
Stena Bulk A/S

Tuborg Boulevard 12, 2., DK-2900 Hellerup

Annual Report for 1 January - 31 December 2019

CVR No 33 39 69 53

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
26/06 2020

Morten Rich
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	12
Balance Sheet 31 December	13
Statement of Changes in Equity	15
Notes to the Financial Statements	16

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Stena Bulk A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

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, 26 June 2020

Executive Board

Aayush Giri
Executive Officer

Board of Directors

Per Lars Erik Hånell
Chairman

Morten Rich

Aayush Giri

Sofia Elisabet Ericsson

Hanna Maria Schønnemann

Independent Auditor's Report

To the Shareholder of Stena Bulk A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Stena Bulk A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 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 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 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 financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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.

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 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.

Hellerup, 26 June 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

René Otto Poulsen

statsautoriseret revisor

mne26718

Company Information

The Company

Stena Bulk A/S
Tuborg Boulevard 12, 2.
DK-2900 Hellerup

Telephone: + 45 88 93 86 00
Website: www.stenabulk.com

CVR No: 33 39 69 53
Financial period: 1 January - 31 December
Incorporated: 26 January 2011
Financial year: 9th financial year
Municipality of reg. office: Gentofte

Board of Directors

Per Lars Erik Hånell, Chairman
Morten Rich
Aayush Giri
Sofia Elisabet Ericsson
Hanna Maria Schønnemann

Executive Board

Aayush Giri

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup
Telefon 39 45 39 45
Telefax 39 45 39 87
www.pwc.dk

Lawyers

Bech-Bruun
Langelinie Allé 35
DK-2100 København Ø

Bankers

Nordea Bank Danmark A/S
Strandgade 3
DK-0900 København C

Financial Highlights

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

	2019 TUSD	2018 TUSD	2017 TUSD	2016 TUSD	2015 TUSD
Key figures					
Profit/loss					
Revenue	524,827	471,503	409,370	414,610	579,192
Operating profit/loss	2,508	-18,104	-6,595	9,412	58,571
Profit/loss before financial income and expenses	4,317	-14,675	-4,799	11,364	60,844
Net financials	5,721	7,994	6,331	2,071	5,159
Net profit/loss for the year	9,851	-5,716	745	12,803	65,142
Balance sheet					
Balance sheet total	140,774	106,274	104,884	106,293	113,956
Equity	60,509	44,353	57,746	57,143	53,275
Investment in property, plant and equipment	0	10	0	0	16
Number of employees	11	13	14	14	20
Ratios					
Gross margin	1.6%	-2.5%	-0.4%	3.7%	11.3%
Profit margin	0.8%	-3.1%	-1.2%	2.7%	10.5%
Return on assets	3.1%	-13.8%	-4.6%	10.7%	53.4%
Solvency ratio	43.0%	41.7%	55.1%	53.8%	46.8%
Return on equity	18.8%	-11.2%	1.3%	23.2%	158.3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. Refer to accounting policies for definitions.

Management's Review

Financial Statements of Stena Bulk A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The primary activity of the enterprise is transportation of vegetable oil., chemicals and other oil products.

Development in the year

The income statement of the Company for 2019 shows a profit of TUSD 9,851, and at 31 December 2019 the balance sheet of the Company shows equity of TUSD 60,509.

Management expectations for higher freight rates from 2018 continuing in 2019 came as predicted. The marked predictions for a huge spike in Q4 did not materialize in product tank which consequently resulted in a lower result than expected.

Management currently assesses the Group's opportunities and the need to adapt to current market conditions. This has, among other things, resulted in that the Company has kept its activities levels both with respect to the employment of the ships and total freight tonnage.

During the year, the Company has on an ad hoc basis engaged approximately 108 chartered tankers of 40,000 and 60,000 dwt.

The Company has offices in Dubai, USA and Singapore.

Management's Review

Special risks - operating risks and financial risks

Market risks

The Company's freight income is mainly generated by voyages agreed at the market terms on the date concerned. Consequently, there may be significant fluctuations in earnings. The freight rates are to some extent hedged against fluctuations through the conclusion of consecutive freight agreements, loading contracts, COA and time charters.

In case of shipping accidents that may result in oil or chemical spillage, significant financial obligations may be imposed on the Company for clean-up work according to the international rules. In order to meet this risk, the widest possible insurance cover has been established, covering damage to the environment and pollution, damage to vessels and cargo, third-party liability and war risk.

Fluctuations in the price of bunkers affect the operating profit. Price agreements are entered into concerning future purchases of bunkers when the market conditions are estimated to lead to increasing bunkers prices. It is the Company's objective that the expected bunkers' consumption of all contracts is covered at the conclusion of the contract.

Foreign exchange risks

Most of the Company's income is in USD, as are most of the Company's expenses. Therefore, Management has not considered it relevant to hedge commercial currency risks.

Interest rate risks

The Company's long-term debts are measured in USD, which also is the functional currency. Therefore, Management has assessed that the Company is not exposed to any interest rate risks.

Strategy and objectives

Strategy

Management expects the utilization of new IMOIMAX fleet will improve the tanker division's competitiveness and market position and thus contribute positively to the Group's future development. Continuous efforts are being made to increase the quality and the efficiency of the work performed at all levels in the Group in order to maintain/strengthen the Company's competitive power.

Management's Review

Targets and expectations for the year ahead

The company's expectations for the future could be adversely affected by the Covid-19 outbreak and the measures taken by governments in most of the world to mitigate the effects of the outbreak, see also the discussion of events after the balance sheet date in note 16.

Before the Covid-19 outbreak, the Company expected higher freight rates from end 2019 to continue onwards in 2020 and in conjunction with the commercial adjustments made, a profit between 20 to 30 million USD is expected for 2020 which due to the market conditions is considered a good result. There is a risk that revenue and earnings will decrease as a result of Covid-19. Management is closely following the development, but it is too early to say whether and if so, what effect Covid-19 will have on revenue and earnings in 2020.

Tanker operation has so far not seen any other negative impacts due to the Corona virus and are enjoying strong TCE rate throughout Q1 and low bunker prices.

Basis of earnings

Research and development

The Company is not engaged in any research and development activities.

External environment

The Shipping Company focuses on maintaining and currently increasing the high level of quality, safety and environmental protection as important elements in the operation of the vessels.

New stricter rules relating to the construction of vessels, inspection and age limits as well as updated rules relating to security, safety and environment require continuous focus on operating the fleet in accordance with national and international conventions and regulations and on implementing new measures and requirements in good time.

As a minimum, all vessels are equipped and certified according to the recommendations of classification companies and the flag states. Daily operations include verification that the chartered tonnage complies with current rules and requirements.

Management's Review

Intellectual capital resources

The Company delivers transport solutions. By virtue of internal professional competence and the wide range of services, the Company is able, in cooperation with customers and shipping agents, to add value for the customers by refining the qualities of the individual transportation product.

By retaining and recruiting new competences, and through cooperation, alliances and training, the Company increases its intellectual capital, which is a significant parameter in the development and bringing to perfection of new services.

The Company is committed to objectives, attitudes and strategies which systematically add value and form the basis of the Stena Group's innovative capacity, and in order to stay successful, it is important for the Company to attract and retain well-educated employees who identify with the Company's core values. Therefore, considerable resources are invested in the continued training of the Company's employees. Moreover, the Company actively focuses on the welfare of its employees as well as the understanding of strategy and objectives across the entire organisation.

Annual job appraisal interviews are held for all employees at which goals and plans for the future as well as career opportunities are discussed and planned.

Statement of corporate social responsibility

Please refer to the Group's CSR report prepared by Stena AB, Sweden, which can be found via the following link : <https://www.stena.com/uploads/2020/04/9b2fa9a4-df15-4f90-b020-a8cd85d2db80.pdf>

Statement on gender composition

Gender distribution in Company Management

The Stena Group has an overall policy of recruiting the best suited employees for any given position, irrespective of gender. In order to ensure the broadest possible recruitment basis, continuous efforts are made to create working conditions and a corporate culture that attract and retain qualified employees across gender, nationality and other criteria without importance to the performance. The Stena Group tries to optimise the use of its employee resources by giving everybody equal opportunities of developing professionally and career-wise at all levels.

Supreme governing body

Stena Bulk A/S has due to regulation set the target for having a minimum of 40% of each gender on the Board of Directors in 2019. Because the continuous efforts to improve the gender equality among the members of the Board of Directors, the Group has been able to attract qualified persons of the underrepresented gender. The current status of the underrepresented gender is 40%.

Management's Review

Other management levels

With reference to the number of employees in the Group being less than 50 employees, the Company does not wish to disclose its policy for increasing the share of the underrepresented gender at the Company's other management levels.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

The consequences of outbreak of Covid-19 is at this stage still evolving. Stena has taken steps to ensure the health and safety of its employees and in parallel is focused on minimizing any negative impact on the business. The situation is developing rapidly, and the assessment is that there is a risk that the outbreak of the corona virus may have a negative financial impact during 2020 for our Business Areas.

Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), and therefore does not have any effect on the Financial Statements for 2019 (a non-adjusting event).

The restrictions in travel has negatively affected the possibility to change crew according to schedules. Congestions in ports due to restrictions slows down loading and unloading.

Tanker operation has so far not seen any other negative impacts due to the Corona virus and are enjoying strong TCE rate throughout Q1.

Income Statement 1 January - 31 December

	Note	2019 TUSD	2018 TUSD
Revenue	1	524,827	471,503
Other operating income		1,809	3,429
Expenses for raw materials and consumables		-511,961	-480,977
Other external expenses		-6,240	-5,825
Gross profit/loss		8,435	-11,870
Staff expenses	2	-4,110	-2,802
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-8	-3
Profit/loss before financial income and expenses		4,317	-14,675
Income from investments in subsidiaries	4	5,207	5,474
Income from investments in associates	5	276	2,229
Financial income		257	334
Financial expenses		-19	-43
Profit/loss before tax		10,038	-6,681
Tax on profit/loss for the year	6	-187	965
Net profit/loss for the year		9,851	-5,716

Balance Sheet 31 December

Assets

	Note	2019 TUSD	2018 TUSD
Other fixtures and fittings, tools and equipment		7	8
Property, plant and equipment	7	7	8
Investments in subsidiaries	8	15,296	10,089
Investments in associates	9	10,807	10,531
Fixed asset investments		26,103	20,620
Fixed assets		26,110	20,628
Inventories		17,857	19,932
Trade receivables		65,287	43,896
Receivables from group enterprises		1,531	269
Receivables from associates		1	0
Other receivables		426	3,731
Corporation tax		597	0
Prepayments	10	4,067	2,634
Receivables		71,909	50,530
Cash at bank and in hand		24,898	15,184
Currents assets		114,664	85,646
Assets		140,774	106,274

Balance Sheet 31 December

Liabilities and equity

	Note	2019 TUSD	2018 TUSD
Share capital		367	367
Reserve for net revaluation under the equity method		19,336	13,828
Retained earnings		40,806	30,158
Equity		60,509	44,353
Credit institutions		4,758	0
Trade payables		37,234	30,335
Payables to group enterprises		19,818	10,418
Payables to associates		4	9
Corporation tax		0	7
Other payables		7,996	15,498
Deferred income	13	10,455	5,654
Short-term debt		80,265	61,921
Debt		80,265	61,921
Liabilities and equity		140,774	106,274
Subsequent events	16		
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TUSD	TUSD	TUSD	TUSD
Equity at 1 January	367	13,828	30,158	44,353
Fair value adjustment of hedging instruments, beginning of year	0	0	5,442	5,442
Fair value adjustment of hedging instruments, end of year	0	0	863	863
Net profit/loss for the year	0	5,508	4,343	9,851
Equity at 31 December	367	19,336	40,806	60,509

Notes to the Financial Statements

	<u>2019</u>	<u>2018</u>
	TUSD	TUSD
1 Revenue		
Geographical segments		
Globally	<u>524,827</u>	<u>471,503</u>
	<u>524,827</u>	<u>471,503</u>
Business segments		
Tanker shipping	<u>524,827</u>	<u>471,503</u>
	<u>524,827</u>	<u>471,503</u>
2 Staff expenses		
Wages and salaries	3,999	2,676
Pensions	101	118
Other social security expenses	<u>10</u>	<u>8</u>
	<u>4,110</u>	<u>2,802</u>
Average number of employees	<u>11</u>	<u>13</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

	2019 <u>TUSD</u>	2018 <u>TUSD</u>
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	<u>8</u>	<u>3</u>
	8	3
4 Income from investments in subsidiaries		
Share of profits of subsidiaries	<u>5,207</u>	<u>5,474</u>
	5,207	5,474
5 Income from investments in associates		
Share of profits of associates	277	2,230
Share of losses of associates	<u>-1</u>	<u>-1</u>
	276	2,229
6 Tax on profit/loss for the year		
Current tax for the year	746	-240
Deferred tax for the year	278	0
Adjustment of tax concerning previous years	<u>-837</u>	<u>-725</u>
	187	-965

Notes to the Financial Statements

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	TUSD
Cost at 1 January	83
Additions for the year	7
Cost at 31 December	90
Impairment losses and depreciation at 1 January	75
Depreciation for the year	8
Impairment losses and depreciation at 31 December	83
Carrying amount at 31 December	7

8 Investments in subsidiaries

	2019	2018
	TUSD	TUSD
Cost at 1 January	22	22
Cost at 31 December	22	22
Value adjustments at 1 January	10,067	4,593
Net profit/loss for the year	5,207	5,474
Value adjustments at 31 December	15,274	10,067
Carrying amount at 31 December	15,296	10,089

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Stenwec II ApS	Denmark	DKK 50.000	100%	14,948	5,139
Stena Weco DMCC	Dubai, AED	AED 50.000	100%	104	54
Stena Weco LLC	Houston, USA	USD 14.000	100%	244	14

Equity and Net profit/loss for the year are expressed in TUSD.

Notes to the Financial Statements

	2019 TUSD	2018 TUSD
9 Investments in associates		
Cost at 1 January	6,770	6,770
Cost at 31 December	6,770	6,770
Value adjustments at 1 January	3,761	3,532
Net profit/loss for the year	276	2,229
Dividends received	0	-2,000
Value adjustments at 31 December	4,037	3,761
Carrying amount at 31 December	10,807	10,531

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Golden Stena Weco Pte. Ltd.	Singapore	USD 500.000	50%	7,198	66
Stenwec I P/S	Denmark	DKK 500.000	50%	14,413	487
Komplementarselskabet Stenwec ApS	Denmark	DKK 50.000	50%	-2	-2

Equity and Net profit/loss for the year are expressed in TUSD.

10 Prepayments

Prepayments consist of prepaid expenses concerning hire, insurance and commissions.

11 Distribution of profit

Reserve for net revaluation under the equity method	5,508	5,702
Retained earnings	4,343	-11,418
	9,851	-5,716

Notes to the Financial Statements

12 Derivative financial instruments

Derivative financial instruments contracts in the form of interest bunker swaps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to: tUSD 960

13 Deferred income

Deferred income consists of payments received in respect of income in subsequent years

14 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	<u>2019</u> TUSD	<u>2018</u> TUSD
Within 1 year	160,600	155,863
Between 1 and 5 years	20,719	44,252
	<u>181,319</u>	<u>200,115</u>

Notes to the Financial Statements

15 Related parties

Basis

Controlling interest

Stena AB

Ultimate parent company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

There have been no transactions with the Supervisory board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, which have not been conducted at arm's length terms.

Consolidated Financial Statements

The company is part of the consolidated annual report of the parent company

Name

Place of registered office

Stena AB

Göteborg, Sweden

The Group Annual Report of Stena AB may be obtained at the following address:

Stena AB
Masthuggskajen 19
405-19 Göteborg
Sweden

Notes to the Financial Statements

16 Subsequent events

The consequences of outbreak of Covid-19 is at this stage still evolving. Stena has taken steps to ensure the health and safety of its employees and in parallel is focused on minimizing any negative impact on the business. The situation is developing rapidly, and the assessment is that there is a risk that the outbreak of the corona virus may have a negative financial impact during 2020 for our Business Areas.

Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), and therefore does not have any effect on the Financial Statements for 2019 (a non-adjusting event).

The restrictions in travel has negatively affected the possibility to change crew according to schedules. Congestions in ports due to restrictions slows down loading and unloading.

Tanker operation has so far not seen any other negative impacts due to the Corona virus and are enjoying strong TCE rate throughout Q1.

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Stena Bulk A/S for 2019 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.

The Financial Statements for 2019 are presented in TUSD. Applied USD exchange rate on the 31 december 2019: 667,59 (2018: 651,94)

With reference to section 96(3) of the Danish Financial Statements Act the fee to the auditors appointed at the general meeting has not been disclosed.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Stena AB, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Stena AB, the Company has not prepared a cash flow statement.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other 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.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Notes to the Financial Statements

17 Accounting Policies (continued)

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Expenses for tankers

Expenses for tankers comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Staff expenses

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

Notes to the Financial Statements

17 Accounting Policies (continued)

Depreciation and impairment losses

Depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and 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 Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include 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.

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.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 intangible assets and 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 subsidiaries and associates are recognised and measured under the equity method.

The items “Investments in subsidiaries” and “Investments in associates” 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 the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates 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 and the associates.

Subsidiaries and associates 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

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

Notes to the Financial Statements

17 Accounting Policies (continued)

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

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 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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year}}{\text{Average equity}}$