

Crystal Nordic Shipowning K/S

Tuborg Havnevej 15

2900 Hellerup

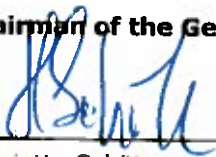
Business Registration No

37371548

Annual report 2016

The Annual General Meeting adopted the annual report on 18 May 2017

Chairman of the General Meeting



Henriette Schütze

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Entity details

Entity

Crystal Nordic Shipowning K/S
Tuborg Havnevej 15
2900 Hellerup

Business Registration No: 37371548
Registered in: Hellerup
Financial year: 14.01.2016 - 31.12.2016

Board of Directors

Per Sylvester Jensen, chairman
Christoph Egon Ludolf Toepfer
Frederik Rye-Florentz
Henriette Schütze

Executive Board

Jan Eghøj, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postbox 1600
0900 Copenhagen C

Statement by Management on the annual report

The general partner has today considered and approved the annual report of Crystal Nordic Shipowning K/S for the financial year 14.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 14.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Executive Board


Jan Eghøj
CEO

Board of Directors


Per Sylvester Jensen
chairman


Christoph Egon Ludolf Toepfer


Frederik Rye-Florentz


Hannelotte Schütze

Independent auditor's report

To the owner of Crystal Nordic Shipowning K/S

Opinion

We have audited the financial statements of Crystal Nordic Shipowning K/S for the financial year 14.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 14.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 18 May 2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No: 33963556



Henrik Hjørn Kjelgaard
State Authorised Public Accountant



Bjarne Over Jørgensen
State Authorised Public Accountant

Management commentary

	2016*
	USD'000
Financial highlights	
Key figures	
Revenue	50.060
Gross profit/loss	21.156
Operating profit/loss	1.699
Net financials	(2.328)
Profit/loss for the year	(630)
Total assets	117.874
Investments in property, plant and equipment	113.625
Equity	67.721
Ratios	
Gross margin (%)	42,3
Net margin (%)	NA
Return on equity (%)	NA
Equity ratio (%)	57,5

Key figures are calculated in accordance with the "Recommendations & Financial Ratios 2015" from the Danish Finance Society. The Company was established on 14 January 2016.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

* The 2016 financial statements are based on the period from 14 January to 31 December 2016.

Management commentary

Primary activities

The Company's business activities consist of conducting shipping globally with own vessels while focusing on safety, quality and thus on environmentally friendly transport at sea.

Development in activities and finances

The Company was established on 14 January 2016 with the purpose of acquiring 14 ice-class vessels, of which 10 were owned, 4 were partly owned.

The negative year-end result of USD 630 thousand is considered satisfactory.

The underrepresented gender

At present, the Board of Directors is made up of three men and one woman. The goal for 2017 is to keep this gender representation on the Board. Should a new Board constitution be relevant, it is the Company's policy always to choose the candidate with the strongest qualifications no matter their gender and the Company encourages everyone to apply regardless of their gender, race, religion and political observation.

Corporate Social Responsibility

All Crystal Nordic's CSR activities emerge from the Company's core business and strategy. The Company is committed to progress in business driven CSR initiatives just like Nordic Tankers, which supplies administration services and acts as technical manager on the majority of Crystal Nordic's vessels. The purpose of this approach is to deliver high quality and best in class services while meeting own and customers' expectations in respect of responsible business practice. Management sees the business driven approach as the only way forward when building a long-term sustainable business, where both the Company and society at large benefits.

Crystal Nordic does not have its own policy for corporate social responsibility; however, the administrator of the Company, has formulated a CSR policy and annually produces a Communication on Progress (CoP) report. Likewise, the other technical manager of the Company, Crystal Pool, has framed a series of policies within safety and environment to which Crystal Nordic also adheres. Nordic Tankers' CSR policy is based on the ten guiding principles of the United Nations Global Compact (UNGC) that cover the areas of human and labor rights, environment & climate and anti-corruption as well as the principle of continuous improvement. The policy states that:

"Nordic Tankers will actively initiate and participate in activities related to CSR and will incorporate CSR initiatives in our strategy at any given time. Nordic Tankers will focus on areas related to health & safety, environment & climate and welfare & training.

Nordic Tankers will strive to continuously improve itself in these fields and communicate openly with our stakeholders about the results we achieve. As with everything else in Nordic Tankers, CSR challenges will be met with a can-do attitude and will be solved in a safe manner with integrity and team-spirit at heart."

The Safety & Environmental Policy of Crystal Pool states that:

By a strict adherence and continuous improvement in our working systems and procedures, we ensure that services provided to the maritime industry are of excellence, professional are competitive, achieving zero incidents and pollution. [...] The Company assumes whole responsibility for safe and efficient operation of all vessels under its full management and takes over all duties imposed by the ISM code. Crystal Pool SRL is committed to comply with applicable legislations and with other industry requirements to which the Company subscribes."

Safety Culture

A key focus area during 2016 was the Safety Culture in Crystal Nordic. The ambition is to prevent all accidents, injuries and occupational illnesses through the active participation of each employee. Therefore, Crystal Nordic's CSR initiatives are embedded, carried out and measured within the various departments. Regardless of where in the organization one might be working, everyone is responsible for ensuring that the safety culture unfolds its full potential. Results of the Safety Culture drive include increased knowledge sharing, less vetting remarks and fewer incidents; however, the Company continues to invest resources in this area to reach the goal of zero incidents. In 2016 Crystal Nordic achieved zero LTIF (Lost time injuries frequency).

Environment and climate

Crystal Nordic has formulated a Health, Safety and Environment (HSE) policy. The HSE policy covers all vessels and personnel in the technical departments involved with the vessels. The policy states that:

"Crystal Nordic is committed to conduct activities in a way, so that we ensure promotion of the safety and health of our employees both ashore and on board the vessels, and at the same time focus on conservation and protection of the environment."

The policy further includes working towards a "zero oil spill to sea" by coordination of efforts of those ashore and on board vessels plus working towards a long term goal of "zero accidents and incidents" by using KPI's

to monitor performance. Generally, Crystal Nordic will comply with industry legislation that refers to health, safety and environment protection while focusing on global activities and ensuring continual environmental improvements through open dialogue with clients/customers. Their feedback will be used to revise existing procedures related to health, safety and environment issues.

Human resources and labor rights

There is no own policy for human resources and labor rights explicitly for Crystal Nordic. However, Crystal Nordic has set up KPI's that applies for both their technical managers (Nordic Tankers and Crystal Pool). Seafarers' retention rate is a solid indicator for their satisfaction with their general employment conditions. For Crystal Nordic, it was the goal to reach a retention rate among senior officers of at least 80%. Both technical managers achieved the goal, as the retention rate for senior officers employed by Nordic tankers was 84.4% (100% achievement) and by Crystal Pool it was 82% (100% achievement).

Goals for 2017 remain the same as for 2016.

Crystal Pool furthermore has a Crewing policy with a mission of providing safe and efficient maritime transportation services to their customers. The Crewing policy declares that Crystal Pool will strive through education, teamwork and information sharing to ensure all employees continuously improve the way in which they operate and work together.

The manual is in compliance with:

- The international Convention on Standards of Training, Certification and Watch keeping for Seafarers (STCW).
- The relevant Flag State requirements
- The relevant chapters of SOLAS Convention
- The ILO Convention 147, Merchant Shipping Minimum Standards, ILO and MLC 2006
- With other relevant ILO Conventions as ratified by the particular Flag State Administration
- With agreed Collective Bargaining Agreements (CBA)
- With relevant laws, Conventions, Codes or Standards as required by the Owner / Ship Management.

Working with tank vessels requires the highest degree of safe working conditions both at sea and ashore. To heighten safety awareness, Crystal Nordic aim to conduct crew seminars in all major sourcing areas in 2016. Crew seminars were successfully carried out in Europe and Asia (100% achievement). During crew seminars, ship and shore meet to discuss how to strengthen the ship-shore communication, share the company strategy

with the seafarers and to get the seafarers' perspective on how to improve operation. This ensures an understanding of the seafarers' importance for the Company's continued business.

A joint crew seminar between Nordic Tankers and Crystal Pool seafarers is taking place in spring 2017 to strengthen the corporation between the seafarers even more.

It is the goal for 2017 that all senior officers participate in one seminar during a period of 24 months.

Human rights

Crystal Nordic has a policy on human rights in their Code of Conduct, which states that:

"Crystal Nordic shall conduct its business in compliance with all applicable laws and regulations in the places where it conducts its business. Furthermore, Crystal Nordic shall respect safety and environmental concerns and be responsive to the concerns of the wider society."

In addition, Crystal Nordic's General Purchasing Terms and Conditions has been adapted by both technical managers. The General Purchasing Terms and Conditions clearly specify demands for suppliers and their sub-contractors when it comes to human rights:

"The Supplier represents and warrants that when providing Goods and/or Services it complies with all applicable laws, including but not limited to any applicable anti-corruption laws such as the United States Foreign Corrupt Practices Act, UK Bribery Act, etc. as well as the Buyer's Anti-Corruption Program.

The Supplier represents and warrants that it is not in any way involved in or related to (be it directly, indirectly, or benefitting from) any form of slavery or forced labor, human trafficking or similar. Furthermore, the Supplier may not withhold any part of any personnel's salary, personal documents, property or benefits to force such personnel to continue working with the Supplier. The Supplier shall treat all personnel with dignity and respect and shall not tolerate mental or physical abuse or coercion of employees. Nor may the Supplier be engaged in or benefit from child labor."

Anti-corruption

Crystal Nordic has its own Anti-Corruption policy that covers all vessel officers and cadets on board Crystal Nordic vessels as well as office personnel. All seafarers and office personal must on a regular basis complete the Anti-Corruption e-learning program. The program is developed in cooperation with MACN and supplied by Nordic Tankers.

Anti-Money Laundry

Crystal Nordic implemented an Anti-Money Laundry Policy and Guidelines in 2017 that further explains the policy statement set out in the Company's Code of Conduct. The policy states that:

"Crystal Nordic will not participate in any form of money laundering, and no member of management or any employee may facilitate, support, directly or indirectly, any payment or transfer of money, which is likely to constitute money laundering."

The responsibility to avoid getting involved in any money laundering or dubious transaction applies to all employees and involves all departments and throughout the entire activity chain from the choice of customer or business partner all the way to the execution of payments. All employees have received a copy of the policy plus the training necessary to identify the warning signs of money laundering and financial crime.

Business related risks

Although a large percentage of the Company's earnings come from contracts, the general freight market influences the basic profits.

Financial risks

The Company's earnings are mainly in EUR and USD, which match the Company's administrative and financial costs.

Outlook

Management expects that the Company will realise a positive result for 2017, however, this is dependent on the development in the freight market.

Environmental performance

A significant area of activity in Crystal Nordic Shipowning K/S' affiliated companies is the transport of petrochemical products and refined oil products. As a high level of safety is important both to the shipowner and the Charter in order to prevent damages to people and nature plus the loss of assets, all vessels used within this segment are double-hulled and equipped with stainless steel tanks. In addition, it is secured that the vessels are well maintained and that the crew continually complete safety training.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>14.01-31.12 2016 USD</u>
Revenue		50.059.685
Other operating income		252.965
Costs of sales		(28.811.957)
Other external expenses		<u>(344.521)</u>
Gross profit/loss		21.156.172
Staff costs	1	(10.526.206)
Depreciation, amortisation and impairment losses		<u>(8.931.399)</u>
Operating profit/loss		1.698.567
Other financial expenses	2	<u>(2.328.471)</u>
Profit/loss for the year	3	<u>(629.904)</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD</u>
Vessels and dockings		<u>104.693.258</u>
Property, plant and equipment	4	<u>104.693.258</u>
Fixed assets		<u>104.693.258</u>
Inventories		<u>912.118</u>
Inventories		<u>912.118</u>
Trade receivables		3.514.911
Other receivables		638.961
Prepayments	5	<u>768.709</u>
Receivables		<u>4.922.481</u>
Cash		<u>7.346.124</u>
Current assets		<u>13.180.723</u>
Assets		<u>117.873.981</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD</u>
Contributed capital		292.479
Retained earnings		<u>67.428.439</u>
Equity		<u>67.720.918</u>
Bank loans		<u>37.287.529</u>
Non-current liabilities other than provisions	6	<u>37.287.529</u>
Bank loans		7.006.667
Trade payables		2.265.439
Payables to group enterprises		256.854
Other payables		<u>3.336.574</u>
Current liabilities other than provisions		<u>12.865.534</u>
Liabilities other than provisions		<u>50.153.063</u>
Equity and liabilities		<u>117.873.981</u>
Contingent liabilities	7	
Mortgages and securities	8	
Related parties with controlling interest	9	
Group relations	10	

Statement of changes in equity for 2016

	Contributed capital USD	Retained earnings USD	Total USD
Contributed capital 14.01	292.479	0	292.479
Group contributions	0	68.058.343	68.058.343
Profit/loss for the year	0	(629.904)	(629.904)
Equity end of year	292.479	67.428.439	67.720.918

Notes

	14.01-31.12 2016 USD
1. Staff costs	
Wages and salaries	9.499.771
Other staff costs	<u>1.026.435</u>
	<u>10.526.206</u>

Staff costs consist of wages to crew members onboard vessels. The seafarers are employed on a voyage to voyage basis and are not included in the average number of employees. The Company's Management has not received remuneration.

	14.01-31.12 2016 USD
2. Other financial expenses	
Interest expenses	1.657.023
Exchange rate adjustments	510.992
Other financial expenses	<u>160.456</u>
	<u>2.328.471</u>

	14.01-31.12 2016 USD
3. Proposed distribution of profit/loss	
Retained earnings	<u>(629.904)</u>
	<u>(629.904)</u>

Notes

	14.01-31.12 2016 USD
4. Property, plant and equipment	
Additions	<u>113.624.658</u>
Cost end of year	<u>113.624.658</u>
Depreciation for the year	<u>(8.931.400)</u>
Depreciation and impairment losses end of year	<u>(8.931.400)</u>
Carrying amount end of year	<u>104.693.258</u>

5. Prepayments

Prepayments consist of prepaid expenses.

	Outstanding between 1-5 years USD
6. Liabilities other than provisions	
Bank loans	<u>37.288</u>

7. Contingent liabilities

Management is not aware of any lawsuits or arbitration cases which could have significant influence on the Company's financial position or result.

The Company is not subject to tax.

8. Mortgages and securities

As security for bank debt, the Company has deposited mortgage, mortgage deed and letter of indemnity for a total value of USD 60 million secured with pledge in vessels, included in the balance sheet with USD 105 million.

Notes

9. Related parties with controlling interest

The general partner of Crystal Nordic Shipowning K/S is Crystal Nordic Partner ApS.

10. Group relations

Crystal Nordic Shipowning K/S is included in the consolidated financial statements of Crystal Nordic A/S, Business Registration No. 37 36 93 06.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The Company has decided to submit the annual report in USD in accordance with section 16 of the Danish Financial Statements Act.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Accounting policies

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Income statement

Revenue

Revenue is recognised in the income statement when:

- The income creating activities have been carried out on the basis of a binding agreement
- The income can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Company
- Costs relating to the transaction can be measured reliably

Revenue comprises freight and demurrage. Revenue is recognised when it meets the general criteria mentioned above and the stage of completion can be measured reliably. The stage of completion is based on the number of voyage days completed divided by the expected total voyage days for the individual voyage. Accordingly, freight revenue is recognised at selling price multiplied by stage of completion for voyages in progress at year-end.

Other operating income

Other operating income comprises income of a secondary nature other than the Company's primary activities.

Cost of sales

Cost of sales are voyage related expenses that consist mainly of bunkers, port expenses and commissions. Voyage related expenses are recognised as incurred. Moreover, cost of sales includes operation and maintenance of vessels.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities.

Accounting policies

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for the crew.

Depreciation, amortisation and impairment losses

Depreciation on fixed assets pertains mainly to vessels and dry-dockings (see 'Property, plant and equipment' for the description of depreciation principles). Write-downs are made when impairment tests shows that the value of fixed assets is impaired.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies, amortisation of financial assets etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities etc.

Balance sheet

Property, plant and equipment

Property, plant and equipment includes vessels and dockings, and are measured at cost less accumulated depreciation and impairment losses. The cost comprises the cost of acquisition and any expenses directly related to the acquisition until the time when the asset is ready for use, including interest expenses incurred during the period of construction. Other borrowing costs are taken to the income statement. Depreciation is charged over the expected economic lives of the assets, and the depreciation methods, expected lives and residual values are reassessed individually for the assets at the end of each financial year.

Vessels: Vessels are measured at cost less accumulated depreciation and write-downs. All major components of vessels except for dry-docking assets are depreciated on a straight-line basis to the estimated residual value over their estimated useful lives, which Nordic Tankers estimates to be 25 years. Depreciation is based on cost less the estimated residual value. Residual value is estimated as the light weight tonnage of each vessel multiplied by scrap value per ton. The useful life and residual value of the vessels are reviewed at least at each financial year-end based on market conditions, regulatory requirements and the Company's business plans. Moreover, the Company evaluates the carrying amount of the vessels to determine whether events have occurred that indicate impairment and would require an adjustment of the carrying amounts.

Accounting policies

Dockings: The fleet of own vessels is required to undergo planned dry dockings for major repairs and maintenance, which cannot be carried out while the vessels are operating. Dry-dockings are generally required every 30-60 months depending on the nature of the work. Costs relating to dry-dockings are capitalised and depreciated on a straight-line basis over a period of 60 months or to the next dock if within 30 months. The residual value is estimated at zero. A portion of the cost of acquiring a new vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. For new buildings, the initial dry-docking asset is estimated on the basis of the expected costs related to the first-coming docking, which is based on experience with similar vessels. At subsequent dry-dockings, the asset comprises the actual docking costs incurred.

Inventories

Inventories consist of bunker oil and lubricants, etc. and are measured at cost using the FIFO method or the net realisable value, whichever is lower.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Prepayments

Prepaid expenses recognised under assets comprise incurred expenses related to the following financial year and are measured at cost.

Cash

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Other financial liabilities

Other financial liabilities comprise trade payables and other payables to public authorities, etc. Other financial liabilities are initially measured at fair value less any transaction costs. Liabilities are subsequently measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement as a financial expense over the term of the loan.

Cash flow statement

The cash flow statement is not included in the annual report in accordance with the Danish Financial Statements Act § 86, section 4.