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Crystal Nordic Shipowning K/S

Galoche Alle 15
4600 Køge
Business Registration No
37371548

Annual report 2019

The Annual General Meeting adopted the annual report on 06.05.2020

Chairman of the General Meeting

Name: Bent Kemplar

Contents

Entity details

Entity
Crystal Nordic Shipowning K/S
Galoche Alle 15
4600 Køge

Central Business Registration No (CVR): 37371548
Registered in: Køge
Financial year: 01.01.2019 - 31.12.2019

Board of Directors
Bent Kemplar, Chairman
Jan Eghøj
Wilfried Fuhrmann

Executive Board
Jan Eghøj, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and The Executive Board of Crystal Nordic Shipowning Partner ApS as manager and general partner of Crystal Nordic Shipowning K/S have today considered and approved the annual report of Crystal Nordic Shipowning K/S for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Køge, 06.05.2020

Executive Board

Jan Eghøj
CEO

Board of Directors

Bent Kemplar Chairman	Jan Eghøj	Wilfried Fuhrmann

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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, 06.05.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Bjarne Iver Jørgensen
State Authorised Public Accountant
Identification No (MNE) mne35659

Management commentary

	2019 EUR'000	2018 EUR'000	2017 EUR'000	2016 EUR'000
Financial highlights				
Key figures				
Revenue	12.728	39.330	54.536	49.707
Gross profit/loss	8.345	16.373	21.762	19.131
Operating profit/loss	(368)	2.953	(465)	1.536
Net financials	(315)	(881)	(958)	(2.106)
Profit/loss for the year	(683)	2.072	(1.423)	(570)
Total assets	28.818	31.999	90.947	111.745
Investments in property, plant and equipment	0	1.021	1.012	107.793
Equity	19.118	23.301	55.129	64.245
Ratios				
Gross margin (%)	65,6	41,6	39,9	38,5
Net margin (%)	(5,4)	5,3	(2,6)	(1,1)
Return on equity (%)	(3,2)	5,3	(2,4)	(0,9)
Equity ratio (%)	66,3	72,8	60,6	57,5

Financial highlights are defined and calculated in accordance with the Danish Society of Financial Analysts current "Recommendations & Ratios".

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

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 negative year-end result of 0,7 mEUR is considered non-satisfactory. As of 31 December 2019, the equity amounts to 19,1 mEUR.

Outlook

Management expects that the Company will realise a positive result for 2020, however, this is dependent on the development in the freight market.
COVID-19 outbreak in 2020 has until now not had any effect on the Company's activites, but has given an increased uncertainty in relation to furture demand.

Particular risks

Business related risks

Although the Company's earnings come from T/C contracts, the general freight market influences the basic profit sharing.

Financial risks

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

Statutory report on corporate social responsibility

Crystal Nordic will actively initiate and participate in activities related to CSR and will incorporate CSR initiatives in its strategy at any given time. The key focus points of Crystal Nordic are areas related to health & safety, environment & climate and general welfare and training. Crystal Nordic will strive to continuously improve itself in these fields and communicate transparently with stakeholders about results and initiatives.
All of Crystal Nordic's CSR activities emerge from the Group's core business and strategy. The Group is committed to progress in business-driven CSR initiatives in order 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 Group and society benefit.
Crystal Nordic's CSR policy is based on the ten guiding principles of the United Nations Global Compact (UNGC) that cover the areas of human & labor rights, environment & climate and anti-corruption as well as the principle of continuous improvement.

Safety Culture

Safety is Crystal Nordic's license to operate and embedded in the Group's DNA. All employees regardless of title and work responsibilities must at all times comply with Crystal Nordic's safety policy and regulations. A key focus area during 2019 was the continuation of the Safety Culture drive. The ambition of this initiative

Management commentary

is to prevent all accidents, injuries and occupational illnesses through the active participation of each employee. Therefore, Crystal Nordic's safety initiatives are embedded, carried out and measured within the various business area. All employees regardless of title and work responsibilities must at all times comply with Crystal Nordic's safety policy and regulations. Results of the Safety Culture drive include increased knowledge sharing and fewer incidents. The Group continues to invest resources in this area to reach the goal of zero incidents.
Introduction of the safety culture program has had the positive result of decreasing the number of accidents on board the Group's vessels. The Company reached the target of 0 Lost Time Incidents (LTI) in 2019. The goal for 2020 is also to reach 0 LTIs on vessels owned by Crystal Nordic

Environment and Climate
Responsibility at sea
Crystal Nordic has formulated a Health, Safety and Environment (HSE) policy, which 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 KPIs 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.
The Group together with its technical manager, Dania Ship Management, actively collaborate with the Danish Ministry for Energy, Utilities and the Climate plus the Danish Technological Institute to develop a method for remote determination of Sulphur content in fuel oil on board ships. The project is named "Remote sensing of Sulphur and particle emission from ships" and was commenced in 2016.
On an annual basis, the Group reports its fuel oil consumption on vessels to Danish Shipping. The fuel oil consumption can easily be converted to actual CO2 emissions, which, together with information about cargo intake and sailing distance, can be converted to CO2 emissions per transport work. From January 1st 2018, the new EU legislation, Monitoring, Reporting and Verification (MRV), regarding CO2 emissions from ships is in force and replace the reporting to Danish Shipping. In 2018, Crystal Nordic has implemented systems to ensure reporting is done in full compliance with the new legislation.
For 2019, it was the target to have 0 groundings and 0 oil spills, both of which targets were achieved. Furthermore, it was the target to reduce the vessels' garbage volumes.

General purchasing terms and conditions
In addition to the HSE policy, the General Purchasing Terms and Conditions of Crystal Nordic specify that all suppliers and subsuppliers are required to live up to the rules and regulations applicable for Crystal Nordic.

Recycling
The Group does not have a need to recycle ships in the near future. However, in 2019, the Group introduced a policy for recycling of vessels in case of relevant in the long term. Should recycling of a vessel be considered,

Management commentary

Crystal Nordic will through a comprehensive investigation and screening process ensure that any recycling is completed in full compliance with the Hong Kong convention. Crystal Nordic will ensure that before any agreement on recycling a vessel, the nominated yard must at minimum meet following requirements:

- Comply with the Hong Kong convention
- Produce an Inventory Hazardous Material certificate issued by Class (IACS)
- Issue a Ship Recycling Plan
- Issue a Green Recycling certificate

Social responsibilities and employee conditions

Operating in an international and cost-competitive environment, ensuring acceptable working conditions is an important goal for Crystal Nordic. The Group's HSE policy ensures that all employees work in a safe work environment both on the vessels and in the offices. It is the Group's ambition to operate in accordance with all applicable laws and regulations and to treat its employees with dignity and respect. The Group expects its suppliers to operate their businesses in the same way, and in order to ensure to this, it is explicitly stated in the Group's general purchasing terms and conditions that suppliers may not in any way be involved in or related to any form of slavery or forced labor, human trafficking or similar actively. Furthermore, suppliers shall treat all personnel with dignity and respect and shall not tolerate mental or physical abuse or coercion of employees. Nor may suppliers be engaged in or benefit from child labor. The management finds that the requirements are contributing positively to the employee conditions in the suppliers' companies.

It is not the goal to draw up a policy on human rights in 2018, as the Group believes the General Purchasing Terms and Conditions combined with their Code of Conduct to be adequate.

Anti-corruption

As a global Group in the maritime industry, Crystal Nordic is firmly committed to adherence to high ethical standards in addition to applicable laws hereunder anti-corruption. Crystal Nordic has an anti-corruption policy, which states that no employee of Crystal Nordic may be involved in corruption.

Crystal Nordic applies international rules and standards regarding facilitation payments. The Group wants to avoid making facilitation payments, and procedures are in place to resist paying in such.

Anti-money laundry

Crystal Nordic has implemented an Anti-Money Laundering (AML) Policy and Guidelines that further elaborated on the policy statement set out in the Group's CoC. This 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 Crystal Nordic 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.

The policy and guidelines include a financial background check of customers/vendors plus a sanctions background check. It was the goal for 2018 that all employees were acquainted with the new policy and guidelines.

Management commentary

All employees have received a copy of the policy plus the training necessary to identify the warning signs of money laundering and financial crime.

Statutory report on the underrepresented gender

At present, the executive management of Crystal Nordic Shipowing Partner as manager and general parter consists of one male. The goal for 2020 is to keep this gender representation on the executive management. Should a new executive management 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 observations.

Events after the balance sheet date

With MOA dated January 16, 2020 the vessel "Nordic Marianne" was sold for a purchase price of EUR 8,100,000 to a German group company. The handover took place on February 24, 2020. With MOA of March 20, 2020 the vessel "Nordic Inge" was sold for a purchase price of EUR 8,100,000 to another German Group company. The handover is scheduled for mid of May 2020.

No events, other than mentioned above, have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report

Income statement for 2019

	Notes	2019 EUR	2018 EUR
Revenue	2	12.727.780	39.330.004
Other operating income		137.862	0
Cost of sales		(3.461.233)	(22.918.191)
Other external expenses		(1.059.445)	(39.068)
Gross profit/loss		**8.344.964**	**16.372.745**
Staff costs	3	(5.021.798)	(8.177.246)
Depreciation, amortisation and impairment losses	4	(3.690.930)	(5.242.781)
Operating profit/loss		**(367.764)**	**2.952.718**
Other financial income	5	12.044	1.020.657
Other financial expenses	6	(327.428)	(1.901.435)
Profit/loss for the year	7	**(683.148)**	**2.071.940**

Balance sheet at 31.12.2019

	Notes	2019 EUR	2018 EUR
Ships		21.078.061	26.944.107
Property, plant and equipment	8	**21.078.061**	**26.944.107**
Fixed assets		**21.078.061**	**26.944.107**
Raw materials and consumables		33.247	36.155
Inventories		**33.247**	**36.155**
Trade receivables		197.848	645.516
Receivables from group enterprises		2.011	0
Other receivables		274.711	383.181
Prepayments	9	317.892	248.084
Receivables		**792.462**	**1.276.781**
Cash		**6.914.131**	**3.742.069**
Current assets		**7.739.840**	**5.055.005**
Assets		**28.817.901**	**31.999.112**

Balance sheet at 31.12.2019

	Notes	2019 EUR	2018 EUR
Contributed capital	10	243.875	243.875
Retained earnings		18.874.000	22.057.147
Proposed dividend		0	1.000.000
Equity		**19.117.875**	**23.301.022**
Bank loans	11	5.733.714	6.984.409
Other payables	12	5.114	0
Non-current liabilities other than provisions		**5.738.828**	**6.984.409**
Bank loans		1.429.969	1.398.714
Trade payables		72.384	204.475
Payables to group enterprises		1.934.467	59.457
Other payables		524.378	51.035
Current liabilities other than provisions		**3.961.198**	**1.713.681**
Liabilities other than provisions		**9.700.026**	**8.698.090**
Equity and liabilities		**28.817.901**	**31.999.112**
Events after the balance sheet date	1		
Contingent liabilities	13		
Assets charged and collateral	14		
Related parties with controlling interest	15		
Transactions with related parties	16		
Group relations	17		

Statement of changes in equity for 2019

	Contributed capital EUR	Retained earnings EUR	Proposed dividend EUR	Total EUR
Equity beginning of year	243.875	22.057.148	1.000.000	23.301.023
Ordinary dividend paid	0	0	(1.000.000)	(1.000.000)
Proposed dividend	0	(2.500.000)	0	(2.500.000)
Profit/loss for the year	0	(683.148)	0	(683.148)
Equity end of year	**243.875**	**18.874.000**	**0**	**19.117.875**

Notes

1. Events after the balance sheet date

COVID-19 outbreak in 2020 has until now not had any effect on the Company's activites, as all vessels are in time charter and whereas the charter has a high credit rating, and has not experienced significant effect on the freightrates side the outbreak of COVID-19.

	2019 EUR	2018 EUR
2. Revenue		
Freight revenue	(23.212)	35.093.135
Time charter revenue	12.750.992	4.236.869
	12.727.780	**39.330.004**

	2019 EUR	2018 EUR
3. Staff costs		
Wages and salaries	4.998.215	8.177.246
Pension costs	13.217	0
Other social security costs	919	0
Other staff costs	9.447	0
	5.021.798	**8.177.246**
Average number of employees	**1**	**0**

Staff costs consists of wages to crew members onboard vessels and land-based employees. The seafarers are employed on a voyage to voyage basis and are not included in the average number of employees.

	2019 EUR	2018 EUR
4. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	3.720.893	6.754.275
Profit/loss from sale of intangible assets and property, plant and equipment	(29.963)	(1.511.494)
	3.690.930	**5.242.781**

	2019 EUR	2018 EUR
5. Other financial income		
Other interest income	12.044	8.911
Exchange rate adjustments	0	1.011.746
	12.044	**1.020.657**

Notes

	2019 EUR	2018 EUR
6. Other financial expenses		
Other interest expenses	207.430	599.753
Exchange rate adjustments	119.998	0
Other financial expenses	0	1.301.682
	327.428	**1.901.435**

	2019 EUR	2018 EUR
7. Proposed distribution of profit/loss		
Retained earnings	(683.148)	2.071.940
	(683.148)	**2.071.940**

	Ships EUR
8. Property, plant and equipment	
Cost beginning of year	38.764.977
Disposals	(5.272.532)
Cost end of year	**33.492.445**
Depreciation and impairment losses beginning of year	(11.820.870)
Depreciation for the year	(3.720.893)
Reversal regarding disposals	3.127.379
Depreciation and impairment losses end of year	**(12.414.384)**
Carrying amount end of year	**21.078.061**

9. Prepayments

Prepayments consists of prepaid expenses related to voyage expenses.

	Number	Par value EUR	Nominal value EUR
10. Contributed capital			
Contributed capital	20.000	12,19	243.875
	20.000		**243.875**

11. Long-term bank loans

There is no loan more than five years due.

Notes

	2019	2018
	EUR	**EUR**
12. Other long-term payables		
Holiday pay obligation	5.114	0
	5.114	**0**

13. 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.

14. Assets charged and collateral

As security for bank debt, the Company has deposited mortgage, mortgage deed and letter of indemnity for a total value of EUR 21 million secured with pledge in vessels, included in the balance sheet with EUR 16 million.

15. Related parties with controlling interest

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

16. Transactions with related parties

During the financial year, related party transactions have been conducted on an arm's length basis.

17. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Coral Tankers ApS, Business Registration No. 39 16 43 53.

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 (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

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.

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

Accounting policies

Revenue comprises freight 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 the stage of completion for voyages in progress at year-end.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Company's primary activities.

Cost of sales
Cost of sales are voyage related expenses that consists 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 Company's ordinary activities.

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).

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.

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.

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 acquisition and any 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 individual 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

Accounting policies

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 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 the carrying amount of the vessels to determine whether events have occurred that indicate impairment and would require an adjustment of the carrying amouts.

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-dosckings 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 ost 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 expected costs related to the firstcoming docking, which is based on experience with similar vessels. At subsequent dry-dockings, the asset comprises the actual docking costs incurred.

Inventories
Inventories consists of bunker oil and lubricants, ect. 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 writedowns for bad and doubtful debts.

Prepayments
Prepaid expenses recognised under assets comprise incurres 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.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other financial liabilities
Other financial liabilities comprise trade payables and other payables to public authorities, ect. 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.

Accounting policies

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.