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# ***Terntank Rederi A/S***

Vestre Strandvej 10, DK-9990 Skagen

## **Annual Report for 1 September 2016 - 31 August 2017**

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CVR No 34 58 43 62

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
10/11 2017

Thomas Wilkens Andersen  
Chairman



**pwc**

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 September - 31 August	8
Balance Sheet 31 August	9
Statement of Changes in Equity	11
Notes to the Financial Statements	12

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Terntank Rederi A/S for the financial year 1 September 2016 - 31 August 2017.

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 August 2017 of the Company and of the results of the Company operations for 2016/17.

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.

Skagen, 10 November 2017

## Executive Board

Jens Pedersen Buchhave

## Board of Directors

Thomas Wilkens Andersen  
Chairman

Arne Tryggve Möller  
Deputy Chairman

Rigmor Yvonne Möller

Annika Marita Kristensson

Sigurd Peder Viseth

# Independent Auditor's Report

To the Shareholder of Terntank Rederi A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2017 and of the results of the Company's operations for the financial year 1 September 2016 - 31 August 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Terntank Rederi A/S for the financial year 1 September 2016 - 31 August 2017, 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, 10 November 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Mark Phillip Beer

statsautoriseret revisor

## Company Information

### The Company

Terntank Rederi A/S  
Vestre Strandvej 10  
DK-9990 Skagen

CVR No: 34 58 43 62  
Financial period: 1 September - 31 August  
Financial year: 6th financial year  
Municipality of reg. office: Frederikshavn

### Board of Directors

Thomas Wilkens Andersen, Chairman  
Arne Tryggve Möller  
Rigmor Yvonne Möller  
Annika Marita Kristensson  
Sigurd Peder Viseth

### Executive Board

Jens Pedersen Buchhave

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

### Lawyers

Peter Ringsted  
Englandsgade 25  
5100 Odense C

### Bankers

Danske Bank  
Algade 53  
9000 Alborg

Swedbank AB  
Södra Hamngatan 27  
SE-404 22 Göteborg

Nordea AB  
Östra Hamngatan 16,  
SE-405 09 Göteborg, Sweden

## Financial Highlights

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

	2016/17	2015/16	2014/15	2013/14	2012/13
	kUSD	kUSD	kUSD	kUSD	kUSD
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	55.788	46.793	52.211	37.465	33.869
Gross profit/loss	17.261	24.375	19.610	8.054	9.686
Operating profit/loss	9.945	12.526	12.565	1.679	-14.503
Profit/loss before financial income and expenses	10.334	16.976	12.661	1.800	-14.024
Net financials	-55	-876	-1.412	-1.149	-825
Net profit/loss for the year	10.170	16.151	11.220	644	-14.864
<b>Balance sheet</b>					
Balance sheet total	172.640	159.891	125.752	110.740	59.298
Equity	75.975	81.805	65.654	54.434	30.810
Investment in property, plant and equipment	-27.258	39.139	23.580	54.177	1.091
Number of employees	9	8	7	7	3
<b>Ratios</b>					
Return on assets	6,0%	10,6%	10,1%	1,6%	-23,7%
Solvency ratio	44,0%	51,2%	52,2%	49,2%	52,0%
Return on equity	12,9%	21,9%	18,7%	1,5%	-38,9%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

# Management's Review

## Key activities

The object of the Company is to carry on shipping operations, ship management, crewing and other related shipping activities as determined by the Board of Directors as well as purchase, sale and holding of securities and related activities.

## Development in the year

The income statement of the Company for 2016/17 shows a profit of USD 10,170,034, and at 31 August 2017 the balance sheet of the Company shows equity of USD 75,974,740.

## Strategy

The company's main focus is to own and operate tanker vessels and to provide safe and environmentally friendly tanker transport service in the Baltic and North-Western European market.

## Targets and expectations for the year ahead

The company expect an increased competition in the coming year as several new vessels will enter into the market. The company will focus on operating the fleet primarily on time charter contracts and Contract of Affreightment whereas no greater impact from increased competition is expected.

## 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 August 2017 of the Company and the results of the activities of the Company for the financial year for 2016/17 was affected negatively by USD 630,935 due to a damaged main engine on M/T Ternhav which resulted in 76 days offhire.

## Subsequent events

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

## Income Statement 1 September - 31 August

	Note	2016/17 USD	2015/16 USD
<b>Revenue</b>		<b>55.787.515</b>	<b>46.793.145</b>
Other operating income	1	389.485	4.450.487
Expenses for raw materials and consumables		-37.841.554	-26.021.912
Other external expenses		-1.074.322	-846.764
<b>Gross profit/loss</b>		<b>17.261.124</b>	<b>24.374.956</b>
Staff expenses	2	-1.261.813	-998.492
Depreciation, amortisation and impairment of property, plant and equipment	3	-5.664.869	-6.400.197
<b>Profit/loss before financial income and expenses</b>		<b>10.334.442</b>	<b>16.976.267</b>
Financial income	4	2.468.889	222.398
Financial expenses		-2.523.703	-1.098.479
<b>Profit/loss before tax</b>		<b>10.279.628</b>	<b>16.100.186</b>
Tax on profit/loss for the year	5	-109.594	50.406
<b>Net profit/loss for the year</b>		<b>10.170.034</b>	<b>16.150.592</b>

## Distribution of profit

### Proposed distribution of profit

Extraordinary dividend paid	16.000.000	0
Proposed dividend for the year	14.000.000	0
Retained earnings	-19.829.966	16.150.592
	<b>10.170.034</b>	<b>16.150.592</b>

# Balance Sheet 31 August

## Assets

	Note	2016/17 USD	2015/16 USD
Other fixtures and fittings, tools and equipment		138	1.786
Vessels		107.157.298	110.468.833
Vessels under construction		0	24.759.234
<b>Property, plant and equipment</b>	6	<b>107.157.436</b>	<b>135.229.853</b>
Investments in subsidiaries	7	1.496.695	1.496.695
Receivables from group enterprises	8	42.175.924	0
Other receivables	8	750.000	1.750.000
<b>Fixed asset investments</b>		<b>44.422.619</b>	<b>3.246.695</b>
<b>Fixed assets</b>		<b>151.580.055</b>	<b>138.476.548</b>
<b>Bunker</b>	9	<b>702.690</b>	<b>450.667</b>
Trade receivables		1.080.271	1.197.036
Receivables from group enterprises		2.687.009	13.364.921
Other receivables		5.080.411	1.245.377
Deferred tax asset	12	1.230.974	0
Prepayments	10	431.412	2.087.282
<b>Receivables</b>		<b>10.510.077</b>	<b>17.894.616</b>
<b>Cash at bank and in hand</b>		<b>9.846.836</b>	<b>3.069.140</b>
<b>Currents assets</b>		<b>21.059.603</b>	<b>21.414.423</b>
<b>Assets</b>		<b>172.639.658</b>	<b>159.890.971</b>

# Balance Sheet 31 August

## Liabilities and equity

	Note	2016/17 USD	2015/16 USD
Share capital		676.061	676.061
Retained earnings		61.298.679	81.128.645
Proposed dividend for the year		14.000.000	0
<b>Equity</b>	11	<b>75.974.740</b>	<b>81.804.706</b>
Other provisions	13	385.141	0
<b>Provisions</b>		<b>385.141</b>	<b>0</b>
Credit institutions		65.792.359	56.126.320
Deferred income		5.300.844	0
<b>Long-term debt</b>	14	<b>71.093.203</b>	<b>56.126.320</b>
Credit institutions	14	14.112.856	14.317.362
Trade payables		2.949.505	700.131
Payables to group enterprises		2.812.645	1.989.068
Corporation tax		1.359.963	36.171
Other payables		3.325.376	4.624.713
Deferred income	14,15	626.229	292.500
<b>Short-term debt</b>		<b>25.186.574</b>	<b>21.959.945</b>
<b>Debt</b>		<b>96.279.777</b>	<b>78.086.265</b>
<b>Liabilities and equity</b>		<b>172.639.658</b>	<b>159.890.971</b>
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Accounting Policies	18		

## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	USD	USD	USD	USD
Equity at 1 September	676.061	81.128.645	0	81.804.706
Extraordinary dividend paid	0	-16.000.000	0	-16.000.000
Net profit/loss for the year	0	-3.829.966	14.000.000	10.170.034
<b>Equity at 31 August</b>	<b>676.061</b>	<b>61.298.679</b>	<b>14.000.000</b>	<b>75.974.740</b>

# Notes to the Financial Statements

	2016/17	2015/16
	USD	USD
<b>1 Other operating income</b>		
Profit on sale of fixed assets	0	4.372.687
Other income	389.485	77.800
	<b>389.485</b>	<b>4.450.487</b>
<b>2 Staff expenses</b>		
Wages and salaries	864.430	784.263
Pensions	121.186	97.267
Other social security expenses	276.197	116.962
	<b>1.261.813</b>	<b>998.492</b>
<b>Including remuneration to the Executive Board and Board of Directors</b>	<b>232.539</b>	<b>235.574</b>
<b>Average number of employees</b>	<b>9</b>	<b>8</b>
<b>3 Depreciation, amortisation and impairment of property, plant and equipment</b>		
Depreciation of property, plant and equipment	5.664.869	6.400.197
	<b>5.664.869</b>	<b>6.400.197</b>
Which is specified as follows:		
Other fixtures and fittings, tools and equipment	1.648	1.648
Vessels	5.663.221	6.398.549
	<b>5.664.869</b>	<b>6.400.197</b>
<b>4 Financial income</b>		
Interest received from group enterprises	879.910	0
Other financial income	70.421	42.931
Exchange adjustments	1.518.558	179.467
	<b>2.468.889</b>	<b>222.398</b>

## Notes to the Financial Statements

	2016/17	2015/16
	USD	USD
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	1.340.568	40.000
Deferred tax for the year	-1.230.974	0
Adjustment of tax concerning previous years	0	-90.406
	<b>109.594</b>	<b>-50.406</b>

## 6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Vessels	Vessels under construction
	USD	USD	USD
Cost at 1 September	73.077	174.107.310	24.759.234
Additions for the year	0	2.351.686	1.787.859
Disposals for the year	-68.133	-642.466	-26.547.093
Cost at 31 August	4.944	175.816.530	0
Impairment losses and depreciation at 1 September	71.291	63.638.477	0
Depreciation for the year	1.648	5.663.221	0
Reversal of impairment and depreciation of sold assets	-68.133	-642.466	0
Impairment losses and depreciation at 31 August	4.806	68.659.232	0
<b>Carrying amount at 31 August</b>	<b>138</b>	<b>107.157.298</b>	<b>0</b>

## Notes to the Financial Statements

	2016/17	2015/16
	USD	USD
<b>7 Investments in subsidiaries</b>		
Cost at 1 September	1.496.695	1.496.695
<b>Carrying amount at 31 August</b>	<b>1.496.695</b>	<b>1.496.695</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
		SV KR	
Tärntank Ship Management AB	Donsö, Sverige	1.000.000	100%
		SV KR	
Tarn Energy AB	Donsö, Sverige	1.000.000	100%
Tern Skagen Management A/S	Skagen, Danmark	DKK 500.000	100%

## 8 Other fixed asset investments

	Receivables from group enterprises	Other receiv- ables
	USD	USD
Cost at 1 September	0	1.750.000
Additions for the year	42.175.924	0
Disposals for the year	0	-1.000.000
Cost at 31 August	42.175.924	750.000
<b>Carrying amount at 31 August</b>	<b>42.175.924</b>	<b>750.000</b>

## Notes to the Financial Statements

	<u>2016/17</u> USD	<u>2015/16</u> USD
<b>9 Bunker</b>		
Bunker	702.690	450.667
	<u>702.690</u>	<u>450.667</u>

### 10 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums.

### 11 Equity

The share capital consists of 3,400,000 shares of a nominal value of DKK 1 and 1 share of a nominal value of DKK 100.000. No shares carry any special rights.

The share capital has developed as follows:

	<u>2016/17</u> USD	<u>2015/16</u> USD	<u>2014/15</u> USD	<u>2013/14</u> USD	<u>2012/13</u> USD
Share capital at 1 September	676.061	676.061	676.061	658.341	658.341
Capital increase	0	0	0	17.720	0
Capital decrease	0	0	0	0	0
<b>Share capital at 31 August</b>	<u>676.061</u>	<u>676.061</u>	<u>676.061</u>	<u>676.061</u>	<u>658.341</u>

### 12 Deferred tax asset

Deferred tax amounts to USD 1.230.974. Due within 1 year amounts to USD 64.788. Due after 1 year amounts to USD 1.166.186.

## Notes to the Financial Statements

	<u>2016/17</u>	<u>2015/16</u>
	USD	USD
<b>13 Other provisions</b>		
Provisions include provisions for docking for vessels on bareboat charter. Provision for docking are made on an ongoing basis with an amount corresponding to the proportionate share of the estimated costs for the individual vessels ` next docking. Provision for docking costs for vessels on bareboat are recognised in the income statement under the item "Expenses for raw materials and consumables".		
Other provisions	385.141	0
	<u>385.141</u>	<u>0</u>

### 14 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:

	<u>2016/17</u>	<u>2015/16</u>
	USD	USD
<b>Credit institutions</b>		
After 5 years	2.600.000	5.314.167
Between 1 and 5 years	63.192.359	50.812.153
Long-term part	<u>65.792.359</u>	<u>56.126.320</u>
Within 1 year	<u>14.112.856</u>	<u>14.317.362</u>
	<b><u>79.905.215</u></b>	<b><u>70.443.682</u></b>
<b>Deferred income</b>		
After 5 years	4.122.880	0
Between 1 and 5 years	1.177.964	0
Long-term part	<u>5.300.844</u>	<u>0</u>
Within 1 year	<u>626.229</u>	<u>292.500</u>
	<b><u>5.927.073</u></b>	<b><u>292.500</u></b>
<b>15 Deferred income</b>		

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

## Notes to the Financial Statements

	<u>2016/17</u> USD	<u>2015/16</u> USD
<b>16 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with mortgage credit institutes:		
A floating charge of DKK 6 million has been provided as security, Vessels have been provided as security for USD 113 million.	113.000.000	141.000.000
<b>Contingent liabilities</b>		
The company has entered into bareboat agreements with the parent company. The agreements has been concluded for a 12 years (48 quarters) period, unless terminated earlier by mutual agreement between the parties. Bareboat charter commitment:	<u>95.620.923</u>	<u>0</u>
The company has provided guarantee for debt in the parent company of USD 49.6 mill.	<u>49.600.000</u>	<u>0</u>

# Notes to the Financial Statements

## 17 Related parties

	<b>Basis</b>
<b>Controlling interest</b>	
Thomas Wilkens Andersen	Board of Directors, Chairman
Arne Tryggve Möller	Board of Directors, Deputy Chairman
Rigmor Yvonne Möller	Board of Directors
Annika Marita Kristensson	Board of Directors
Sigurd Peder Viseth	Board of Directors

### Consolidated Financial Statements

The Company is included in the Group Annual Report of Tertank Limited, Cyprus, The Group Annual Report of Tertank Limited, Cyprus may be obtained at the following address

Name	Place of registered office
------	----------------------------

Tertank Rederi A/S, Vestre Strandvej 10, 9990 Skagen

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of Terntank Rederi A/S for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016/17 are presented in USD. Average exchange rate during the year has been calculated to 6,7784. (2015/16: 6,589)

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of , 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 , 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.

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Translation policies

US dollar is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

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 unless the derivative financial instrument is designated and qualify as hedge accounting.

## Income Statement

### Revenue

Revenue comprises the gross freight income, that is recognised in the income statement when the income is recognised as earned.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables 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, etc.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### 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 and impairment 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 core activities of the enterprise.

### Financial income and expenses

Financial income and expenses comprise interest, financial expenses as well as realised and unrealised exchange adjustments.

### Tax on profit/loss for the year

Corporation tax on the Company's shipping operations is calculated on the basis of the rules of the Danish Tonnage Tax Act.

The Company is jointly taxed with wholly owned Danish subsidiary. The tax effect of the joint taxation is allocated to Danish 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.

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

The useful lives and residual value of vessels have been reassessed in 2016/17, which are:

Vessels	20 years
Other tools and equipment	5 years

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

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, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

### **Investments in subsidiaries and associates**

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

### **Other fixed asset investments**

Other fixed asset investments consist of trade receivables that are due after 1 year.

### **Bunker**

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

### **Receivables**

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### **Prepayments**

Prepayments comprise prepaid expenses concerning insurance etc.

### **Equity**

#### ***Dividend***

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include provisions for docking for vessels on bareboat charter.

### 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.

### 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

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

### Deferred income

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$