BEIERHOLM
VI SKABER BALANCE

Viking Supply Ships A/S

H.C. Ørsteds Vej 50 C, 1879 Frederiksberg C

CVR no. 33 36 97 94

Annual report for 2018

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 12.04.19

Trond Myklebust
Dirigent

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Company information etc.

The company

Viking Supply Ships A/S
H.C. Ørsteds Vej 50 C
1879 Frederiksberg C
CVR no.: 33 36 97 94
Financial year: 01.01 - 31.12

Executive Board

CEO Trond Myklebust

Board Of Directors

Bengt Arve Rem, chairman
Erik Borgen
Anders Folke Patriksson
Per Magnus Sonnorp
Lars Håkan Larsson

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

Viking Supply Ship AB, Sweden

Company information etc.

Subsidiaries

Viking Supply Ships Management AB, Stenungsund, Sweden
Viking Icebreaker Management AB, Stenungsund, Sweden
Viking Supply Ships AS, Kristiansand, Norway
Viking Supply Ships PSV AS, Kristiansand, Norway
Viking Supply Ships Seafarers AS, Kristianssand, Norway
Viking Ice Consultancy AS, Kristiansand, Norway
Viking Supply Ships Crewing ApS, Frederiksberg, Denmark
Viking Supply
Ships 5 ApS, Frederiksberg, Denmark
Viking Supply Ships (Holdings) Ltd., Aberdeen, Scotland
Viking Supply
Ships Ltd., Aberdeen, Scotland
Viking Supply
Ships Ltd., Moscow, Russia
VSS Holdings AS, Kristianssand, Norway

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.18 - 31.12.18 for Viking Supply Ships A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the the company's assets, liabilities and financial position as at 31.12.18 and of the results of the the company's activities for the financial year 01.01.18 - 31.12.18.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Frederiksberg C, April 12, 2019

Executive Board

Trond Myklebust
CEO

Board Of Directors

Bengt Arve Rem Chairman	Erik Borgen	Anders Folke Patriksson
Per Magnus Sonnorp	Lars Håkan Larsson	

To the Shareholder of Viking Supply Ships A/S

Opinion

We have audited the financial statements of Viking Supply Ships A/S for the financial year 01.01.18 - 31.12.18, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven)

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.18 and of the results of the company's operations for the financial year 01.01.18 - 31.12.18 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for opinion

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

Statement regarding the management’s review

Management is responsible for management’s review.

Our opinion on the financial statements does not cover management’s review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management’s review and, in doing so, consider whether management’s review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management’s review provides the information required under the Danish Financial Statements Act.

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

Management's responsibility for the financial statements

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

In preparing the financial statements, management is responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the extended review 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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Soeborg, Copenhagen, April 12, 2019

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jan Stender
State Authorized Public Accountant
MNE-no. mne34090

FINANCIAL HIGHLIGHTS

Key figures

Figures in USD '000	2018	2017	2016	2015	2014
Profit/loss					
Gross loss	-7,333	-11,524	3,814	-445	46,426
Operating profit/loss	-17,179	-23,924	-8,464	-13,992	31,172
Total net financials	219,944	-16,296	-35,530	-28,094	6,184
Profit/loss for the year	202,765	-40,220	-43,994	-41,964	37,356
Balance					
Total assets	521,487	267,663	312,291	354,229	455,115
Investments in property, plant and equipment	366	84	3,014	6,600	3,983
Equity	347,211	129,143	155,533	178,183	256,670

Ratios

	2018	2017	2016	2015	2014
Equity ratio					
Equity interest	67%	48%	50%	50%	56%
Others					
Number of employees (average)	7	20	21	29	28

Equity interest: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

The ratios have been computed in accordance with the recommendations of the Danish Society of Financial Analysts (Den Danske Finansanalytikerforening).

Primary activities

The company's activities comprise of offshore and icebreaking services to major oil companies primarily in the North Sea, Arctic and Subarctic waters.

Development in activities and financial affairs

The income statement for the period 01.01.18 - 31.12.18 shows a profit/loss of USD'000 202,765 against USD'000 -40,220 for the period 01.01.17 - 31.12.17. The balance sheet shows equity of USD'000 347,211.The result is positively affected by the profit from sale of ships in the subsidiary Viking Supply Ships 5 ApS (this profit is included in the income from equity investments in group enterprises.

The earnings expectations for 2018 were a net loss of USD'000 30,000-35,000. But as due to the sale of ships in the subsidiary Viking Supply Ships 5 ApS, the company realized a positive profit for the year.

Outlook

The company expects the revenue in 2019 to be on the same level as in 2018. Due to the challenging market conditions it is difficult to indicate the result, but we expect the result (not included income from equity investments in group enterprises) for 2019 to be improved from the 2018 result.

Knowledge resources

The company provides a high and competitive service quality on its fleet of vessels. This requires a high level of competence and the company invests a substantial amount of resources in improving the compotences of the company's employees.
The company offers internal and external training programs tailor made to each individual employee.

Special risks

Price risks

The company is characterised by a high degree of international operations and the company is thus exposed to fluctuations in spot rates and utilisation in the offshore segment..

Currency risks

A significant share of the company's earnings are generated in foreign currenties and the company is thus exprosed to development in exchange rates of mainly NOK and GBP.

Interest rate risks

The company's loans are in USD. Interest rate risk is primarily related to fluctuations in LIBOR and other interest rates.

External environment

The company performs its operations and services in such a way that the impact on the environment is as low as reasonable practicable and so that international and national environmental laws are adhered to.
The Company is fully certified in accordance with ISO 14001:2004 with certificates for all ships and offices in Kristiansand, Stenungsund and Copenhagen.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note		2018 USD '000	2017 USD '000
	Gross loss	**-7,333**	**-11,524**
2	Staff costs	-1,874	-4,072
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**-9,207**	**-15,596**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-7,972	-8,328
	Profit/loss before net financials	**-17,179**	**-23,924**
	Income from equity investments in group enterprises	228,040	-25,164
3	Financial income	450	13,836
4	Financial expenses	-8,546	-4,968
	Profit/loss before tax	**202,765**	**-40,220**
5	Tax on profit or loss for the year	0	0
	Profit/loss for the year	**202,765**	**-40,220**

6 Distribution of net profit

Balance sheet

ASSETS

Note		31.12.18 USD '000	31.12.17 USD '000
	Vessels	193,402	200,457
	Other fixtures and fittings, tools and equipment	1,447	2,364
	Property, plant and equipment under construction	366	0
7	**Total property, plant and equipment**	**195,215**	**202,821**
8	Equity investments in group enterprises	277,507	49,400
9	Receivables from group enterprises	9,686	9,774
	Total investments	**287,193**	**59,174**
	Total non-current assets	**482,408**	**261,995**
	Raw materials and consumables	1,371	1,255
	Total inventories	**1,371**	**1,255**
	Trade receivables	476	2,600
	Receivables from group enterprises	929	989
	Other receivables	20,781	410
10	Prepayments	183	356
	Total receivables	**22,369**	**4,355**
	Cash	**15,339**	**58**
	Total current assets	**39,079**	**5,668**
	Total assets	**521,487**	**267,663**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.18 USD '000	31.12.17 USD '000
11	Share capital	61	61
	Reserve for net revaluation according to the equity method	15,512	0
	Retained earnings	218,170	129,082
	Proposed dividend for the financial year	113,468	0
	Total equity	**347,211**	**129,143**
12	Payables to group enterprises	0	6,946
	Total long-term payables	**0**	**6,946**
12	Short-term portion of long-term payables	102,868	116,985
	Trade payables	5,883	1,169
	Payables to group enterprises	63,219	7,577
	Other payables	2,306	5,843
	Total short-term payables	**174,276**	**131,574**
	Total payables	**174,276**	**138,520**
	Total equity and liabilities	**521,487**	**267,663**

14 Contingent liabilities
15 Charges and security
16 Related parties

Statement of changes in equity

Figures in USD '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.18 - 31.12.18					
Balance as at 01.01.18	61	0	129,082	0	129,143
Foreign currency translation adjustment of foreign enterprises	0	0	338	0	338
Capital increase	0	0	14,965	0	14,965
Distributed dividend from group enterprises	0	-113,468	113,468	0	0
Net profit/loss for the year	0	128,980	-39,683	113,468	202,765
Balance as at 31.12.18	61	15,512	218,170	113,468	347,211

1. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items	Recognised in the income statement in:	2018 USD '000	2017 USD '000
Gain from selling vessels in the subsidiary Viking Supply Ships 5 ApS	Income from equity investments in group enterprises	259,000	0

The special item consists of the sale of vessels in the subsidiary Viking Supply Ships 5 ApS and thus included in the income from equity investments in group enterprises.

	2018 USD '000	2017 USD '000

2. Staff costs

Wages and salaries	1,596	3,427
Pensions	126	305
Other social security costs	19	31
Other staff costs	133	309
Total	1,874	4,072
Average number of employees during the year	7	20

Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	461	424

3. Financial income

Interest, group enterprises	434	361
Other financial income	16	13,475
Total	450	13,836

4. Financial expenses

Interest, group enterprises	314	320
Other financial expenses	8,232	4,648
Total	8,546	4,968

	2018 USD '000	2017 USD '000

5. Tax on profit or loss for the year

Tax on profit or loss for the year	0	0
Total	0	0

The company's vessel activities are subject to tonnage tax. The current tax charge for the year is related to activities outside the tonnage tax scheme in Denmark after utilisation of non-recognised tax assets.

6. Distribution of net profit

Reserve for net revaluation according to the equity method	128,980	0
Proposed dividend for the financial year	113,468	0
Retained earnings	-39,683	-40,220
Total	202,765	-40,220

7. Property, plant and equipment

Figures in USD '000	Vessels	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Cost as at 01.01.18	242,963	6,407	0
Additions during the year	0	0	366
Cost as at 31.12.18	242,963	6,407	366
Depreciation and impairment losses as at 01.01.18	-42,506	-4,043	0
Depreciation during the year	-7,055	-917	0
Depreciation and impairment losses as at 31.12.18	-49,561	-4,960	0
Carrying amount as at 31.12.18	193,402	1,447	366

8. Equity investments in group enterprises

Figures in USD '000	Equity investments in group enterprises
Cost as at 01.01.18	148,523
Additions during the year	4
Cost as at 31.12.18	148,527
Depreciation and impairment losses as at 01.01.18	-99,394
Foreign currency translation adjustment of foreign enterprises	338
Net profit/loss from equity investments	227,849
Other adjustments relating to equity investments	187
Depreciation and impairment losses as at 31.12.18	128,980
Carrying amount as at 31.12.18	277,507

8. Equity investments in group enterprises - continued -

Name and Registered office:	Ownership interest
Group enterprises:	
Viking Supply Ships Management AB, Stenungsund, Sweden	100%
Viking Icebreaker Management AB, Stenungsund, Sweden	100%
Viking Supply Ships AS, Kristiansand, Norway	100%
Viking Supply Ships PSV AS, Kristiansand, Norway	100%
Viking Supply Ships Seafarers AS, Kristianssand, Norway	100%
Viking Ice Consultancy AS, Kristiansand, Norway	100%
Viking Supply Ships Crewing ApS, Frederiksberg, Denmark	100%
Viking Supply Ships 5 ApS, Frederiksberg, Denmark	100%
Viking Supply Ships (Holdings) Ltd., Aberdeen, Scotland	100%
Viking Supply Ships Ltd., Aberdeen, Scotland	100%
Viking Supply Ships Ltd., Moscow, Russia	100%
VSS Holdings AS, Kristianssand, Norway	100%

9. Receivables from group enterprises

Figures in USD '000	Receivables from group enterprises
Cost as at 01.01.18	9,774
Foreign currency translation adjustment of foreign enterprises	-571
Additions during the year	483
Cost as at 31.12.18	9,686

	31.12.18 USD '000	31.12.17 USD '000
10. Prepayments		
Prepaid insurance premiums	132	250
Other prepayments	51	106
Total	183	356

11. Share capital

The share capital consists of:

	5,006	5,004

By December 31, 2018 the share capital consists of 5,006 shares at DKK 100 each or murtiples thereof.

12. Longterm payables

Figures in USD '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.18	Total payables at 31.12.17
Payables to other credit institutions	97,547	0	97,547	116,985
Payables to group enterprises	5,321	0	5,321	6,946
Total	102,868	0	102,868	123,931

13. Derivative financial instruments

The company's only interest rate swap expired during the year. The interest rate swap was entered with a Danish Bank as counterpart and to hegde the future interest on a variable interest rated loan. In the income statement for 2018, there is recognised a net gain before tax of USD 15 thousand. In the balancesheet, the fair value of interest rate swap amount to USD 0 thousand as at December 31, 2018 (December 31, 2017: USD -603 thousand).

14. Contingent liabilities

Lease commitments

The Company leases vessels. buildings and equipment through operational leasing agreements.
The Company has one contract regarding the leasing of one AHTS vessel. The contract for the AHTS vessel has a remaining duration on the lease of 6 years. The future minimum lease payments under non-cancellable operating leases amounts to USD 20,4 million (2017: USD 24.2 million).

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

15. Charges and security

Vessels etc. with a carry amount of USD 195 million (2017: USD 203 million) have been put up as security for debt to credit institutions, and the company also have assigned earings and insurance sums relating to the vessels.

The Company has put up security for other group companies debt to credit institutions, totalling USD 0 million at 31 December 2018 (at 31 December 2017: 91.7 million).

The Company has pledged bank deposits, totalling USD 12,0 million (2017: USD 0.0 million) reported as restricted cash.

16. Related parties

Controlling influence:	Basis of influence
Kistefos AS, Norway	Ultimate parent company
Viking Supply Ship AB, Sweden	Shareholder

Transaction	Relation	2018 USD'000
Intercompany interest income	From group enterprises	433
Intercompany interest cost	To group enterprises	314
Intercompany leases (bareboat costs)	From group enterprise	3,660
Management fee (HQ services)	From parent company	1,229
Intercompany other owner costs	From parent company	131
Management fee (commencial and technical mangement)	From subsidiaries	1,130
Intercompany vessels costs	From subsidiaries	2,711
Intercompany crew costs	From subsidiaries	9,149
Intercompany revenue	To subsidiares	954
Capital increase	From parent company	14,965

Remuneration for the management is specified in note 2. Staff costs.

Balances	31.12.18 DKK'000
Receivables from group enterprises	10,615
Payables to group enterprises	-68,540

Other related parties:
All entities in the Kistefos Holding AS group are related parties. Other related parties are members of the supervisory and executive boards, executive officers and their family members. Related parties further include companies in which said persons hold significant interests.

The company is included in the consolidated financial statements for financial year 2018 of the parent company Viking Supply Ship AB, Sweden. This consolidated financial statement can be obtained on website www.cvr.dk under Viking Supply Ships A/S. Furthermore the company is included in the consolidated financial statements of the ultimative parent company Kistefos AS, Norge. This consolidated financial statement can be obtained on website www.kistefos.no.

17. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Viking Supply Ship AB, Sweden, business registration number 556161-0113, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in USD. The exchange rate is 6,5569 as at 31.12.18 and 6,2332 as at 31.12.17.

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable

17. Accounting policies - continued -

arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging the fair value of a recognised asset or liability (fair value hedging) are recognised in the income statement together with any changes in the value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

17. Accounting policies - continued -

INCOME STATEMENT

Gross loss

Gross loss comprises revenue and cost of sales and other external expenses.

Revenue

Revenues and expenses related to voyages are recognised successively in relation to the voyage degree of completion of the balance sheet date. The voyage degree of completion is calculated on the basis of the number of travel days on the balance sheet date in relation to the total number of travel days for the voyage.
Other revenues, such as those for services and external ships management assignments, are recognised only after agreement is reached with the customer and the service has been delivered. Direct overhead costs that are invoiced to the customer are recognised as gross amounts in profit and loss. .

Cost of sales

Cost of sales comprises of costs related to the operation and maintentance of ships, bunkers and habour costs, muster journeys, and crew member costs.

Other external expenses

Other external expenses comprise costs relating to the primary activity, which incurred during the year, including administration costs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

17. Accounting policies - continued -

Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Vessels	25 - 30	30
Other plant, fixtures and fittings, tools and equipment	2,5 - 5	0

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group entreprises

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies as well as gains and losses on payables etc. are recognised in other net financials.

Tax on profit/loss for the year

Tax on profit/ loss for the year comprises the amount estimated to be paid for the period including income subject to tonnage tax and changes in deferred tax.

17. Accounting policies - continued -

The company is jointly taxed with Danish consolidated enterprises. The Company is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Property, plant and equipment

Vessels

On initial recognition, vessels are measured at cost. Cost comprises the purchase price and expenses resulting directly from the purchase, including expenses attributable to the preparation of the asset, until the asset is ready for use. Interest on loans arranged to the financing is not included in the cost.

On acquisition, cost is decomposed into the vessel and vessel components, which are depreciated separately. Vessels are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Proportionate depreciation is provided for vessel components, which are subject to periodic inspections and/or replacement, in line with the actual number of engine hours used until the next periodic inspection and/or replacement when the vessel is treated as being disposed of. Replacement or renovation costs are recognised in the balance sheet as separate assets when the vessel component is ready for use.

Vessels and vessel components are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Other property, plant and equipment

Other property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Other property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

17. Accounting policies - continued -

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to the financing is not included in the cost.

Other property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises’ equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

17. Accounting policies - continued -

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value. Inventories primarily consist of bunker fuel on the company's vessels.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

17. Accounting policies - continued -

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be adopted before adoption of the annual report for Viking Supply Ships A/S are not tied up in the revaluation reserve.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

17. Accounting policies - continued -

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Long-term payables, where the company has violated the terms of the loan agreement, no later than the balance sheet date and the lender could thus demand that the debt be redeemed, is recognized under short-term payables. Regardless of which, after the balance sheet date, a new long-term loan agreement with the lender has been concluded.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Payables that are effectively hedged by derivative financial instruments are measured at fair value.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement for Viking Supply Ships AB, Sweden.