
XO Shipping A/S

Tuborg Havnevej 18, st., DK-2900 Hellerup

Annual Report for 1 January - 31 December 2022

CVR No 33 08 02 12

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
12/4 2023

Kent Hedegaard
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of XO Shipping A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Hellerup, 12 April 2023

Executive Board

Kim Holberg Pihl

Board of Directors

Kent Hedegaard
Chairman

Christian Philip Levin

Erik Svanberg

Independent Auditor's Report

To the Shareholders of XO Shipping A/S

Opinion

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of XO Shipping A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 12 April 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Martin Lunden
State Authorised Public Accountant
mne32209

Martin Birch
State Authorised Public Accountant
mne42825

Company Information

The Company

XO Shipping A/S
Tuborg Havnevej 18, st.
DK-2900 Hellerup

CVR No: 33 08 02 12
Financial period: 1 January - 31 December
Incorporated: 19 August 2010
Financial year: 12nd financial year
Municipality of reg. office: Gentofte

Board of Directors

Kent Hedegaard, Chairman
Christian Philip Levin
Erik Svanberg

Executive Board

Kim Holberg Pihl

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Bankers

Jyske Bank
Vesterbrogade 9
1780 København V.

Financial Highlights

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

	Group				
	2022	2021	2020	2019	2018
	kUSD	kUSD	kUSD	kUSD	kUSD
Key figures					
Profit/loss					
Revenue	831,896	792,868	232,311	199,315	170,971
Operating profit/loss	20,463	48,903	9,355	5,880	446
Profit/loss before financial income and expenses	20,953	49,313	9,503	6,028	712
Net financials	-3,396	2,793	129	-285	-354
Net profit/loss for the year	15,996	46,037	7,104	4,610	144
Dividend	7,000	12,500	2,000	0	0
Balance sheet					
Balance sheet total	114,790	125,844	33,640	30,992	13,540
Equity	55,637	56,641	15,104	4,841	231
Equity and subordinate loan capital	55,637	56,641	15,104	10,341	5,731
Cash flows					
Cash flows from:					
- operating activities	30,620	27,710	11,332	6,781	-1,739
- investing activities	-46	-221	22	-33	0
including investment in property, plant and equipment	-46	-266	22	-33	0
- financing activities	-17,000	-4,500	-2,341	-10	-4,052
Change in cash and cash equivalents for the year	13,574	22,990	9,013	6,738	-5,791
Number of employees	32	25	20	19	17
Ratios					
Gross margin	3.9%	9.1%	7.0%	4.4%	1.9%
Profit margin	2.5%	6.2%	4.1%	3.0%	0.4%
Return on assets	18.3%	39.2%	28.2%	19.5%	5.3%
Solvency ratio	48.5%	45.0%	44.9%	15.6%	1.7%
Solvency ratio inclusive subordinate loan capital	48.5%	45.0%	44.9%	33.4%	42.3%

For definitions, see under accounting policies.

Management's Review

Key activities

The Group's purpose is to operate within the Supramax and Ultramax dry bulk shipping market.

Development during the year

The income statement for 2022 shows a profit of 15,996 kUSD after tax and bonuses. The result for 2022 is in line with the expectations set for the year and is satisfactory considering the changes in market conditions during the year.

Throughout 2022 there has been a high level of activity. Our highly skilled employees and partners have maintained focus on creating business with relatively low exposure against volatile changes in a challenging freight market.

The balance sheet as of 31 December 2022, shows an equity of 55,637 kUSD and a strong solvency of 49%.

In April 2022 we opened our new office in Dubai. During the year we have increased operating activity and number of employees in that office. We have succeeded in recruiting skilled employees, both locally and from our office in Denmark. It is our expectation that the subsidiary in Dubai will employ 10-15 employees within the not too distant future.

We have continued to be able to attract some of the industry's most skilled and committed employees, meaning that in 2023 we will have more than 30 employees at our office in Hellerup, Dubai and Geneva. The Shipping industry is a traditionally male dominated profession, but we are working hard to get a balanced distribution of women and men.

The bonus program ensure attractive earnings for our employees in 2022, regardless of ownership, as the bonus program constitutes a significant share of the profit for the year. Our employees and partners achieve, through the bonus program, one of the industry's most attractive remuneration packages via a modern form of profit sharing.

We focus on a tight management of our cash flow, and therefore we also have a proven dividend policy, so we ensure a comfortable liquidity contingency, which enables us to handle large fluctuations in freight rates and working capital.

Expectations for 2023

Three months into the new financial year, it is our expectations that we will realize a profit in 2023 at the same level as in 2022. However, negative development in geopolitical circumstances may affect the activity and profit for the year.

It is our expectation to increase staff during 2023, both in Denmark and in Dubai, which will form a strong foundation for growth in autumn 2023.

Management's Review

Special risks - operating risks and financial risks

Market risks

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

Foreign exchange risks

The foreign exchange risks is limited as most of the income and expenses from shipping activities is in USD.

Financial instruments

The Group works with derivative financial instruments to hedge its bunker price risks and freight risks.

Bunker hedging is used to hedge future bunker expenses and redelivery commitment related to timechartered vessels.

Forward Freight Agreement (FFA) is used to hedge cash flow risk from freight prices to the extent Management finds it attractive. FFA can also be used as part of the Group's expose towards freight rates.

The credit risk related to these instruments is deemed to be small, since cleared through margin account with major credit institutions.

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

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

Management's Review

Strategy and objectives

Business model

The main activities within the Group contains dry bulk shipping and includes Bulk operating up to 100 short-term chartered vessels from external suppliers. This operation is carried out from the offices in Copenhagen, Dubai and Geneva by 33 staff in total.

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

The Group acknowledges the importance of being alert to challenges within climate change, environment, human rights, employee conditions and anti-corruption, but being a relatively small organization, The Group does not see the need of formalizing its management approach into written policies and procedures.

The management approach is very agile and allows for all within the organization to address top management directly with questions and when in need of approval.

Management's Review

Assessment of risks

Climate change and the environment

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

However, as the fuel consumption is the only material impact, we may influence, and since the number of transactions are limited, the Group does not see risks material enough to require a formalized policy. In the coming years, there will be new legislation and regulation which will increase focus on vessels CO₂ emissions. We will continuously evaluate the need for a more formalized policy.

Human rights

With our current business model we don't employ crew on the vessels.

Consequently, we do not see risks leading to a need for a formalized policy on human rights. We will continuously evaluate the need for a more formalized policy. For a description of our work with social and employee conditions, please see the section 'Intellectual capital resources' below.

Anti-corruption

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

Contracts with both customers and suppliers follow the standards provided by BIMCO. Port costs forwarded by chartered vessels that are to be paid by XO Shipping A/S undergo quality assurance and approval from an external service provider, which knows all official rates in ports. Further, all costs related to voyages are approved directly by management applying a four eye principle, so the risks related to corruption and bribery are considered very low. In 2022, we have followed the anti-corruption procedures and we will continue to do so going forward

Research and development

The Group is not involved in research and development activities.

Management's Review

Intellectual capital resources

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

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

In 2022, annual performance reviews were held with all employees where goals, plans and career opportunities are discussed and planned. Going forward, we plan to continue our work in this area.

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

There are no women in the current board because no women have been nominated and elected to the Board in 2022.

The goal is by 2027 that the company will meet the target of a gender distribution of 33% in the board. Policy to increase gender diversity on other management levels:

The Group employs less than 50 employees and therefore there is no requirement to develop a policy for the underrepresented gender.

Data ethics

The Group has evaluated if it is relevant to prepare a policy for data ethics. The Group only enters into business with B2B customers and therefore, to a limited extent, collects and processes data. The Group has not prepared a data ethics policy, but all information we receive related to customers, vendors and employees are treated in a responsible manner that secure that the data cannot be accessed by unauthorised persons.

Uncertainty relating to recognition and measurement

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

Subsequent events

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

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2022	2021	2022	2021
		USD	USD	USD	USD
Revenue	1	831,896,056	792,867,856	737,679,365	758,540,209
Other operating income		489,932	410,425	1,076,469	685,425
Vessel operating costs		-798,375,247	-719,456,046	-712,465,839	-686,607,962
Other external expenses		-1,665,575	-1,317,803	-1,482,586	-1,299,217
Gross profit/loss		32,345,166	72,504,432	24,807,409	71,318,455
Staff expenses	2	-11,303,332	-23,191,228	-8,625,489	-22,860,264
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-89,258	0	-89,258	0
Profit/loss before financial income and expenses		20,952,576	49,313,204	16,092,662	48,458,191
Results from investments in subsidiaries		0	0	4,665,279	982,282
Financial income	4	638,397	3,010,698	558,169	3,008,526
Financial expenses	5	-4,034,888	-218,074	-3,997,228	-149,680
Profit/loss before tax		17,556,085	52,105,828	17,318,882	52,299,319
Tax on profit/loss for the year	6	-1,559,905	-6,068,978	-1,322,702	-6,262,469
Net profit/loss for the year		15,996,180	46,036,850	15,996,180	46,036,850

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2022 USD	2021 USD	2022 USD	2021 USD
Other fixtures and fittings, tools and equipment		222,404	265,782	222,404	265,782
Property, plant and equipment	7	222,404	265,782	222,404	265,782
Investments in subsidiaries	8	0	0	7,219,549	2,540,646
Investments in associates	9	0	0	0	0
Fixed asset investments		0	0	7,219,549	2,540,646
Fixed assets		222,404	265,782	7,441,953	2,806,428
Inventories		18,290,507	19,239,872	12,410,246	18,870,613
Trade receivables		18,544,085	38,167,052	14,529,242	36,891,031
Receivables from group enterprises		0	0	2,807,956	1,347,054
Other receivables	14	2,898,953	7,340,977	2,869,132	7,340,843
Corporation tax		135,188	1,494,611	135,188	1,494,611
Prepayments	10	19,253,078	17,464,110	14,960,858	17,447,060
Receivables		40,831,304	64,466,750	35,302,376	64,520,599
Cash at bank and in hand		55,445,477	41,871,270	53,596,657	38,318,789
Currents assets		114,567,288	125,577,892	101,309,279	121,710,001
Assets		114,789,692	125,843,674	108,751,232	124,516,429

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2022 USD	2021 USD	2022 USD	2021 USD
Share capital	11	8,000,000	8,000,000	8,000,000	8,000,000
Reserve for net revaluation under the equity method		0	0	7,104,888	2,439,609
Retained earnings		36,637,126	38,640,946	29,532,238	36,201,337
Proposed dividend for the year		11,000,000	10,000,000	11,000,000	10,000,000
Equity		55,637,126	56,640,946	55,637,126	56,640,946
Payables to group enterprises		0	0	4,500,000	0
Long-term debt	13	0	0	4,500,000	0
Trade payables		21,752,706	32,481,651	16,286,367	31,328,672
Corporation tax		126,499	52,559	0	0
Other payables	14	20,422,595	26,371,268	19,188,991	26,321,539
Deferred income	15	16,850,766	10,297,250	13,138,748	10,225,272
Short-term debt		59,152,566	69,202,728	48,614,106	67,875,483
Debt		59,152,566	69,202,728	53,114,106	67,875,483
Liabilities and equity		114,789,692	125,843,674	108,751,232	124,516,429
Distribution of profit	12				
Contingent assets, liabilities and other financial obligations	18				
Fee to auditors appointed at the general meeting	19				
Accounting Policies	20				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	USD	USD	USD	USD	USD
Equity at 1 January	8,000,000	0	38,640,946	10,000,000	56,640,946
Ordinary dividend paid	0	0	0	-10,000,000	-10,000,000
Extraordinary dividend paid	0	0	-7,000,000	0	-7,000,000
Net profit/loss for the year	0	0	4,996,180	11,000,000	15,996,180
Equity at 31 December	8,000,000	0	36,637,126	11,000,000	55,637,126

Parent Company

Equity at 1 January	8,000,000	2,439,609	36,201,337	10,000,000	56,640,946
Ordinary dividend paid	0	0	0	-10,000,000	-10,000,000
Extraordinary dividend paid	0	0	-7,000,000	0	-7,000,000
Net profit/loss for the year	0	4,665,279	330,901	11,000,000	15,996,180
Equity at 31 December	8,000,000	7,104,888	29,532,238	11,000,000	55,637,126

Cash Flow Statement 1 January - 31 December

	Note	Group		Parent Company	
		2022	2021	2022	2021
		USD	USD	USD	USD
Net profit/loss for the year		15,996,180	46,036,850	15,996,180	46,036,850
Adjustments	16	5,045,653	3,280,841	185,739	2,421,341
Change in working capital	17	13,101,287	-14,966,526	15,057,790	-15,032,319
Cash flows from operating activities before financial income and expenses		34,143,120	34,351,165	31,239,709	33,425,872
Financial income		638,397	3,006,211	558,169	3,008,526
Financial expenses		-4,034,889	-213,587	-3,997,228	-149,682
Cash flows from ordinary activities		30,746,628	37,143,789	27,800,650	36,284,716
Corporation tax paid		-126,542	-9,433,507	36,721	-9,137,557
Cash flows from operating activities		30,620,086	27,710,282	27,837,371	27,147,159
Purchase/sale of property, plant and equipment		-45,879	-265,782	-45,879	-265,782
Fixed asset investments		0	45,001	-13,624	0
Cash flows from investing activities		-45,879	-220,781	-59,503	-265,782
Raising of loans from group enterprises		0	0	4,500,000	0
Dividend paid		-17,000,000	-4,500,000	-17,000,000	-4,500,000
Cash flows from financing activities		-17,000,000	-4,500,000	-12,500,000	-4,500,000

Pengestrømsopgørelse 1. januar - 31. december

	Note	2022 USD	2021 USD	2022 USD	2021 USD
Change in cash and cash equivalents		13,574,207	22,989,501	15,277,868	22,381,377
Cash and cash equivalents at 1 January		<u>41,871,270</u>	<u>18,881,769</u>	<u>38,318,789</u>	<u>15,937,412</u>
Cash and cash equivalents at 31 December		<u>55,445,477</u>	<u>41,871,270</u>	<u>53,596,657</u>	<u>38,318,789</u>
Cash and cash equivalents are specified as follows:					
Cash at bank and in hand		<u>55,445,477</u>	<u>41,871,270</u>	<u>53,596,657</u>	<u>38,318,789</u>
Cash and cash equivalents at 31 December		<u>55,445,477</u>	<u>41,871,270</u>	<u>53,596,657</u>	<u>38,318,789</u>

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
1 Revenue				
Geographical segments				
Globally	831,896,056	792,867,856	737,679,365	758,540,209
	831,896,056	792,867,856	737,679,365	758,540,209
2 Staff expenses				
Wages and salaries	11,005,318	22,841,906	8,371,126	22,510,942
Pensions	67,785	56,879	67,785	56,879
Other social security expenses	62,399	26,054	33,105	26,054
Other staff expenses	167,830	266,389	153,473	266,389
	11,303,332	23,191,228	8,625,489	22,860,264
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	276,718	506,663	276,718	506,663
Board of Directors	14,118	15,304	14,118	15,304
	290,836	521,967	290,836	521,967
Average number of employees	32	25	29	25

Salary to the Executive Board includes salary to 2 members of the Executive Board during the financial year. Remuneration constitutes the part that can be attributed to the position in the Executive Board.

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment	89,258	0	89,258	0
	89,258	0	89,258	0

Notes to the Financial Statements

	Group		Parent Company	
	2022 USD	2021 USD	2022 USD	2021 USD
4 Financial income				
Other financial income	638,397	3,010,698	558,169	3,008,526
	638,397	3,010,698	558,169	3,008,526
5 Financial expenses				
Interest paid to group enterprises	0	0	21,205	0
Other financial expenses	3,927,856	109,552	3,927,688	105,065
Exchange loss	107,032	108,522	48,335	44,615
	4,034,888	218,074	3,997,228	149,680
6 Tax on profit/loss for the year				
Current tax for the year	1,638,111	6,943,439	1,398,611	6,832,261
Adjustment of tax concerning previous years	-78,206	-874,461	-75,909	-569,792
	1,559,905	6,068,978	1,322,702	6,262,469

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	USD
Cost at 1 January	379,393
Additions for the year	73,151
Disposals for the year	-44,624
Cost at 31 December	<u>407,920</u>
Impairment losses and depreciation at 1 January	113,611
Depreciation for the year	89,258
Reversal of impairment and depreciation of sold assets	-17,353
Impairment losses and depreciation at 31 December	<u>185,516</u>
Carrying amount at 31 December	<u>222,404</u>

Parent Company

	Other fixtures and fittings, tools and equipment
	USD
Cost at 1 January	379,393
Additions for the year	73,151
Disposals for the year	-44,624
Kostpris at 31 December	<u>407,920</u>
Impairment losses and depreciation at 1 January	113,611
Depreciation for the year	89,258
Reversal of impairment and depreciation of sold assets	-17,353
Impairment losses and depreciation at 31 December	<u>185,516</u>
Carrying amount at 31 December	<u>222,404</u>

Notes to the Financial Statements

	Parent Company	
	2022	2021
	USD	USD
8 Investments in subsidiaries		
Cost at 1 January	101,037	101,037
Additions for the year	13,624	0
Cost at 31 December	<u>114,661</u>	<u>101,037</u>
Value adjustments at 1 January	2,439,609	1,457,327
Net profit/loss for the year	4,665,279	982,282
Value adjustments at 31 December	<u>7,104,888</u>	<u>2,439,609</u>
Carrying amount at 31 December	<u>7,219,549</u>	<u>2,540,646</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
XO Shipping SA	Schweitz	USD 101.037	100%
XO Middle East DMCC	Dubai (UAE)	AED 50.000	100%

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
9 Investments in associates				
Cost at 1 January	0	98,976	0	0
Disposals for the year	0	-98,976	0	0
Carrying amount at 31 December	0	0	0	0

10 Prepayments

Prepayments consist of prepaid T/C hire, Port costs and accruals regarding uninvoiced revenue.

11 Equity

The share capital consists of 53,018,400 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2022	2021	2020	2019	2018
	USD	USD	USD	USD	USD
Share capital at 1 January	8,000,000	8,000,000	86,520	86,520	86,520
Capital increase	0	0	7,913,480	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	8,000,000	8,000,000	8,000,000	86,520	86,520

Notes to the Financial Statements

	Parent Company	
	<u>2022</u>	<u>2021</u>
	USD	USD
12 Distribution of profit		
Extraordinary dividend paid	7,000,000	2,500,000
Proposed dividend for the year	11,000,000	10,000,000
Reserve for net revaluation under the equity method	4,665,279	982,282
Retained earnings	<u>-6,669,099</u>	<u>32,554,568</u>
	<u>15,996,180</u>	<u>46,036,850</u>

13 Long-term debt

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

The debt falls due for payment as specified below:

Payables to group enterprises

Between 1 and 5 years	<u>0</u>	<u>0</u>	<u>4,500,000</u>	<u>0</u>
Long-term part	0	0	4,500,000	0
Within 1 year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>4,500,000</u>	<u>0</u>

Notes to the Financial Statements

14 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts and futures have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Hedge Accounting not Applied:

-FFA and oil contracts with a duration of 0-12 months.

Hedge Accounting Applied:

-No contracts.

	Group		Parent Company	
	<u>2022</u> USD	<u>2021</u> USD	<u>2022</u> USD	<u>2021</u> USD
Assets	0	3,874,119	0	3,874,119
Liabilities	499,248	0	499,248	0

Group

	<u>Value adjust- ment, income statement</u>	<u>Value adjust- ment, equity</u>	<u>Fair value at 31 December</u>
	USD	USD	USD
FFA's and oil contracts (Hedge accounting not applied)	499,248	0	-499,248

Parent Company

	<u>Value adjust- ment, income statement</u>	<u>Value adjust- ment, equity</u>	<u>Fair value at 31 December</u>
	USD	USD	USD
FFA's and oil contracts (Hedge accounting not applied)	499,248	0	-499,248

15 Deferred income

Deferred income consists of payments received in respect of income in subsequent years and accruals regarding costs for open voyages.

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
16 Cash flow statement - adjustments				
Financial income	-638,397	-3,010,698	-558,169	-3,008,526
Financial expenses	4,034,888	218,074	3,997,228	149,680
Depreciation, amortisation and impairment losses	89,257	0	89,257	0
Losses on sale of shares	0	4,487	0	0
Results from investments in subsidiaries	0	0	-4,665,279	-982,282
Tax on profit/loss for the year	1,559,905	6,068,978	1,322,702	6,262,469
	5,045,653	3,280,841	185,739	2,421,341
17 Cash flow statement - change in working capital				
Change in inventories	949,364	-14,295,871	6,460,367	-13,926,612
Change in receivables	22,276,026	-53,207,393	27,858,801	-53,318,597
Change in trade payables, etc	-10,124,103	52,536,738	-19,261,378	52,212,890
	13,101,287	-14,966,526	15,057,790	-15,032,319

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
18 Contingent assets, liabilities and other financial obligations				
Charges and security				
The following assets have been placed as security with bankers:				
Floating charge kUSD	4,877	5,182	4,877	5,182
The following assets have been placed as security with supplier etc.:				
Cash at bank and in hand kUSD	341	341	341	341
Contingent liabilities				
The company has intered into agreements for chartering vessels on Timer Charter basis to maturity during the year 2023. The aggregate lease obligation amounts to kUSD	31,285	115,482	25,641	115,482
The companys rent obligation and lease liability 31/12 2022 amounts to kUSD	587	743	587	743
19 Fee to auditors appointed at the general meeting				
PricewaterhouseCoopers				
Audit fee	41,221	29,800	35,197	27,200
Tax advisory services	4,590	4,500	4,590	4,000
Other services	14,128	9,000	14,128	9,000
	59,939	43,300	53,915	40,200

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of XO Shipping A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2022 are presented in USD. Exchange rate 31 December 2022, 697,22 and 31 December 2021, 656,12.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

US Dollar is used as the measurement currency. All other currencies are regarded as foreign currencies.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, XO Shipping A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

20 Accounting Policies (continued)

Leases

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

Translation policies

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

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

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

Derivative financial instruments

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

Changes in the fair values of derivative financial instruments are recognised in the income statement.

Revenue

Information on geographical segments based on the Group's risks and returns and its internal financial reporting system.

Income Statement

Revenue

Revenue that includes freight and charter income etc., are recognized in the Income Statement, when the voyage is completed. This is considered to be the case when the voyage is completed before the end of the financial year. Ongoing voyages are recognized as the voyage are executed, then the revenue are equal to the activity in the financial year.

Notes to the Financial Statements

20 Accounting Policies (continued)

Vessel operating costs

Running cost, bunkers etc. comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, office expenses, administrations cost etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group.

Income from investments in subsidiaries and associates

Dividends from associates are recognised as income in the income statement when adopted at the General Meeting of the associate. However, dividends relating to earnings in the associate before it was acquired by the Parent Company are set off against the cost of the associate.

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Tax on profit/loss for the year

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

Corporation tax for shipping operations are calculated based on Tonnage Tax rules. Of other income, tax is calculated in accordance with the Corporation Tax Act rules.

Balance Sheet

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment 3 - 5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

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

Investments in subsidiaries and associates

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at

Notes to the Financial Statements

20 Accounting Policies (continued)

the time of acquisition with deduction or addition of unrealised intercompany profits or losses.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

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

Inventories

Bunker and other consumables are measured at the lower of cost under the FIFO method and net realisable value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid T/C - hire.

Dividend

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

Deferred tax assets and liabilities

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

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

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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

Deferred income

Deferred income and accruals comprises ongoing voyages.

Cash Flow Statement

The cash flow statement shows the Group's and the Parent Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's and the Parent Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

Notes to the Financial Statements

20 Accounting Policies (continued)

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Solvency ratio inclusive subordinate loan capital	$\frac{(\text{Equity at year end} + \text{subordinate loan at year end}) \times 100}{\text{Total assets at year end}}$