

---

# ***Integrity Bulk ApS***

Tuborg Havnevej 18, 2., DK-2900 Hellerup

## **Annual Report for 1 April 2018 - 31 March 2019**

---

CVR No 36 40 89 87

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
19/9 2019

Martin Egvang  
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 April - 31 March	10
Balance Sheet 31 March	11
Statement of Changes in Equity	13
Cash Flow Statement 1 April - 31 March	14
Notes to the Financial Statements	15

## **Management's Statement**

The Executive Board has today considered and adopted the Annual Report of Integrity Bulk ApS for the financial year 1 April 2018 - 31 March 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 March 2019 of the Company and of the results of the Company operations and cash flows for 2018/19.

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, 19 September 2019

### **Executive Board**

Martin Egvang  
CEO

Søren Hahnemann  
CFO

# Independent Auditor's Report

To the Shareholder of Integrity Bulk ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2019 and of the results of the Company's operations and cash flows for the financial year 1 April 2018 - 31 March 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Integrity Bulk ApS for the financial year 1 April 2018 - 31 March 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 Financial 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, 19 September 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Thomas Wraae Holm  
State Authorized Public Accountant  
mne30141

Michael Kodama Krømmelbein  
State Authorized Public Accountant  
mne44139

## Company Information

### **The Company**

Integrity Bulk ApS  
Tuborg Havnevej 18, 2.  
DK-2900 Hellerup

CVR No: 36 40 89 87  
Financial period: 1 April - 31 March  
Municipality of reg. office: Gentofte

### **Executive Board**

Martin Egvang  
Søren Hahnemann

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Financial Highlights

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

	2018/19 TUSD	2017/18 TUSD	2016/17 TUSD	2014-16 TUSD
<b>Key figures</b>				
<b>Profit/loss</b>				
Revenue	121,426	102,413	61,583	42,296
Vessel operating expenses	-119,190	-94,230	-56,781	-45,793
Other external expenses	-2,920	-1,781	-506	-407
Profit/loss before other operating income, provisions and net financials	1,848	5,905	3,442	-5,024
Provisions and other operating income, net	-2,028	-1,215	0	73
Gross profit/loss	1,356	6,402	4,296	-3,831
Profit/loss before financial income and expenses	-180	4,690	3,442	-4,951
Net financials	4	115	-110	3
Net profit/loss for the year	-228	3,692	2,573	-3,870
<b>Balance sheet</b>				
Balance sheet total	24,198	19,449	12,471	7,455
Equity	10,553	11,181	7,589	5,016
Investments in fixed assets	0	0	0	0
<b>Ratios</b>				
Solvency ratio	43.6%	57.5%	60.9%	67.3%
Return on equity	-2.1%	39.3%	40.8%	-154.3%

The key figures have been compiled in accordance with the Danish Financial Analyst Association's recommendations and guidance. Referring to definitions in the section on accounting policies.



## Management's Review

Financial Statements of Integrity Bulk ApS for 2018/19 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 aim is - directly or through equity participation in other companies - to conduct business in shipping, transport, industry, trade and crafts, and other activities deemed by the Executive Board.

### Development in the year

The income statement of the Company for 2018/19 shows a profit of USD 1,848k before provisions, other operating income and taxes and a net loss of USD 228k. At 31 March 2019 the balance sheet of the Company shows an equity of USD 10,553k.

### The Past year

During the year, the Company established representations in Melbourne and Sao Paulo thereby increasing its customer base and market coverage significantly. In addition to offices in Copenhagen and Singapore, the Company now has a worldwide representation and has expanded the activities into the supramax and ultramax segments.

The enlarged market coverage and expansion of operated vessel segments spurred an increase in the Company's revenue and operated vessel days. The revenue in 2018/2019 increased by 18% from 2017/2018 and operated vessel days increased by 16% to 7.965 days of vessel operation.

The Company recorded a profit of USD 1,848k before provisions, other operating income and taxes for the financial year which is considered satisfactory. This profit was achieved despite significant drops in freight rate levels in 1st quarter 2019.

The marginal net loss of USD 228k accounted for the year was influenced by an unforeseeable and unsettled contractual dispute, where a counterpart's contractual misconduct lead to a vessel withheld by the Philippines authorities. The financial statements are hence impacted by a net provision of USD 2,028k.

Whereas the management is confident of a full recovery of expenses, based on ongoing proceedings, the Company has recognised the provision in its financial accounts in compliance with Danish Financial Act. See also note 1 on significant accounting estimates, assumptions and judgements

# Management's Review

## ***Market risks***

Freight rates obtained on the vessels time chartered by the Company are the main risk elements. The Company's revenues are exclusively generated from activities in the dry bulk segment. The dry bulk industry is cyclical and volatile, which can lead to reductions in freight rates and volumes. Fluctuations in freight rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the large variety of products that the vessels carry.

Bunker fuels constitute an additional factor affecting net earnings and price fluctuations can have a considerable impact on the Company's results.

## ***Foreign exchange risks***

The Company uses United States Dollar ("USD") as the functional currency because the majority of the Company's transactions are denominated in USD. Thus, the Company's exchange rate risk is related to cash flows not denominated in USD. The primary risk relates to transactions denominated in Danish Krone ("DKK"), euro ("EUR"), Singapore Dollar ("SGD") and other major currencies, and relates to administrative and operating expenses.

## ***Credit risks***

The Company is reliant on its counterparties fulfilling their payment obligations. Should a counterpart default on its obligations, the Company could incur potential losses, which could have a negative impact on the Company's future growth, results and cashflow.

During the financial year the Company has recorded a provision on debtors of USD 2,200k due to the withheld vessel as described above and in note 1.

## ***Liquidity risks***

Cash is an important factor for the Company's development. The Company monitors constantly its cash flow forecasts carefully to ensure it has adequate liquidity for its working capital requirements.

The Company maintains an unused credit line with Nordea Bank of USD 1,000k and an unused facility to call for additional liquidity from its ultimate shareholders in the amount of up to USD 2,250k.

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

The Company is a well-known and respected market participant and expects to gradually increase its activities over the coming years.

The Company expects a better result for the new financial year, before other income, provisions and taxes, compared with the past year.

# Management's Review

## Corporate responsibility and external environment

The Company is committed to responsibly contribute towards contributing to a greener environment, while creating value for shipowners, customers and other stakeholders.

In order to comply with the IMO's global 0.5% sulphur content cap regulation on fuel, which will be enforced from 1 January 2020, the Company will in close cooperation with shipowners ensure that risk management and management of change procedures are thoroughly conducted to ensure smooth transition and full compliance.

Due to the instability in many countries and regions and the risk of piracy-related activities against ships, the security for vessels operated in high-risk areas is paramount for the Company.

## Uncertainty relating to recognition and measurement

The Company has on-going voyages as at 31 March 2019. For these voyages the Management has to estimate the total voyages result. When it is probable that the total voyage costs will exceed the total voyage revenue, a provision for foreseeable losses is recognized as expense immediately.

During the year the Management has accounted for a net provision of USD 2,028k. See also note 1.

## Subsequent events

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

## Income Statement 1 April - 31 March

	Note	2018/19 USD	2017/18 USD
<b>Revenue</b>		<b>121,425,680</b>	<b>102,413,461</b>
Other operating income		2,040,000	0
Vessel operating expenses		-119,189,698	-94,230,369
Other external expenses		-2,920,065	-1,780,937
<b>Gross profit/loss</b>		<b>1,355,917</b>	<b>6,402,155</b>
Staff expenses	2	-1,536,337	-1,712,211
<b>Profit/loss before financial income and expenses</b>		<b>-180,420</b>	<b>4,689,944</b>
Financial income	3	87,973	161,294
Financial expenses	4	-83,753	-45,921
<b>Profit/loss before tax</b>		<b>-176,200</b>	<b>4,805,317</b>
Tax on profit/loss for the year	5	-51,895	-1,112,818
<b>Net profit/loss for the year</b>		<b>-228,095</b>	<b>3,692,499</b>

# Balance Sheet 31 March

## Assets

	Note	2019 USD	2018 USD
Deposits		48,093	0
<b>Fixed asset investments</b>	6	<b>48,093</b>	<b>0</b>
<b>Fixed assets</b>		<b>48,093</b>	<b>0</b>
 <b>Bunker</b>		 <b>4,780,183</b>	 <b>4,301,044</b>
Trade receivables		6,252,734	7,197,263
Receivables from group enterprises		1,310,741	0
Other receivables		2,338,457	16,761
Corporation tax		455,860	281,235
Prepayments	7	1,784,164	2,716,376
<b>Receivables</b>		<b>12,141,956</b>	<b>10,211,635</b>
 <b>Cash at bank and in hand</b>		 <b>7,227,478</b>	 <b>4,936,164</b>
 <b>Currents assets</b>		 <b>24,149,617</b>	 <b>19,448,843</b>
 <b>Assets</b>		 <b>24,197,710</b>	 <b>19,448,843</b>

# Balance Sheet 31 March

## Liabilities and equity

	Note	2019 USD	2018 USD
Share capital		1,006,048	1,006,048
Retained earnings		9,547,127	10,175,222
<b>Equity</b>		<b>10,553,175</b>	<b>11,181,270</b>
Provision for deferred tax	9	0	0
Provision for future loss on voyages	10	2,244,260	218,453
<b>Provisions</b>		<b>2,244,260</b>	<b>218,453</b>
Trade payables		7,417,860	3,373,797
Ongoing voyages		3,724,090	3,874,747
Other payables		258,325	800,576
<b>Short-term debt</b>		<b>11,400,275</b>	<b>8,049,120</b>
<b>Debt</b>		<b>11,400,275</b>	<b>8,049,120</b>
<b>Liabilities and equity</b>		<b>24,197,710</b>	<b>19,448,843</b>
Significant accounting estimates, assumptions and judgements	1		
Distribution of profit	8		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		

## Statement of Changes in Equity

	Share capital USD	Retained earnings USD	Total USD
<b>2018/19</b>			
Equity at 1 April	1,006,048	10,175,222	11,181,270
Extraordinary dividend paid	0	-400,000	-400,000
Net profit/loss for the year	0	-228,095	-228,095
<b>Equity at 31 March</b>	<b>1,006,048</b>	<b>9,547,127</b>	<b>10,553,175</b>
<b>2017/18</b>			
Equity 1. april	1,006,048	6,582,723	7,588,771
Extraordinary dividend paid	0	-100,000	-100,000
Net profit/loss for the year	0	3,692,499	3,692,499
<b>Equity at 31 March</b>	<b>1,006,048</b>	<b>10,175,222</b>	<b>11,181,270</b>

## Cash Flow Statement 1 April - 31 March

	Note	2018/19 USD	2017/18 USD
Net profit/loss for the year		-228,095	3,692,499
Adjustments	12	47,675	997,445
Change in working capital	13	3,142,128	-6,363,046
<b>Cash flows from operating activities before financial income and expenses</b>		<b>2,961,708</b>	<b>-1,673,102</b>
Financial income		87,972	161,294
Financial expenses		-83,753	-45,918
<b>Cash flows from ordinary activities</b>		<b>2,965,927</b>	<b>-1,557,726</b>
Corporation tax paid		-226,520	-1,074,689
<b>Cash flows from operating activities</b>		<b>2,739,407</b>	<b>-2,632,415</b>
Fixed asset investments made etc		-48,093	0
<b>Cash flows from investing activities</b>		<b>-48,093</b>	<b>0</b>
Dividend paid		-400,000	-100,000
<b>Cash flows from financing activities</b>		<b>-400,000</b>	<b>-100,000</b>
<b>Change in cash and cash equivalents</b>		<b>2,291,314</b>	<b>-2,732,415</b>
Cash and cash equivalents at 1 April		4,936,164	7,668,579
<b>Cash and cash equivalents at 31 March</b>		<b>7,227,478</b>	<b>4,936,164</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		7,227,478	4,936,164
<b>Cash and cash equivalents at 31 March</b>		<b>7,227,478</b>	<b>4,936,164</b>



# Notes to the Financial Statements

## 1 Significant accounting estimates, assumptions and judgements

In connection with the preparation of the financial statements, management applies estimates, assumptions and judgements. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company has on-going voyages as at 31 March 2019. For these voyages management has to estimate the total voyages result. When it is probable that the total voyage costs will exceed the total voyage revenue, a provision for foreseeable losses is recognized as expense immediately.

During the Financial year, the Company experienced an unforeseeable incident due to a counterpart's contractual misconduct causing extraordinary expenses from a vessel withheld by the Philippines authorities.

The incident is accounted for at the Managements best estimate at the time of issuance of this Annual report. This positively impacts other deferred net income of USD 2,040k, impacts provisions on debtors of USD 2,200k and impacts a provision for loss on future voyages of USD 1,715k. This is accounted for according to the Danish Financial Act, however the Management expects a full recovery based on ongoing proceedings.

	2018/19 USD	2017/18 USD
<b>2 Staff expenses</b>		
Wages and salaries	1,396,200	1,604,423
Pensions	128,021	99,800
Other social security expenses	12,116	7,988
	<b>1,536,337</b>	<b>1,712,211</b>
Including remuneration to the Executive Board of:		
Executive Board	548,429	666,050
	<b>548,429</b>	<b>666,050</b>
<b>Average number of employees</b>	<b>12</b>	<b>9</b>

## 3 Financial income

Other financial income	87,973	24,330
Exchange adjustments	0	136,964
	<b>87,973</b>	<b>161,294</b>

# Notes to the Financial Statements

	2018/19 USD	2017/18 USD
<b>4 Financial expenses</b>		
Other financial expenses	24,712	45,921
Exchange adjustments, expenses	59,041	0
	<b>83,753</b>	<b>45,921</b>

## 5 Tax on profit/loss for the year

Current tax for the year	51,895	525,766
Deferred tax for the year	0	587,052
	<b>51,895</b>	<b>1,112,818</b>

## 6 Fixed asset investments

	Deposits USD
Cost at 1 April	0
Additions for the year	48,093
Cost at 31 March	48,093
<b>Carrying amount at 31 March</b>	<b>48,093</b>

## 7 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums, subscriptions, taxes and sundry expenses as well.

## 8 Distribution of profit

Extraordinary dividend paid	400,000	100,000
Retained earnings	-628,095	3,592,499
	<b>-228,095</b>	<b>3,692,499</b>

# Notes to the Financial Statements

	2019 USD	2018 USD
<b>9 Provision for deferred tax</b>		
Provision for deferred tax at 1 April	0	-507,135
Amounts recognised in the income statement for the year	0	587,052
Currency adjustment for the year	0	-79,917
<b>Provision for deferred tax at 31 March</b>	<b>0</b>	<b>0</b>

## 10 Provision for future loss on voyages

Provision for loss on voyages	2,244,260	218,453
	<b>2,244,260</b>	<b>218,453</b>

## 11 Deferred income

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

	2018/19 USD	2017/18 USD
<b>12 Cash flow statement - adjustments</b>		
Financial income	-87,973	-161,294
Financial expenses	83,753	45,921
Tax on profit/loss for the year	51,895	1,112,818
	<b>47,675</b>	<b>997,445</b>

## 13 Cash flow statement - change in working capital

Change in inventories	-479,139	-1,798,504
Change in receivables	-1,755,697	-6,001,375
Change in other provisions	2,025,807	135,689
Change in trade payables, etc	3,351,157	1,301,144
	<b>3,142,128</b>	<b>-6,363,046</b>

# Notes to the Financial Statements

	2019 USD	2018 USD
<b>14 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with bankers: A floating charge has been placed as security in accounts receivable, inventory, property, plant and equipment and goodwill. At 31 March 2019 the debt amounts to USD 0.		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	19,098,080	16,447,111
Between 1 and 5 years	7,050,356	0
	<b>26,148,436</b>	<b>16,447,111</b>

## 15 Related parties

### 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.

### 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
Integrity Bulk Pte. Ltd.	Battery Road #15-01 Straits Trading Building, Singapore

The Group Annual Report of Integrity Bulk Pte. LTD. may be obtained from ACRA (Singapore Accounting and Corporate Regulatory Authority)

# Notes to the Financial Statements

## 16 Accounting Policies

The Annual Report of Integrity Bulk ApS for 2018/19 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.

The Financial Statements for 2018/19 are presented in USD. The exchange rate for USD is at 31 March 2019 DKK 664,46 (31 March 2018: DKK 601,88)

### 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.

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.

### Leases

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

### Translation policies

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

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

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Income Statement

#### Revenue

Revenue from sales is recognised when the risks and rewards relating to the services 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.

Services are recognised at the rate of completion by using the percentage-of-completion method. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the voyagedays incurred and the total expected voyagedays of the voyage.

Revenue consists of freight, demurrage and timecharter and is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

#### Vessel operating expenses

Vessel operating expenses comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

#### Other external expenses

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

#### Staff expenses

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

#### 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 claims.

#### 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

## 16 Accounting Policies (continued)

### **Tax on profit/loss for the year**

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

## **Balance Sheet**

### **Fixed asset investments**

Fixed asset investments consist of deposit.

### **Bunker**

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

The net realisable value of bunker is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

### **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 rent, insurance premiums, and subscriptions.

### **Equity**

#### ***Dividend***

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

### **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.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### 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.



# Notes to the Financial Statements

## 16 Accounting Policies (continued)

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.

## Cash Flow Statement

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

### Cash flows from operating activities

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

### Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the payments to and from share holders.

### Cash and cash equivalents

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

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

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

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