accounted for as hedging instruments are classified as financial assets at fair value through profit or loss and measured at fair value. Changes in the fair value of such derivatives are recognised in the income statement.

Determination of fair value

The fair value of financial assets and liabilities is measured on the basis of quoted market prices of financial instruments traded in an active market. If an active market exists, fair value is based on the most recent observed market price at the end of the reporting period.

If an active market does not exist, the fair value is measured according to generally accepted valuation techniques. Market-based parameters are used to measure fair value.

For bunker contracts the price is based on the prices from Platts Bunkerwire. The value of FFAs is assessed on basis of daily recorded prices from the Baltic Exchange.

INCOME STATEMENT

Revenue and expenses

All voyage revenues and voyage expenses are recognised as the service are rendered basis percentage of completion. Ultranav Denmark ApS uses a discharge-to-discharge basis in determining percentage of completion for all spot voyages and voyages servicing contract of affreightment (CoA). With this method, voyage revenue is recognised evenly over the period from the departure of a vessel from its original discharge port to departure from the next discharge port. Vessels without signed contracts in place at discharge have no revenue before a new contract is signed. Voyage related expenses incurred for vessels doing idle time are expensed. Demurrage is included if a claim is considered probable. Losses arising from time or voyage charter are provided for in full when they become probable.

The aggregated gross earnings for the gas activities in Unigas have been adjusted for general expenses, insurance premiums, financial charges, interest and the adjustments for foreign exchange variances. An appraisal of demurrages receivable has been included in the results.

Profit and loss from the sale of vessels

Profits and losses from the sale of vessels are stated as the difference between the sales price of the vessel less selling costs and the carrying amount of the vessel at the time of delivery.

Profit from investments in associates and joint ventures

In the consolidated income statement, the proportionate share of the result after tax is recognized in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

Financial items

Financial items comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities.

Taxes

Ultranav Denmark ApS is jointly taxed with its Danish subsidiaries and Ultranav Denmark ApS is the administration company for the jointly taxed companies. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. Companies with shipping activities participate in the Danish Tonnage Tax Scheme. Companies that use tax losses in other companies pay the joint tax contribution to the Parent Company at an amount corresponding to the tax value of the tax losses used. Companies whose tax losses are used by other companies receive joint tax contributions from the Parent Company corresponding to the tax value of the losses used (full absorption). The jointly taxed companies are taxed under the tax prepayment scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement. Tax attributable to entries directly under comprehensive income is recognised directly in other comprehensive income.

BALANCE SHEET

Intangible assets

Goodwill

Goodwill is depreciated on a straight-line basis over the estimated useful lives, which for goodwill related to Ultrabulk A/S is 10 years.

Other intangible assets

Other intangible assets, including customer relations and contractual rights, that are acquired by Ultranav Denmark ApS and have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is based on the cost of an asset less its residual value.

Amortisation of customer relations is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives are 5 years.

Amortisation of contract rights is recognised in the income statement based on the expected hire period, from the date the underlining vessels are delivered. The maximum of the amortisation period is 10 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Instalments and costs incurred during the construction period on new building contracts are capitalised as they are paid. Borrowing costs (interest) that are attributable to the construction of the vessels are capitalised and included as part of the cost. The capitalised value is reclassified from new buildings to vessels upon delivery from the yard.

Where individual components of an item of tangible assets have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

- Vessels: 20 years
- Fixtures, fittings and equipment: 3 - 10 years

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The useful life and residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. The residual value of the vessels is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton.

When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

The carrying values of vessels and new buildings are reviewed for impairments when events or changes in circumstances indicate that the carrying value may not be recoverable. Valuations are performed frequently to ensure that the fair value of the asset does not differ materially from its carrying amount.

Leases

All leases are currently classified as operational lease. The payments (time-charter hire and bare-boat hire) are recognised as an expense and charged to the income statement on a straight line basis over the term of the lease.

Investments in associates and joint ventures

Investments in associates are recognised in the consolidated financial statements according to the equity method. Investments in associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses and plus additional value on acquisition, including goodwill. Investments in associates are tested for impairment when impairment indicators are identified.

Investments in associates with negative net asset values are measured at USD 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the associate, the remaining amount is recognised under provisions.

Amounts owed by associates are measured at amortised cost. Write-down is made for bad debt losses.

In the Parent Company investments in subsidiaries are measured at cost. Impairment tests are conducted when there is an indication of impairment. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Impairment of non-current assets

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

Impairment of vessels and new building contracts are described separately. The carrying amount of other non-current assets is tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement in a separate line item. Impairment is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Receivables

Receivables are measured at amortised cost less provisions for impairment losses.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out (FIFO) basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Costs of bunkers include the transfer from equity to profit and loss on qualifying cash flow hedges.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Statement of changes in equity

Dividends

Dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The proposed dividend payment for the year is disclosed as a separate item under equity. Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

Translation reserve

The translation reserve comprises foreign exchange differences arising on translation of financial statements of entities that have a functional currency different from USD. On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement.

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge, and where the hedged transaction has not been realised.

Provisions

Provisions are recognised when Ultranav Denmark ApS has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation has to be settled and that a reliable estimate of the obligation can be made. A provision for onerous operating leases is made to the extent the unavoidable costs of meeting the obligation exceeds the economic benefits.

Financial liabilities

Loans are recognised at the time the loans are obtained in the amount of the proceeds after deduction of transaction costs. In subsequent periods, the loans are recognised at amortised costs.

Other liabilities, including trade payables, payables to related parties as well as other payables, are measured at amortised cost, which corresponds to the net realizable value.

Deferred tax

All significant Danish entities within the Group have been entered into the Danish tonnage taxation scheme. The entries were latest renewed in 2017 for a new period of 10 years. Under the Danish tonnage taxation scheme, taxable income is not calculated on the basis of income and expenses as under the normal corporate taxation. Instead, taxable income is calculated with reference to the tonnage used during the year. The taxable income for a company for a given period is calculated as the sum of the taxable income from the activities under the tonnage taxation scheme and the taxable income from the activities that are not covered by the tonnage taxation scheme made up in accordance with the ordinary Danish corporate tax system.

If the participation in the Danish tonnage taxation scheme is abandoned or the entities' level of investment and activity is significantly reduced, a deferred tax liability will become payable.

For the taxable income which is made up in accordance to the ordinary corporate tax system, a deferred tax is recognized at the end of each period end and is accounted for using the balance sheet liability method. Deferred tax assets, including the tax value of tax loss carry forwards, are recognised under other non-current assets at the expected value of their utilisation - either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Cash flow statement

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

Cash flows from operating activities are calculated according to the indirect method as the profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest payments, dividends and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not classified as cash and cash equivalents.

Cash flows from financing activities comprise changes in the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, interest payments, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

Significant accounting estimates

Ultragas ApS has chartered all vessels from affiliated companies in the Ultranav International Group. At 31 December 2019, Management has assessed that the lease contracts are not onerous, hence no provision has been recognized. The assessment is sensitive to freight rates and idle time and adverse changes in freight rate expectations could result in recognition of onerous contract provisions.

For Ultrabulk, management has assessed that there is no impairment at 31 December 2019 related to non-current assets. In addition, operating leases were not onerous at 31 December 2019.

Note 2 – Revenue by business activities

Figures in USD '000	**2019**	**2018**
Gas	102.973	105.554
Bulk	1.018.905	1.060.090
Other	104	304
Total	**1.121.982**	**1.165.948**

Note 3 – Remuneration to the auditor appointed at the general meeting

Figures in USD '000	**2019**	**2018**
Audit	227	223
Other assurance service	0	0
Tax consultancy	32	75
Other services	21	0
Total	280	298

Note 4 – Staff costs

Staff costs onshore employees:

Figures in USD '000	**2019**	**2018**
Fixed salaries and bonus	21.611	21.536
Pensions - defined contribution plan	1.439	1.418
Other employee expenses	1.094	989
Total	24.145	23.943
Average numbers of employees	161	163

The staff cost of onshore employees are recognized under staff costs in the income statement. In accordance with section 98b of the Danish Financial Statements Act, remuneration to the management is not disclosed.

Staff costs, crew on vessels:

Figures in USD '000	**2019**	**2018**
Fixed salaries and bonus	-20.107	19.142
Total	-20.107	19.142
Average numbers of crew on vessels	413	405

Staff costs of crew on vessels are a direct cost related to the operating costs of vessels. Therefore, the staff costs of crew are recognized in voyage related expenses and operating costs of vessels in the income statement.

Note 5 – Financial expenses, net

Figures in USD '000	**2019**	**2018**
Interest income	1.910	1.106
Interest expense on loan	-2.291	-1.990
Interest to associated companies	-342	-138
Other financial items, net	-1.482	-468
Total	-2.205	-1.490

Note 6 – Tax

Figures in USD '000	**2019**	**2018**
Actual tax for the year	-1.167	-1.403
Deferred tax on profit for the year	-836	-301
Tax on profit for the year	-2.003	-1.704
Adjustments related to previous years - current tax	465	121
Adjustments related to previous years - deferred tax	0	1.511
Tax in the income statement	-1.538	-72

Note 7 – Intangible assets

Figures in USD '000	Goodwill	Contractual rights	2019	2018
Cost at 1 January	**30.168**	**57.453**	**87.621**	**87.621**
Cost at 31 December	**30.168**	**57.453**	**87.621**	**87.621**
Amortization and impairment at 1 January	25.644	41.336	66.980	59.033
Amortization for the year	**3.017**	**4.930**	**7.947**	7.947
Depreciation and impairment at 31 December	**28.661**	**46.266**	**74.927**	**66.980**
Carrying amount at 31 December	1.507	11.187	12.694	20.641

Impairment testing:

Management has made an impairment test based on discounted cash flows from the operation for the relevant cash generating unit to which goodwill has been allocated. The discounted cash flow calculation is thus based on the Panamax and Supramax activities in the Ultrabulk A/S Group, because the Ultrabulk A/S Group is one cash generating unit. This impairment test includes the test of contractual rights as well.

Based on the impairment test, there is no indication of impairment on the Goodwill and Contractual rights.

Note 8 – Tangible assets

Figures in USD '000	Vessels	Vessel under construction	Fixtures, fittings and equipment	2019
Cost at 1 January	97.281	1.508	5.722	**104.511**
Additions for the year	21.954	4.122	513	**26.589**
Disposals for the year	-46.206	0	0	**-46.206**
Cost at 31 December	**73.029**	**5.630**	**6.235**	**84.894**
Depreciation and impairment at 1 January	-12.584	0	-4.844	**-17.428**
Disposals for the year	6.635	0	0	**6.635**
Depreciation for the year	-4.250	0	-577	**-4.827**
Depreciation and impairment at 31 December	-10.199	0	-5.421	**-15.620**
Carrying amount at 31 December	62.830	5.630	814	69.274
Expected useful life	20 years		3-10 years	

The vessel under construction has been sold after delivery from the shipyard in January 2020.

Figures in USD '000	Vessels	Vessel under construction	Fixtures, fittings and equipment	2018
Cost at 1 January	72.897	5.506	4.834	**83.237**
Additions for the year	22.391	20.179	946	**43.516**
Transferred from newbuilding's	24.177	-24.177	0	**0**
Disposals for the year	-22.184	0	-58	**-22.242**
Cost at 31 December	**97.281**	**1.508**	**5.722**	**104.511**
Depreciation and impairment at 1 January	-8.332	0	-4.588	**-12.920**
Depreciation for the year	-4.252	0	-300	**-4.552**
Reversed depreciation for the year	0	0	44	**44**
Depreciation and impairment at 31 December	-12.584	0	-4.844	**-17.428**
Carrying amount at 31 December	84.697	1.508	878	87.083
Expected useful life	20 years		3-10 years	

Impairment is recognised if the highest of (1) the fair value less cost to sell or (2) value in use is less than the carrying amount of the assets.

At the end of 2019, the market value of the fleet (excluding joint ventures) was below the carrying amount.

An impairment test is done for the vessels by estimating the recoverable amount at value in use. This is calculated as the NPV based on a WACC of 8.0% and a general indexation of operating costs of 2% p.a. of the total expected cash flow during the rest of the vessels' expected economic life, including entered COA's and time charters. The WACC has been determined by Management based on market input and taking into consideration the business model applied by the company, including coverage through long term cargo contracts with customers.

Management's expected rates (income) for open vessel days (uncovered capacity) for the next 2 years are based on the Baltic market rates (short term), average of Baltic market rate and internal rate for year 3 and hereafter the rates are based on the Company's own (internal) rate model. In establishing those, consideration is given to external economic analysis, and the internal rate assumptions include amongst other things scrapping of old tonnage as well as increased demand. The internal rates are to the extent available tested against information from external parties (brokers) and the historical long-term rate development.

The corona virus outbreak in certain parts of the world poses a downside risk to demand for vessels. Due to the uncertainty, it is not possible to predict the outcome, but over the budget period of five years, no significant effect to the world economy and thereby (indirectly) demand for our vessels, is expected.

The impairment test calculation shows no impairment loss for 2019 and no reversal of previous taken impairment loss. As an indicator of the sensitivity, a downward fluctuation of the freight rates for uncovered capacity with 5% would, all other things being equal, not give rise to impairment loss. Furthermore, the application of a WACC of 9.0% instead of 8.0% would, all other things being equal, give rise to impairment loss of USD 3.1 million.

Note 9 – Investment in associates

Figures in USD '000	**2019**	**2018**
Cost at 1 January	1.800	1.800
Cost at 31 December	1.800	1.800
Value adjustment 1 January	830	1.679
Share of result in associated companies after tax	-404	578
Exchange rate adjustment	195	-622
Dividends	-128	-289
Impairment	-262	-516
Value adjustment 31 December	230	830
Carrying amount at 31 December	2.031	2.630

Name	**Registered office**	**Ownership**
Pérola S.A.	Brazil	20%
Unigas International B.V.	Holland	33%
Ultraship Crewing Phillipines Inc.	Phillipines	25%

Note 10 – Investment in joint ventures

Figures in USD '000	**2019**	**2018**
Cost at 1 January	23.825	23.825
Cost at 31 December	23.825	23.825
Value adjustment 1 January	1.757	942
Share of result in joint venture after tax	-303	815
Value adjustment 31 December	1.454	1.757
Carrying amount at 31 December	25.279	25.582
The carrying amount can be specified as follows:		

Figures in USD '000	2019	2018
Ultra Summit (Singapore) Pte. Ltd., 50%	25.279	25.582
Key figures for investment in joint venture (100% basis):		
Assets	115.974	116.880
Liabilities	-65.415	-65.716
Net assets	50.558	51.164
Revenues	16.413	14.666
Profit/loss before tax	-606	1.630
Income tax	0	0
Profit/loss for the year	-606	1.630
Total comprehensive income for the year	-606	1.630

Ultra Summit owns 4 vessels. The vessels are chartered out to Ultrabulk. The management has prepared an impairment test of the vessels, under the same assumption as described in note 8, although a WACC of 7.75% is used. The impairment test calculation shows no impairment loss. As an indicator of the sensitivity, a downward fluctuation of the freight rates for uncovered capacity with 5% would, all other things being equal, give rise to a reduced value in use of USD 2 million. Furthermore, the application of a WACC of 8.0% instead of 7.75% would, all other things being equal, result in a reduced value in use of USD 1 million.

Note 11 – Deferred tax

Figures in USD '000	2019	2018
Deferred tax at 1 January	838	462
Deferred tax on profit for the year	-836	-301
Adjustments related to previous years	0	684
Exchange rate adjustments	-2	-7
Total deferred tax assets/-liabilities, net at 31 December	0	838
Deferred tax gross:		
Deferred tax assets	0	838
Deferred tax liabilities	0	0
Total deferred tax assets/-liabilities, net at 31 December	0	838
Deferred tax is allocable to the various items in the balance sheet:		
Tax-loss carried forward	0	838
Deferred tax, net	0	838

Note 12 – Share capital

The share capital is split in 602,490 shares a 100 DKK and 6,000,000 shares a 10 DKK, in total a nominal share capital of 120,249,000 DKK. There have been no changes in the share capital over the last 5 years.

Note 13 – Non controlling interest

Figures in USD '000	2019	2018
Non-controlling interest, 1 January	5.197	5.356
Share of the year's profit and loss	145	449
Change on equity	43	-608
Total	**5.385**	**5.197**

Note 14 – Interest bearing loans and borrowings

Figures in USD '000	2019	2018
Long term part	28.486	41.563
Current part	3.699	5.256
Loan at 31 December	32.185	46.819
Part of long term liabilities, payable after 5 years	15.135	22.727

Note 15 – Contractual obligation and contingent liabilities

Figures in USD '000	2019	2018
Lease commitments (operational lease) within 1 year	335.508	291.134
Lease commitments (operational lease) between 1 - 5 years	644.242	669.454
Lease commitments (operational lease) more than 5 years	131.354	149.231
Total lease commitments	1.111.104	1.109.819

The Group is engaged in certain litigation proceedings. In the opinion of management, settlement or continuation of these proceedings are not expected to have a material effect on the financial position, operating profit or cash flow.

The Ultranav Denmark ApS Group's Danish subsidiaries are joint registered in relation to VAT. The companies are jointly and severally liable for VAT under the registration.

Joint taxation
The Danish companies in the Group are in joint taxation with the other Danish companies in the Naviera Ultranav Group.

Note 16 – Use of financial instruments

As part of hedging of recognized and non-recognized transactions the Group uses hedging instruments.

Bunker hedge

Ultrabulk has entered into contracts in order to hedge future bunker expenses (fair value USD -6,9 million). The contracts are accounted for as cash flow hedges, when the criteria is in compliance with the criteria for cash flow hedge accounting.

The bunker hedges are entered simultaneously with the Contracts of Affreightment (CoA), as part of the Ultrabulk's risk management. The bunker hedges cover the bunker expenses in connection with the CoA and the duration of the bunker hedge is therefore similar to the duration of the CoA. The trade dates are between 01.01.2020 and 31.12.2026.

FFA hedge

Ultrabulk has entered into contracts in order to hedge future cargo and vessel commitments (fair value USD 2,5 million). The contracts are accounted for either as fair value hedge or as cash flow hedges, when the criteria's are in compliance with the criteria for hedge accounting.

The FFA hedges are entered simultaneously with the cargo and vessel commitments as part of the Group's risk management. The trade dates are between 01.01.2020 and 31.12.2021.

Interest rate risks

Interest rate risks concern the interest-bearing financial assets and liabilities of Ultrabulk. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing liabilities mainly consist of mortgage debt. Interest rate risks occur when interest rate levels change and/or if the pricing, which the Ultrabulk has agreed with the financial institutions changes. At 31 December 2019, 40% of the Ultrabulk's interest-bearing long term debt (31 December 2018: 30%) carried a floating rate, defined as duration of more than one year.

Interest rate swaps are recognised with a fair value of USD -0,2 million.

Currency risks

The Group reporting currency is USD. Most of the Group's revenues and expenses are denominated in USD. The Group may use financial derivatives to reduce the net operational currency exposure.

Hedge accounting reserve in equity

The hedge accounting reserve in equity is related to cash flow hedging financial derivatives and amount to USD -4,3 million (31 December 2018: USD -10.0 million).

Note 17 – Related party disclosures

Figures in USD '000 Related party	Type of transaction	Sale/ (Purchases) to/from related parties	Sale/ (Purchases) to/from related parties	Amounts owed by/(to) related parties	Amounts owed by/(to) related parties
Related party	Type of transaction	**2019**	**2018**	**2019**	**2018**
Parent company	Interest/loan	-413	-228	0	-13.599
	Interest/loan	-202	90	0	0
Joint Ventures	Charter hire	-16.413	-14.666	0	0
	Guarantees	0	0	28.828	32.411
	Service	0	30	0	-4
Affiliated companies	Charter hire	10.803	18.224	-1.073	-3.104
	Bare boat hire	-48.454	-49.432	92	-80
	Service	-3.138	-3.568	-5.867	-98
	Supervision fee	-3.820	-3.584	0	0
	Other income	115	108	0	0

Ultranav Denmark ApS is controlled by Naviera Ultranav Limitada, Av. El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago, Chile.

Other related parties are considered to be companies within Ultranav Group, associated companies, the directors and officers of the entities.

Shareholder

The following shareholder owns more than 5% of the capital and voting rates: Naviera Ultranav Limitada, Av. El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago, Chile.

PARENT COMPANY

PROFIT AND LOSS *Figures in USD '000*	Note	2019	2018
Other external expenses	2	-60	-100
Operating loss (EBIT)		**-60**	**-100**
Dividend		5.739	0
Financial expenses and other financial items, net		-547	157
Loss before tax		**5.131**	**57**
Tax		278	1.564
Net loss		**5.409**	**1.621**
Proposed dividend to shareholders		0	0

ASSETS *Figures in USD '000*	Note	2019	2018
Investment in subsidiaries	3	165.365	151.865
Loans to subsidiaries		8.650	9.850
Deferred tax assets	11	0	700
Financial assets, non-current		**174.015**	**162.415**
Total non-current assets		**174.015**	**162.415**
Other receivables		2.505	911
Intercompany receivables		2.600	787
Cash and short-term deposits		427	1.197
Total current assets		**5.531**	**2.895**
TOTAL ASSETS		**179.546**	**165.310**

EQUITY AND LIABILITIES *Figures in USD '000*	Note	2019	2018
Share capital		20.577	20.577
Retained earnings		147.555	142.155
Proposed dividend to shareholders		0	0
Total equity	4	**168.132**	**162.732**
Loans from associated companies		0	2.500
Total non-current liabilities		**0**	**2.500**
Trade and other payables		513	77
Intercompany payables		10.900	0
Total current liabilities		**11.413**	**77**
Total liabilities		**11.413**	**2.577**
TOTAL EQUITY AND LIABILITIES		**179.546**	**165.310**

Change in equity *Figures in USD '000*	Share capital	Retained earnings	Dividend	Total Equity
At 1 January 2018	**20.577**	**140.543**	**504**	**161.624**
Loss for the year	0	1.621	0	1.621
Other changes	0	-9	0	-9
Proposed dividend to shareholders	0	0	-504	-504
At 31 December 2018	**20.577**	**142.155**	**0**	**162.732**
Profit for the year	0	5.409	0	5.409
Other changes	0	-9	0	-9
Proposed dividend to shareholders	0	0	0	0
At 31 December 2019	**20.577**	**147.555**	**0**	**168.132**

Note 1 – Accounting policies

The Parent Company's financial statement for Ultranav Denmark ApS is pursuant to the provisions for Class C enterprises of the Danish Financial Statements Act.

The accounting policies of the Parent Company financial statements are unchanged compared to last year.

The Company's business and underlying investments is primarily based on US Dollar. Based on this, the company has designated the US Dollar its functional and reporting currency. Consequently, all amounts are recognized in US Dollar. For 2019 the average USD/DKK rate of exchange was 6.6703 and the closing rate on 31 December 2019 was 6.6759.

Income statement and balance sheet

Dividends from investment in subsidiaries

Dividend from investments in subsidiaries and associates are recognised as income in the Parent's income statement under financial income in the financial year in which dividends are declared.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Impairment tests are conducted when there is an indication of impairment.
Write-down is made to the recoverable amount it this is lower than the carrying amount.

Note 2 – Audit fee

Figures in USD '000	**2019**	**2018**
Audit	21	20
Other assurance service	0	0
Tax consultancy	0	23
Other services	0	0
Total	21	43

Note 3 – Investment in subsidiaries

Figures in USD '000	**2019**	**2018**
Cost at 1 January	**151.865**	**148.115**
Additions for the year	13.500	3.750
Cost at 31 December	**165.365**	**151.865**
Value changes at 1 January	**0**	**0**
Value changes	**0**	0
Value changes at 31 December	**0**	**0**
Carrying amount at 31 December	165.365	151.865

Name	**Registered office**	**Ownership**
Ultrabulk A/S	Gentofte	97%
Ultragas ApS	Gentofte	100%
Othello Shipping Company ApS	Gentofte	100%
Ultranav Business Support ApS	Gentofte	100%

Management has made an impairment test of the investments in subsidiaries based on discounted cash flows from the operation for the relevant cash generating unit.

The impairment test calculation shows no impairment loss.

Note 4 – Allocation of result

Figures in USD '000	**2019**	**2018**
Proposed dividend	0	0
Retained earnings	5.409	1.621
	5.409	**1.621**

Note 5 – Contingent liabilities

Ultranav Denmark ApS has confirmed that it will provide liquidity to Ultragas ApS, as may be necessary for Ultragas ApS to meet its obligations as they fall due. This commitment is valid until 1. January 2021.

Ultranav Denmark ApS has issued guarantees to subsidiaries of USD 0.5 million.

The Parent Company is in joint taxation with other companies in the Group.

Note 6 – Related party disclosures

Figures in USD '000	Sale/ (Purchases) to/from related parties	Sale/ (Purchases) to/from related parties	Amounts owed by/(to) related parties	Amounts owed by/(to) related parties
Type of transaction	**2019**	**2018**	**2019**	**2018**
Loans from subsidiaries	40	40	-10.900	-9.850
Loans to subsidiaries	0	0	2.600	2.500
Guaranties to subsidiaries	0	0	-500	-1.269

Definition of key figures and financial ratios

The ratio listed in the key figures and ration section were calculated as follows:

Operating profit margin $= \dfrac{\text{Operating profit x 100}}{\text{Revenues}}$

Gross profit margin $= \dfrac{\text{Gross profit (Net earnings from shipping activites)}}{\text{Revenues}}$

Equity ratio $= \dfrac{\text{Total equity}}{\text{Total assets}}$

Return of equity $= \dfrac{\text{Net profit/(loss)}}{\text{Average total equity}}$