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# ***Weco Bulk A/S***

Rungsted strandvej 113, DK-2960 Rungsted Kyst

## **Annual Report for 1 January - 31 December 2018**

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CVR No 35 23 39 54

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
8 /3 2019

Rasmus Lund-Jacobsen  
Chairman of the General  
Meeting



# 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 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Weco Bulk A/S for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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.

Rungsted Kyst, 8 March 2019

## Executive Board

Jakob Vissing

## Board of Directors

Johan Wedell-Wedellsborg  
Chairman

Jakob Vissing

Johnny Schmølker

Lars Kalstad Vedfelt

Oluf Myhrmann

Rasmus Lund-Jacobsen

# Independent Auditor's Report

To the Shareholders of Weco 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Weco Bulk A/S for the financial year 1 January - 31 December 2018, 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, 8 March 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Flemming Eghoff  
statsautoriseret revisor  
mne30221

Mark Philip Beer  
statsautoriseret revisor  
mne29472

## **Company Information**

### **The Company**

Weco Bulk A/S  
Rungsted strandvej 113  
DK-2960 Rungsted Kyst  
Website: [www.wecobulk.com](http://www.wecobulk.com)

CVR No: 35 23 39 54  
Financial period: 1 January - 31 December  
Municipality of reg. office: Hørsholm

### **Board of Directors**

Johan Wedell-Wedellsborg, Chairman  
Jakob Vissing  
Johnny Schmølker  
Lars Kalstad Vedfelt  
Oluf Myhrmann  
Rasmus Lund-Jacobsen

### **Executive Board**

Jakob Vissing

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2018 TUSD	2017 TUSD	2016 TUSD	2015 TUSD	2014 TUSD
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	5.750	3.909	2.246	1.646	1.435
Operating profit/loss	2.887	2.063	1.278	933	820
Profit/loss before financial income and expenses	3.135	2.383	1.278	933	820
Net financials	22	20	5	-14	-16
Net profit/loss for the year	2.932	2.023	1.002	616	804
<b>Balance sheet</b>					
Balance sheet total	15.706	11.470	7.778	5.926	3.181
Equity	6.826	3.894	2.872	1.870	1.254
Number of employees	12	11	7	6	4
<b>Ratios</b>					
Return on assets	20,0%	20,8%	16,4%	15,7%	25,8%
Solvency ratio	43,5%	33,9%	36,9%	31,6%	39,4%
Return on equity	54,7%	59,8%	42,3%	39,4%	94,4%

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**

Financial Statements of Weco Bulk A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

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

### **Key activities**

The Company's main activity is to carry on chartering and shipping business with bulk carriers.

### **Development in the year**

The income statement of the Company for 2018 shows a profit of USD 2,931,682, and at 31 December 2018 the balance sheet of the Company shows equity of USD 6,826,119.

### **Special risks - operating risks and financial risks**

#### ***Market risks***

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

#### ***Foreign exchange risks***

Most of the income from shipping activities is in USD, with a small amount of income in EUR. With most operational expenses being in USD and administrative expenses being in USD and DKK, the company have only limited foreign exchange risk.

### **Targets and expectations for the year ahead**

Management expects to continue the profitable growth of its activities, while continuously managing exposure to market risks.

### **External environment**

The Company is focused on a high level of quality, safety and environmental protection as an important element of the operation.

### **Uncertainty relating to recognition and measurement**

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

# **Management's Review**

## **Unusual events**

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

## **Subsequent events**

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

## Income Statement 1 January - 31 December

	Note	2018 USD	2017 USD
<b>Gross profit/loss</b>		<b>5.750.007</b>	<b>3.909.384</b>
Staff expenses	1	-2.606.462	-1.517.559
Depreciation, amortisation and impairment of property, plant and equipment	2	-8.774	-8.764
<b>Profit/loss before financial income and expenses</b>		<b>3.134.771</b>	<b>2.383.061</b>
Result from investments in associates		-1.482	0
Financial income	3	63.720	41.872
Financial expenses	4	-40.327	-22.027
<b>Profit/loss before tax</b>		<b>3.156.682</b>	<b>2.402.906</b>
Tax on profit/loss for the year	5	-225.000	-380.341
<b>Net profit/loss for the year</b>		<b>2.931.682</b>	<b>2.022.565</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings	2.931.682	2.022.565
	<b>2.931.682</b>	<b>2.022.565</b>

## Balance Sheet 31 December

### Assets

	Note	2018 USD	2017 USD
Other fixtures and fittings, tools and equipment		26.586	12.414
<b>Property, plant and equipment</b>	6	<b>26.586</b>	<b>12.414</b>
Investments in associates	7	38.791	0
<b>Fixed asset investments</b>		<b>38.791</b>	<b>0</b>
<b>Fixed assets</b>		<b>65.377</b>	<b>12.414</b>
<b>Inventories</b>		<b>3.009.172</b>	<b>1.470.701</b>
Trade receivables		2.949.741	4.266.495
Other receivables		270.755	294.991
Prepayments		4.287.532	2.853.257
<b>Receivables</b>		<b>7.508.028</b>	<b>7.414.743</b>
<b>Cash at bank and in hand</b>		<b>5.123.291</b>	<b>2.572.588</b>
<b>Currents assets</b>		<b>15.640.491</b>	<b>11.458.032</b>
<b>Assets</b>		<b>15.705.868</b>	<b>11.470.446</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2018 USD	2017 USD
Share capital		351.722	351.722
Retained earnings		6.474.397	3.542.715
<b>Equity</b>	<b>8</b>	<b>6.826.119</b>	<b>3.894.437</b>
Trade payables		1.577.407	2.636.215
Payables to group enterprises		294.636	614.354
Other payables		934.926	359.020
Deferred income		6.072.780	3.966.420
<b>Short-term debt</b>		<b>8.879.749</b>	<b>7.576.009</b>
<b>Debt</b>		<b>8.879.749</b>	<b>7.576.009</b>
<b>Liabilities and equity</b>		<b>15.705.868</b>	<b>11.470.446</b>
Contingent assets, liabilities and other financial obligations	9		
Related parties	10		
Accounting Policies	11		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	USD	USD	USD
Equity at 1 January	351.722	3.542.715	3.894.437
Net profit/loss for the year	0	2.931.682	2.931.682
<b>Equity at 31 December</b>	<b>351.722</b>	<b>6.474.397</b>	<b>6.826.119</b>

# Notes to the Financial Statements

	<u>2018</u>	<u>2017</u>
	USD	USD
<b>1 Staff expenses</b>		
Wages and salaries	2.312.890	1.441.002
Pensions	131.482	66.363
Other social security expenses	12.663	10.194
Other staff expenses	<u>149.427</u>	<u>0</u>
	<b><u>2.606.462</u></b>	<b><u>1.517.559</u></b>
<b>Average number of employees</b>	<b><u>12</u></b>	<b><u>11</u></b>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
<b>2 Depreciation, amortisation and impairment of property, plant and equipment</b>		
Depreciation of property, plant and equipment	<u>8.774</u>	<u>8.764</u>
	<b><u>8.774</u></b>	<b><u>8.764</u></b>
<b>3 Financial income</b>		
Interest received from group enterprises	0	4.993
Other financial income	7.707	36.879
Exchange gains	<u>56.013</u>	<u>0</u>
	<b><u>63.720</u></b>	<b><u>41.872</u></b>

## Notes to the Financial Statements

	2018 USD	2017 USD
<b>4 Financial expenses</b>		
Other financial expenses	40.327	15.444
Exchange loss	0	6.583
	<b>40.327</b>	<b>22.027</b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	225.000	380.341
	<b>225.000</b>	<b>380.341</b>
<b>6 Property, plant and equipment</b>		Other fixtures and fittings, tools and equipment
		USD
Cost at 1 January		26.290
Additions for the year		22.946
Cost at 31 December		49.236
Impairment losses and depreciation at 1 January		13.876
Depreciation for the year		8.774
Impairment losses and depreciation at 31 December		22.650
<b>Carrying amount at 31 December</b>		<b>26.586</b>



## Notes to the Financial Statements

	2018 <u>USD</u>	2017 <u>USD</u>
<b>7 Investments in associates</b>		
Cost at 1 January	0	0
Additions for the year	<u>40.273</u>	<u>0</u>
Cost at 31 December	<u>40.273</u>	<u>0</u>
Value adjustments at 1 January	0	0
Net profit/loss for the year	<u>-1.482</u>	<u>0</u>
Value adjustments at 31 December	<u>-1.482</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>38.791</u></b>	<b><u>0</u></b>

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Borgship VII P/S	Hørsholm	500.000 DKK	50%

## 8 Equity

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> USD
A-shares	1.000.000	175.861
B-shares	1.000.000	<u>175.861</u>
		<b><u>351.722</u></b>

There have been no changes in the share capital during the last 5 years.

## Notes to the Financial Statements

	2018	2017
	USD	USD
<b>9 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	32.319.202	4.697.325
Between 1 and 5 years	30.044.967	58.400
After 5 years	4.536.246	0
	<b>66.900.415</b>	<b>4.755.725</b>

### Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

## 10 Related parties

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Weco A/S	Hørsholm
Weco Shipping A/S	Hørsholm

# Notes to the Financial Statements

## 11 Accounting Policies

The Annual Report of Weco Bulk A/S for 2018 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 2018 are presented in USD with exchange rate as at 31. december 2018 - USD 651,94 (31. december 2017 - USD 620,77).

### 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 Weco Shipping A/S, 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 the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when 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.

### 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.

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.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Income Statement

#### Revenue

Revenue includes vessels freight income and time charter income. Revenue is recognised in the income statement for the financial year as earned.

#### Vessel operating costs

Vessel operating costs comprise the raw materials and consumables consumed to achieve revenue for the year.

#### Other external expenses

Other external expenses comprise expenses for premises as well as office expenses, etc.

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, vessel operating costs and other external expenses.

#### 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 main activities of the Company.

#### Result from investments in associates

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

#### Financial income and expenses

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

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Tax on profit/loss for the year

The Company is comprised by the tonnage tax regime. No provision is made for deferred tax since no deferred tax is expected to arise under the tonnage tax regime.

The Company is jointly taxed with Weco Group A/S.

## Balance Sheet

### Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	3	years
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Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

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

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

### Investments in associates

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

The item "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 intercompany 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.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

The total net revaluation of investments in 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 associates.

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.

### **Receivables**

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

### **Prepayments**

Prepayments comprise prepaid expenses concerning timecharter, insurance premiums, etc.

### **Equity**

#### ***Dividend***

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

### **Financial debts**

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 as well as open voyages.

# Notes to the Financial Statements

## 11 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$