
INTEGRITY BULK ApS

Tuborg Havnevej, 18, 2., DK-2900 Hellerup

Annual Report for 1 April 2022 - 31 March 2023

CVR No. 36 40 89 87

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 6/7 2023

Martin Egvang
Chairman of the
general meeting



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Management's statement

The Executive Board has today considered and adopted the Financial Statements of INTEGRITY BULK ApS for the financial year 1 April 2022 - 31 March 2023.

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 2023 of the Company and of the results of the Company operations and cash flows for 2022/23.

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

I recommend that the Financial Statements be adopted at the Annual General Meeting.

Hellerup, 6 July 2023

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 2023 and of the results of the Company's operations and cash flows for the financial year 1 April 2022 - 31 March 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of INTEGRITY BULK ApS for the financial year 1 April 2022 - 31 March 2023, 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 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.

Independent Auditor's report

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 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, 6 July 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Thomas Wraae Holm

State Authorised Public Accountant

mne30141

Jakob Thisted Binder

State Authorised 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 2022 - 31 March 2023

Municipality of reg. office: Gentofte

Executive Board

Martin Egvang

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022/23	2021/22	2020/21	2019/20	2018/19
	TUSD	TUSD	TUSD	TUSD	TUSD
Key figures					
Profit/loss					
Revenue	132,956	166,425	51,210	91,909	121,426
Vessel operating expenses	-119,305	-136,625	-50,574	-95,458	-119,190
Other external expenses	-1,622	-979	-929	-3,171	-2,920
Profit/loss before other operating income, provisions and net financials	9,155	23,304	636	-3,559	1,848
Provisions on debtors	0	0	-1,963	-2,200	-1,215
Gross profit/loss	17,245	28,846	2,364	-5,587	1,356
Profit/loss before financial income and expenses	14,373	23,329	1,135	-7,139	-180
Profit/loss of financial income and expenses	989	-101	26	-59	4
Net profit/loss	13,898	19,668	1,031	-5,699	-228
Balance sheet					
Balance sheet total	47,728	43,097	16,500	15,621	24,198
Equity	39,452	25,553	5,885	4,854	10,553
Ratios					
Solvency ratio	82.7%	59.3%	35.7%	31.1%	43.6%
Return on equity	42.8%	125.1%	19.2%	-74.0%	-2.1%

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 2022/23 shows a profit before taxes of USD 15,361,993. At 31 March 2023, the balance sheet of the Company shows an equity of USD 39,451,772.

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, although lower result than the past year.

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.

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.

Corporate responsibility and external environment

Environment

It is the ambition to continuously improve energy efficiency with all vessels in our fleet. Consequently, The Company is always inquiring about energy efficiency when engaging a supplier including contractual terms ensuring the supply to the vessel is compliant with low-sulphur bunker regulation. Since 2021, we have included contractual terms about low-sulphur bunker regulation compliance in all new contracts, and we will continue this in the future.

However, as the fuel consumption is the only material impact, we may influence, and since the number of transactions are limited, the Company do not see sufficient material to require a formalized policy. We are continuously evaluating the need for a more formalized policy.

Management's review

From 1 January 2023 it has been mandatory for all vessels to calculate their attained Energy Efficiency Existing Ship Index (EEXI) to measure their energy efficiency and to initiate the collection of data for the reporting of their annual operational carbon intensity indicator (CII) and CII rating. We are constantly monitoring the vessels in our fleet to ensure the lowest possible emission and thus the best rating possible

Human rights

The Company respects and recognizes human rights, the rights of the child and all International Labour Organization (ILO) charters. With its current business model we don't employ crew on the vessels. When selecting a supplier, it is contractually ensured that the responsibility of work and employment conditions belong to the supplier and that the ITF are granted access to check and review compliance in accordance with international agreements. In 2021, we have included contractual terms about responsibility of work and employment contracts in all new contracts, and we will continue this in the future.

The Company will continue to monitor and ensure that Human Rights are adhered to on all levels in the supply-chain and maintain a zero-tolerance on breach of Human rights and ILO charters.

Consequently, we do not see risks leading to a further need for a more formalized policy on human rights. However, we will continuously evaluate the need for a more formalized policy.

Strategy and objectives

Anti-corruption

The Company has a zero tolerance towards corruption and bribery practices. Contracts with both customers and suppliers follow the standards provided by BIMCO. Port costs forwarded by chartered vessels that are to be paid by the Company undergo quality assurance and approval from an external service provider, which know all official rates in ports. Further, all costs related to voyages are approved directly by management applying a four eye principle. The risks related to corruption and bribery are therefore considered very low. In the Financial Year 2022/2023, we have followed the anti-corruption procedures described above and we will continue to do so in the future.

Statement of corporate social responsibility

Referencing the above assessment and evaluation of risks related to CSR, the Company has decided not to author formalized policies for impacts related to climate change, environmental issues, human rights and anti-corruption. Our work within these areas is described in the sections above. We will continuously evaluate the need for more formalized policies.

Policy regarding employees

It is the policy of the Company to attract, retain and evolve the best possible employees, meaning employees that are highly qualified and motivated to successfully manage present and future assignments.

The Company believes that personal development is key to the success and well-being of the company's employees.

In 2022/2023, annual meetings have been held with all employees where the performance of the individual was assessed and evaluated and where targets for 2023 were decided in agreement with the employee.

In 2023/2024 we will continue with annual meetings to assess and evaluate the performance of the individual employees.

The Company has ensured paid health insurance for all employees and has in 2022/2023 continued its offer for employees to be able to work from home to provide grounds for a healthy work life balance.

All staff are encouraged to work for and contribute to a healthy and inspiring work-environment, respecting and supporting their co-worker.

Research and development

The Company is not involved in research and development activities.

Management's review

Statement on gender composition

As the ultimate management body of the company is the Director , the question regarding equitable gender distribution is not relevant for the Company.

The Company employs less than 50 employees and therefore there is no requirement to develop a policy for the underrepresented gender on other management levels.

Statement on data ethics

The Company has evaluated if it is relevant to prepare a policy for data ethics. The Company only enter into business with B2B customers and therefore, to a limited extend, collects and processes data. The Company has not prepared a data ethics policy, but all information we receive related to customers, vendors and employees are treated in a responsible manner that secure that the data cannot be accessed by unauthorised persons.

The Company has a clear defined GDPR policy which is communicated to all stakeholders.

International Sanctions

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

In addition, the Company contractually ensures that all its counterparts warrant to be in full compliance of all international sanctions.

Uncertainty relating to recognition and measurement

The Company has on-going voyages as of 31 March 2023. For these voyages the Management has to estimate the total voyage results. 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 2022 - 31 March 2023

	Note	2022/23 USD	2021/22 USD
Revenue	2	132,955,716	166,424,766
Other operating income	3	5,232,000	25,000
Direct expenses		-119,305,873	-136,624,549
Other external expenses		-1,636,556	-978,759
Gross profit		17,245,287	28,846,458
Staff expenses	4	-2,872,233	-3,477,659
Other operating expenses		0	-2,040,000
Profit/loss before financial income and expenses		14,373,054	23,328,799
Financial income	5	1,013,852	128
Financial expenses	6	-24,913	-101,120
Profit/loss before tax		15,361,993	23,227,807
Tax on profit/loss for the year	7	-1,463,647	-3,559,515
Net profit/loss for the year	8	13,898,346	19,668,292

Balance sheet 31 March 2023

Assets

	Note	2022/23 USD	2021/22 USD
Deposits	9	48,093	48,093
Fixed asset investments		<u>48,093</u>	<u>48,093</u>
Fixed assets		<u>48,093</u>	<u>48,093</u>
Raw materials and consumables		1,863,273	4,341,253
Inventories		<u>1,863,273</u>	<u>4,341,253</u>
Trade receivables		5,689,513	10,778,819
Other receivables		122,836	9,496
Prepayments	10	2,042,316	3,748,101
Receivables		<u>7,854,665</u>	<u>14,536,416</u>
Cash at bank and in hand		<u>37,961,925</u>	<u>24,171,244</u>
Current assets		<u>47,679,863</u>	<u>43,048,913</u>
Assets		<u>47,727,956</u>	<u>43,097,006</u>

Balance sheet 31 March 2023

Liabilities and equity

	Note	2022/23 USD	2021/22 USD
Share capital		1,006,048	1,006,048
Retained earnings		38,445,724	24,547,378
Equity		39,451,772	25,553,426
Other provisions	11	500,872	303,446
Provisions		500,872	303,446
Trade payables		3,298,229	7,163,510
Contract work in progress		3,010,963	6,860,912
Payables to group enterprises		131,985	224,998
Corporation tax		677,399	1,700,781
Other payables		656,736	1,289,933
Short-term debt		7,775,312	17,240,134
Debt		7,775,312	17,240,134
Liabilities and equity		47,727,956	43,097,006
Unusual conditions	1		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
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Statement of changes in equity

	Share capital	Retained earnings	Total
	USD	USD	USD
Equity at 1 April	1,006,048	24,547,378	25,553,426
Net profit/loss for the year	0	13,898,346	13,898,346
Equity at 31 March	1,006,048	38,445,724	39,451,772

Cash flow statement 1 April 2022 - 31 March 2023

	Note	2022/23 USD	2021/22 USD
Result of the year		13,898,346	19,668,292
Adjustments	12	474,708	3,660,507
Change in working capital	13	1,008,732	986,598
Cash flow from operations before financial items		15,381,786	24,315,397
Financial income		1,013,852	128
Financial expenses		-24,915	-101,123
Cash flows from ordinary activities		16,370,723	24,214,402
Corporation tax paid		-2,487,029	-507,085
Cash flows from operating activities		13,883,694	23,707,317
Repayment of payables to group enterprises		-93,013	-3,554,954
Cash flows from financing activities		-93,013	-3,554,954
Change in cash and cash equivalents		13,790,681	20,152,363
Cash and cash equivalents at 1 April		24,171,244	4,018,881
Cash and cash equivalents at 31 March		37,961,925	24,171,244
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		37,961,925	24,171,244
Cash and cash equivalents at 31 March		37,961,925	24,171,244

Notes to the Financial Statements

1. Unusual conditions

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 2023. 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. This expected recovery is not reflected in the Financial Report for the company as it does not fulfill the recognition criteria in the Danish Financial Statements Act.

2. Revenue

Business segments

The Company only has one business segment which is freight- and time-charter contracts globally.

2022/23	2021/22
USD	USD

132,955,716	166,424,766
132,955,716	166,424,766

2022/23	2021/22
USD	USD

3. Other operating income

Other income	5,232,000	25,000
	5,232,000	25,000

Other income primarily consists of compensation received from agreed cancellation of an option to acquire a vessel

Notes to the Financial Statements

	2022/23	2021/22
	USD	USD
4. Staff Expenses		
Wages and salaries	2,719,905	3,331,927
Pensions	137,108	134,834
Other social security expenses	11,713	10,898
Other staff expenses	3,507	0
	<u>2,872,233</u>	<u>3,477,659</u>

Including remuneration to the Executive Board and Board of Directors:

Average number of employees	<u>10</u>	<u>9</u>
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The Board of Directors do not receive remuneration.

	2022/23	2021/22
	USD	USD
5. Financial income		
Other financial income	852,970	128
Exchange adjustments	160,882	0
	<u>1,013,852</u>	<u>128</u>

	2022/23	2021/22
	USD	USD
6. Financial expenses		
Other financial expenses	24,913	46,093
Exchange adjustments, expenses	0	55,027
	<u>24,913</u>	<u>101,120</u>

Notes to the Financial Statements

	2022/23	2021/22
	USD	USD
7. Income tax expense		
Current tax for the year	1,463,647	2,230,249
Deferred tax for the year	0	1,329,266
	<u>1,463,647</u>	<u>3,559,515</u>

	2022/23	2021/22
	USD	USD
8. Profit allocation		
Retained earnings	13,898,346	19,668,292
	<u>13,898,346</u>	<u>19,668,292</u>

9. Other fixed asset investments

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

10. Prepayments

Prepayments consist of prepaid expenses concerning prepaid vessel hires, insurance premiums, subscriptions etc.

11. Other provisions

	2022/23	2021/22
	USD	USD
Provision for loss on voyages	500,872	303,446
	<u>500,872</u>	<u>303,446</u>

Notes to the Financial Statements

The provisions are expected to mature as follows:

Within 1 year	500,872	303,446
After 5 years	0	0
	<u>500,872</u>	<u>303,446</u>

2022/23	2021/22
USD	USD

12. Cash flow statement - Adjustments

Financial income	-1,013,852	-128
Financial expenses	24,913	101,120
Tax on profit/loss for the year	1,463,647	3,559,515
	<u>474,708</u>	<u>3,660,507</u>

2022/23	2021/22
USD	USD

13. Cash flow statement - Change in working capital

Change in inventories	2,477,980	-2,110,229
Change in receivables	6,681,751	-5,686,335
Change in other provisions	197,426	217,323
Change in trade payables, etc	-8,348,425	8,565,839
	<u>1,008,732</u>	<u>986,598</u>

2022/23	2021/22
USD	USD

14. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	39,731,289	14,315,355
	<u>39,731,289</u>	<u>14,315,355</u>

Notes to the Financial Statements

15. Related parties

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Integrity Bulk Pte Ltd., Singapore - registered in Singapore

Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of the Parent Company of the largest group Integrity Bulk Holding ApS. The Consolidated Financial Statements may be obtained from CVR (Danish Business Authority Company Register).

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.

16. Fee to auditors appointed at the general meeting

Refer to the Annual Report for Integrity Bulk Holding ApS

Notes to the Financial Statements

17. Accounting policies

The Annual Report of INTEGRITY BULK ApS for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022/23 are presented in USD. The exchange rate for USD 100 is at 31 March 2023 DKK 684.92 (31 March 2022 DKK 670.02)

In accordance with the Danish Financial Statements Act § 96, section 3 the fee to the statutory auditor appointed at the general meeting is only shown in the Consolidated Financial Statements of Integrity Bulk Holding ApS.

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.

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. Gains and losses 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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

Income statement

Net sales

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

Direct 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

Other operating income compromise items of a secondary nature to the main activities of the Company, including compensation received.

Financial income and expenses

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

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

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

Other fixed asset investments

Fixed asset investments consist of deposits.

Notes to the Financial Statements

Inventories

Inventories consist of bunkers.

Bunkers 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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments consist of prepaid expenses concerning prepaid vessel hires, insurance premiums, subscriptions etc.

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. Provisions consist of loss on voyages.

Provisions consist of loss on voyages.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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

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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

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 depreciation, amortisation and impairment losses, and 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 shareholders.

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	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$