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# ***Integrity Bulk ApS***

Tuborg Havnevej 18, 2., DK-2900 Hellerup

## **Annual Report for 1 April 2021 - 31 March 2022**

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CVR No 36 40 89 87

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
22/8 2022

Martin Egvang  
Chairman of the General  
Meeting



**pwc**

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## **Management's Statement**

The Executive Board has today considered and adopted the Annual Report of Integrity Bulk ApS for the financial year 1 April 2021 - 31 March 2022.

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

In my opinion the Financial Statements give a true and fair view of the financial position at 31 March 2022 of the Company and of the results of the Company operations and cash flows for 2021/22.

In my opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

I recommend that the Annual Report be adopted at the Annual General Meeting.

Hellerup, 22 August 2022

### **Executive Board**

Martin Egvang  
CEO

# 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 2022 and of the results of the Company's operations and cash flows for the financial year 1 April 2021 - 31 March 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Integrity Bulk ApS for the financial year 1 April 2021 - 31 March 2022, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

## 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 misstate-

# Independent Auditor's Report

ment, 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.
- 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

# Independent Auditor's Report

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, 22 August 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Thomas Wraae Holm  
State Authorized Public Accountant  
mne30141

Jakob Thisted Binder  
State Authorized Public Accountant  
mne42816

## 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

### **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:

	2021/22	2020/21	2019/20	2018/19	2017/18
	TUSD	TUSD	TUSD	TUSD	TUSD
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	166,425	51,210	91,909	121,426	102,413
Vessel operating expenses	-136,625	-50,574	-95,458	-119,190	-94,230
Other external expenses	-979	-929	-3,171	-2,920	-1,781
Profit/loss before other operating income, provisions and net financials	23,304	636	-3,559	1,848	5,905
Provisions on debtors	0	0	-1,963	-2,200	-1,215
Gross profit/loss	28,846	2,364	-5,587	1,356	6,402
Profit/loss before financial income and expenses	23,329	1,135	-7,139	-180	4,690
Net financials	-101	26	-59	4	115
Net profit/loss for the year	19,668	1,031	-5,699	-228	3,692
<b>Balance sheet</b>					
Balance sheet total	43,097	16,500	15,621	24,198	19,449
Equity	25,553	5,885	4,854	10,553	11,181
<b>Ratios</b>					
Solvency ratio	59.3%	35.7%	31.1%	43.6%	57.5%
Return on equity	125.1%	19.2%	-74.0%	-2.1%	39.3%

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

## 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 relevant by the Executive Board.

## Development in the year

The income statement of the Company for 2021/22 shows a profit before tax of USD 23,227,807, and at 31 March 2022 the balance sheet of the Company shows an equity of USD 25,553,426.

## The Past year

During the year, the Company experienced a significant increase in revenues driven by a strong market. As a result, revenues increased by 225% compared to the previous year.

The increase in revenue and a relatively inexpensive fleet chartered by the Company led to a pre-tax profit after provisions of TUSD 23,228. which is considered very satisfactory.

In the reporting period, the Company continued its criminal proceedings as well as civil actions against a Korean conglomerate for its misconduct.

Whereas the management is confident of a full recovery of expenses, based on ongoing legal proceedings, the Company has recognized a full provision for incurred losses in its financial accounts in compliance with Danish Financial Act.

## 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.

# Management's Review

## ***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.

## ***Liquidity risks***

Management of the Company's cash and liquidity is important for its sustained 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.

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

Although the market conditions have softened during the first quarter of the new financial year, the Company is well positioned and expect a positive and satisfactory result for the year, albeit at a lower level than 2021.

## **Corporate responsibility and external environment**

The Company is continuously committed to responsibly contributing to a greener environment, while creating value for shipowners, customers and other stakeholders. The Company is in full compliance with the IMO's global 0.5% sulphur content cap regulation on fuel and closely monitors emission levels for all its vessels. 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.

Furthermore, the Company actively monitor all relevant sanctions against Countries, Companies and individuals and ensure a full compliance with same at any given time.

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

The Company has on-going voyages as of 31 March 2022. 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.

## **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	2021/22 USD	2020/21 USD
<b>Revenue</b>		<b>166,424,766</b>	<b>51,209,724</b>
Other operating income	2	25,000	2,657,271
Vessel operating expenses		-136,624,549	-50,573,754
Other external expenses		-978,759	-929,402
<b>Gross profit/loss</b>		<b>28,846,458</b>	<b>2,363,839</b>
Staff expenses	3	-3,477,659	-1,229,302
Other operating expenses	4	-2,040,000	0
<b>Profit/loss before financial income and expenses</b>		<b>23,328,799</b>	<b>1,134,537</b>
Financial income	5	128	47,940
Financial expenses	6	-101,120	-22,108
<b>Profit/loss before tax</b>		<b>23,227,807</b>	<b>1,160,369</b>
Tax on profit/loss for the year	7	-3,559,515	-129,612
<b>Net profit/loss for the year</b>		<b>19,668,292</b>	<b>1,030,757</b>

# Balance Sheet 31 March

## Assets

	Note	2022 USD	2021 USD
Deposits		48,093	48,093
<b>Fixed asset investments</b>	8	<b>48,093</b>	<b>48,093</b>
<b>Fixed assets</b>		<b>48,093</b>	<b>48,093</b>
<b>Bunker</b>		<b>4,341,253</b>	<b>2,231,022</b>
Trade receivables		10,778,819	4,249,569
Other receivables		9,496	2,297,749
Deferred tax asset	9	0	1,329,266
Corporation tax		0	22,383
Prepayments	10	3,748,101	2,302,764
<b>Receivables</b>		<b>14,536,416</b>	<b>10,201,731</b>
<b>Cash at bank and in hand</b>		<b>24,171,244</b>	<b>4,018,881</b>
<b>Currents assets</b>		<b>43,048,913</b>	<b>16,451,634</b>
<b>Assets</b>		<b>43,097,006</b>	<b>16,499,727</b>

# Balance Sheet 31 March

## Liabilities and equity

	Note	2022 USD	2021 USD
Share capital		1,006,048	1,006,048
Retained earnings		24,547,378	4,879,086
<b>Equity</b>		<b>25,553,426</b>	<b>5,885,134</b>
Provision for future loss on voyages	11	303,446	86,123
<b>Provisions</b>		<b>303,446</b>	<b>86,123</b>
Trade payables		7,163,510	2,912,955
Ongoing voyages		6,860,912	3,602,872
Payables to group enterprises		224,998	3,779,952
Corporation tax		1,700,781	0
Other payables		1,289,933	232,691
<b>Short-term debt</b>		<b>17,240,134</b>	<b>10,528,470</b>
<b>Debt</b>		<b>17,240,134</b>	<b>10,528,470</b>
<b>Liabilities and equity</b>		<b>43,097,006</b>	<b>16,499,727</b>
Significant accounting estimates, assumptions and judgements	1		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	15		
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## Statement of Changes in Equity

	Share capital USD	Retained earnings USD	Total USD
<b>2021/22</b>			
Equity at 1 April	1,006,048	4,879,086	5,885,134
Net profit/loss for the year	0	19,668,292	19,668,292
<b>Equity at 31 March</b>	<b>1,006,048</b>	<b>24,547,378</b>	<b>25,553,426</b>
<b>2020/21</b>			
Equity 1. april	1,006,048	3,848,329	4,854,377
Net profit/loss for the year	0	1,030,757	1,030,757
<b>Equity at 31 March</b>	<b>1,006,048</b>	<b>4,879,086</b>	<b>5,885,134</b>

## Cash Flow Statement 1 April - 31 March

	Note	2021/22 USD	2020/21 USD
Net profit/loss for the year		19,668,292	1,030,757
Adjustments	13	3,660,507	103,780
Change in working capital	14	986,598	-603,380
<b>Cash flows from operating activities before financial income and expenses</b>		<b>24,315,397</b>	<b>531,157</b>
Financial income		128	47,940
Financial expenses		-101,123	-22,105
<b>Cash flows from ordinary activities</b>		<b>24,214,402</b>	<b>556,992</b>
Corporation tax paid		-507,085	59,484
<b>Cash flows from operating activities</b>		<b>23,707,317</b>	<b>616,476</b>
Change in payables to group enterprises		-3,554,954	-981,355
<b>Cash flows from financing activities</b>		<b>-3,554,954</b>	<b>-981,355</b>
<b>Change in cash and cash equivalents</b>		<b>20,152,363</b>	<b>-364,879</b>
Cash and cash equivalents at 1 April		4,018,881	4,383,760
<b>Cash and cash equivalents at 31 March</b>		<b>24,171,244</b>	<b>4,018,881</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		24,171,244	4,018,881
<b>Cash and cash equivalents at 31 March</b>		<b>24,171,244</b>	<b>4,018,881</b>

# Notes to the Financial Statements

## 1 Significant accounting estimates, assumptions and judgements

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

The Company has ongoing voyages at 31 March 2022. For these voyages management has recognised the accruals at year-end based on an estimate of the voyages total 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.

The Company experienced an unforeseeable incident during the financial year 2018/19 caused by a fraudulent conduct by a conglomerate in Korea. The Company has accordingly initiated legal proceedings and the Management still expects a full recovery of the losses based on current legal proceedings and Civil Actions in Korea. Even though Management expects full recovery based on the legal proceedings, the receivable can not be recognised based on the rules governing the financial reporting of the company.

	2022 USD	2021 USD
<b>2 Other operating income</b>		
Compensation received	0	2,445,996
Other income	25,000	211,275
	<b>25,000</b>	<b>2,657,271</b>
<b>3 Staff expenses</b>		
Wages and salaries	3,331,927	1,094,737
Pensions	134,834	121,096
Other social security expenses	10,898	13,469
	<b>3,477,659</b>	<b>1,229,302</b>
<b>Average number of employees</b>	<b>9</b>	<b>10</b>

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

## 4 Special items

Special items comprise reversal of an expected compensation amount of TUSD 2,040 related to the Company's claim against Korean counterpart for mis-performance.

	2021/22 USD	2020/21 USD
<b>5 Financial income</b>		
Other financial income	128	111
Exchange adjustments	0	47,829
	<b>128</b>	<b>47,940</b>

## 6 Financial expenses

Other financial expenses	46,093	22,108
Exchange adjustments, expenses	55,027	0
	<b>101,120</b>	<b>22,108</b>

## 7 Tax on profit/loss for the year

Current tax for the year	2,230,249	0
Deferred tax for the year	1,329,266	129,612
	<b>3,559,515</b>	<b>129,612</b>

## 8 Fixed asset investments

	Deposits USD
Cost at 1 April	48,093
Cost at 31 March	48,093
<b>Carrying amount at 31 March</b>	<b>48,093</b>

## Notes to the Financial Statements

	2022 USD	2021 USD
<b>9 Deferred tax asset</b>		
Deferred tax asset at 1 April	1,329,266	1,458,878
Amounts recognised in the income statement for the year	<u>-1,329,266</u>	<u>-129,612</u>
<b>Deferred tax asset at 31 March</b>	<b><u>0</u></b>	<b><u>1,329,266</u></b>
<b>10 Prepayments</b>		
Prepayments consist of prepaid expenses concerning prepaid vessel hires, insurance premiums, subscriptions etc.		
<b>11 Provision for future loss on voyages</b>		
Provision for loss on voyages	<u>303,446</u>	<u>86,123</u>
	<b><u>303,446</u></b>	<b><u>86,123</u></b>
<b>12 Distribution of profit</b>		
Retained earnings	<u>19,668,292</u>	<u>1,030,757</u>
	<b><u>19,668,292</u></b>	<b><u>1,030,757</u></b>
<b>13 Cash flow statement - adjustments</b>		
Financial income	-128	-47,940
Financial expenses	101,120	22,108
Tax on profit/loss for the year	<u>3,559,515</u>	<u>129,612</u>
	<b><u>3,660,507</u></b>	<b><u>103,780</u></b>

# Notes to the Financial Statements

	2021/22 USD	2020/21 USD
<b>14 Cash flow statement - change in working capital</b>		
Change in inventories	-2,110,229	869,614
Change in receivables	-5,686,335	-2,302,744
Change in other provisions	217,323	-355,772
Change in trade payables, etc	8,565,839	1,185,522
	<b>986,598</b>	<b>-603,380</b>

## 15 Contingent assets, liabilities and other financial obligations

### Charges and security

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 2022 the debt amounts to USD 0.

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	14,315,355	15,004,182
Between 1 and 5 years	0	109,332
	<b>14,315,355</b>	<b>15,113,514</b>

## 16 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.	9 Straits View, #06-07 Marine One West Tower, Singapore 018937

## Notes to the Financial Statements

### 16 Related parties (continued)

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

## 17 Accounting Policies

The Annual Report of Integrity Bulk ApS for 2021/22 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 2021/22 are presented in USD. The exchange rate for USD 100 is at 31 March 2022 DKK 670.02 (31 March 2021: DKK 634.31)

### 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

## 17 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

## 17 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.

Corporation tax for shipping operations are calculated based on Tonnage Tax rules. Of other income, tax is calculated in accordance with the Corporation Tax Act rules.

## 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 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.

### 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

## 17 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.

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.



## Notes to the Financial Statements

### 17 Accounting Policies (continued)

#### 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.

#### 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

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