Trithorn Bulk A/S

Nyhavn 47, DK-1051 Copenhagen K

Annual Report for 1 January - 31 December 2020

CVR No 37 90 45 89

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 14/4 2021

Renè Breyen-Mikkelsen
Chairman of the General Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Trithorn Bulk A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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

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

Copenhagen, 14 April 2021

Executive Board

Renè Breyen-Mikkelsen
Executive Officer

Board of Directors

Marc Lyngaae Slinger Chairman	Peter Alexis Georg Jein	Renè Breyen-Mikkelsen
Bjarne Tvilde	Uffe Eckardt Hansen	

Independent Auditor's Report

To the Shareholder of Trithorn Bulk A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Trithorn Bulk A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group'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 Group's and 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 Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Odense, 14 April 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Line Hedam statsautoriseret revisor mne27768	Claus Damhave statsautoriseret revisor mne34166

Company Information

The Company	Trithorn Bulk A/S Nyhavn 47 DK-1051 Copenhagen K CVR No: 37 90 45 89 Financial period: 1 January - 31 December Municipality of reg. office: Copenhagen
Board of Directors	Marc Lyngaae Slinger, Chairman Peter Alexis Georg Jein Renè Breyen-Mikkelsen Bjarne Tvilde Uffe Eckardt Hansen
Executive Board	Renè Breyen-Mikkelsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Munkebjergvænget 1, 3. og 4. sal DK-5230 Odense M

Financial Highlights

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

	Group		
	2020	2019	2018
	USD'000	USD'000	USD'000
Key figures			
Profit/loss			
Revenue	179.794	193.255	171.768
Operating profit/loss	6.412	4.326	1.903
Profit/loss before financial income and expenses	6.455	4.326	1.903
Net financials	66	-63	-42
Net profit/loss for the year	5.098	3.322	1.454
Balance sheet			
Balance sheet total	19.504	17.734	10.255
Equity	4.720	5.526	2.804
Cash flows			
Cash flows from:			
- operating activities	7.163	4.981	-691
- investing activities	0	-19	-20
- financing activities	-4.923	32	41
Change in cash and cash equivalents for the year	2.240	4.994	-670
Number of employees	13	11	9
Ratios			
Gross margin	5,4%	4,4%	2,1%
Profit margin	3,6%	2,2%	1,1%
Return on assets	33,1%	24,4%	18,6%
Solvency ratio	24,2%	31,2%	27,3%
Return on equity	99,5%	79,8%	103,7%

Management's Review

Key activities

Trithorn Bulk A/S is an international operator of modern/eco dry bulk carriers within Handysize and Supramax segments. Trithorn Bulk A/S is operating world wide but with focus on the Atlantic basin. The company is operating in the spot market as well as the contract market with a preference towards short term contracts

Development in the year

The income statement of the Group for 2020 shows a profit of USD'000 5,098, and at 31 December 2020 the balance sheet of the Group shows equity of USD'000 4,720.

The financial year 2020 was another profitable year for Trithorn Bulk, which it has been since the inception in 2016. While maintaining global presence from previous years, activities were further developed in Athens, Greece and Copenhagen, Denmark.

A Management Buyout was successfully completed 18 December 2020, whereby the existing management team and two new investors acquired full ownership of Trithorn Bulk A/S.

Outlook

Trithorn Bulk expects continued profitable growth during the year as the business model is adaptable to changing market conditions. Investments in operating systems and risk management measures will continue in 2021. Overall, the result for 2021 is expected to be at the same level as in 2020.

Foreign branches

The Company has a branch in Norway, subsidiaries in Switzerland, Chile and Cyprus, and business partnerships in Greece and the US.

External environment

IMO 2020 sulphur regulations came into effect in January 2020 limiting the maximum sulphur content in fuel oil to 0,5% for vessels without a scrubber. The regulations were successfully implemented, and the company continues its commitment to emission reduction through IMO.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2020 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	Group 2020 USD'000	Group 2019 USD'000	Parent company 2020 USD'000	Parent company 2019 USD'000
Revenue		**179.794**	**193.255**	**179.794**	**193.255**
Other operating income		43	0	0	0
Other external expenses		-170.061	-184.781	-171.478	-186.108
Gross profit/loss		**9.776**	**8.474**	**8.316**	**7.147**
Staff expenses	1	-3.321	-4.148	-1.935	-2.917
Profit/loss before financial income and expenses		**6.455**	**4.326**	**6.381**	**4.230**
Income from investments in subsidiaries		0	0	84	67
Financial income	2	339	204	339	203
Financial expenses	3	-273	-267	-291	-251
Profit/loss before tax		**6.521**	**4.263**	**6.513**	**4.249**
Tax on profit/loss for the year	4	-1.423	-941	-1.415	-927
Net profit/loss for the year		**5.098**	**3.322**	**5.098**	**3.322**

Balance Sheet 31 December

Assets

	Note	Group 2020 USD'000	Group 2019 USD'000	Parent company 2020 USD'000	Parent company 2019 USD'000
Other fixtures and fittings, tools and equipment		0	0	0	0
Property, plant and equipment		**0**	**0**	**0**	**0**
Investments in subsidiaries	5	0	0	238	151
Fixed asset investments		**0**	**0**	**238**	**151**
Fixed assets		**0**	**0**	**238**	**151**
Inventories		**2.045**	**2.648**	**2.045**	**2.648**
Trade receivables		4.411	7.888	4.411	7.888
Other receivables		87	77	48	69
Deferred tax asset	8	44	0	44	0
Prepayments	6	5.031	1.475	5.031	1.475
Receivables		**9.573**	**9.440**	**9.534**	**9.432**
Cash at bank and in hand		**7.886**	**5.646**	**7.849**	**5.618**
Currents assets		**19.504**	**17.734**	**19.428**	**17.698**
Assets		**19.504**	**17.734**	**19.666**	**17.849**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2020 USD'000	Group 2019 USD'000	Parent company 2020 USD'000	Parent company 2019 USD'000
Share capital		96	75	96	75
Reserve for net revaluation under the equity method		0	0	199	115
Retained earnings		4.624	5.451	4.425	5.336
Equity		**4.720**	**5.526**	**4.720**	**5.526**
Payables to owners and Management		2.000	0	2.000	0
Other payables		136	0	136	0
Long-term debt	9	**2.136**	**0**	**2.136**	**0**
Trade payables		4.836	5.674	4.836	5.674
Payables to group enterprises		0	1.023	196	1.604
Corporation tax		1.459	0	1.459	0
Payables to group enterprises relating to corporation tax		0	927	0	927
Other payables	9	3.476	1.864	3.442	1.398
Deferred income	10	2.877	2.720	2.877	2.720
Short-term debt		**12.648**	**12.208**	**12.810**	**12.323**
Debt		**14.784**	**12.208**	**14.946**	**12.323**
Liabilities and equity		**19.504**	**17.734**	**19.666**	**17.849**

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Statement of Changes in Equity

Group

	Share capital	Share premium account	Reserve for net revaluation under the equity method	Retained earnings	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Equity at 1 January	75	0	0	5.447	5.522
Cash capital increase	21	979	0	0	1.000
Extraordinary dividend paid	0	0	0	-6.900	-6.900
Net profit/loss for the year	0	0	0	5.098	5.098
Transfer from share premium account	0	-979	0	979	0
Equity at 31 December	**96**	**0**	**0**	**4.624**	**4.720**

Parent company

	Share capital	Share premium account	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January	75	0	115	5.332	5.522
Cash capital increase	21	979	0	0	1.000
Extraordinary dividend paid	0	0	0	-6.900	-6.900
Net profit/loss for the year	0	0	84	5.014	5.098
Transfer from share premium account	0	-979	0	979	0
Equity at 31 December	**96**	**0**	**199**	**4.425**	**4.720**

Cash Flow Statement 1 January - 31 December

	Note	Group 2020 USD'000	Group 2019 USD'000
Net profit/loss for the year		5.098	3.322
Adjustments	11	1.357	1.004
Change in working capital	12	1.587	1.136
Cash flows from operating activities before financial income and expenses		**8.042**	**5.462**
Financial income		339	203
Financial expenses		-283	-268
Cash flows from ordinary activities		**8.098**	**5.397**
Corporation tax paid		-935	-416
Cash flows from operating activities		**7.163**	**4.981**
Fixed asset investments made etc		0	-19
Cash flows from investing activities		**0**	**-19**
Repayment of payables to group enterprises		-1.023	0
Raising of loans from group enterprises		0	632
Raising of other long-term debt		2.000	0
Cash capital increase		1.000	0
Dividend paid		-6.900	-600
Cash flows from financing activities		**-4.923**	**32**
Change in cash and cash equivalents		**2.240**	**4.994**
Cash and cash equivalents at 1 January		5.646	652
Cash and cash equivalents at 31 December		**7.886**	**5.646**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		7.886	5.646
Cash and cash equivalents at 31 December		**7.886**	**5.646**

Notes to the Financial Statements

		Group		Parent company	
		2020	2019	2020	2019
		USD'000	USD'000	USD'000	USD'000
1	**Staff expenses**				
	Wages and salaries	3.083	3.938	1.764	2.787
	Pensions	54	55	46	55
	Other social security expenses	154	126	96	47
	Other staff expenses	30	29	29	28
		3.321	**4.148**	**1.935**	**2.917**
	Including remuneration to the Executive Board and Board of Directors	**290**	**607**		
	Average number of employees	**13**	**11**	**7**	**8**
2	**Financial income**				
	Other financial income	21	57	21	56
	Exchange gains	318	147	318	147
		339	**204**	**339**	**203**
3	**Financial expenses**				
	Interest paid to group enterprises	0	34	0	34
	Interest paid to associates	2	0	2	0
	Other financial expenses	87	57	85	57
	Exchange loss	184	176	204	160
		273	**267**	**291**	**251**

Notes to the Financial Statements

4 Tax on profit/loss for the year

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
	USD'000	USD'000	USD'000	USD'000
Current tax for the year	1.467	941	1.459	927
Deferred tax for the year	-44	0	-44	0
	1.423	**941**	**1.415**	**927**

5 Investments in subsidiaries

	Parent company 2020	Parent company 2019
	USD'000	USD'000
Cost at 1 January	38	20
Additions for the year	1	18
Cost at 31 December	39	38
Value adjustments at 1 January	113	47
Exchange adjustment	0	0
Net profit/loss for the year	43	66
Other adjustments	43	0
Value adjustments at 31 December	199	113
Carrying amount at 31 December	**238**	**151**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Trithorn Bulk Chile SpA	Santiago, Chile	18.145	100%
Trithorn Bulk Switzerland Sàrl	Bulle, Switzerland	20.020	100%
Trithorn Bulk Ltd	Larnaka, Cyprus	1.227	100%

Notes to the Financial Statements

6 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions, time-charter hire and interest.

	Group		Parent company	
	2020	2019	2020	2019
	USD'000	USD'000	USD'000	USD'000

7 Distribution of profit

Extraordinary dividend paid	6.900	0	6.900	0
Reserve for net revaluation under the equity method	0	0	84	67
Retained earnings	-1.802	3.322	-1.886	3.255
	5.098	**3.322**	**5.098**	**3.322**

8 Deferred tax asset

Deferred tax asset at 1 January	0	0	0	0
Amounts recognised in the income statement for the year	44	0	44	0
Deferred tax asset at 31 December	**44**	**0**	**44**	**0**

Deferred tax asset consists of temporary differences between carrying amount and tax value on trade receivables.

Notes to the Financial Statements

9 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent company	
	2020	2019	2020	2019
	USD'000	USD'000	USD'000	USD'000
Payables to owners and Management				
Between 1 and 5 years	2.000	0	2.000	0
Long-term part	2.000	0	2.000	0
Within 1 year	0	0	0	0
	2.000	**0**	**2.000**	**0**
Other payables				
Between 1 and 5 years	136	0	136	0
Long-term part	136	0	136	0
Other short-term payables	3.477	1.873	3.440	1.404
	3.613	**1.873**	**3.576**	**1.404**

Other longterm payables consists of vacation accruals regarding transition to concurrent vacation. Other longterm payables are interest-bearing.

10 Deferred income

Deferred income consists of ongoing voyages at 31. December.

Notes to the Financial Statements

11 Cash flow statement - adjustments

	Group 2020	Group 2019
	USD'000	USD'000
Financial income	-339	-204
Financial expenses	273	267
Tax on profit/loss for the year	1.423	941
	1.357	**1.004**

12 Cash flow statement - change in working capital

	Group 2020	Group 2019
	USD'000	USD'000
Change in inventories	602	422
Change in receivables	-89	-2.906
Change in trade payables, etc	1.074	3.620
	1.587	**1.136**

13 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
	USD'000	USD'000	USD'000	USD'000
The company has entered into agreements for chartering ships on Timer Charterbasis to muturity during the year 2021. The aggregate net lease obligation amount to:	15.303	16.083	15.303	16.083

Notes to the Financial Statements

13 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of TriKap A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Company has entered an agreement on lease of premises. The agreement has been terminated with 3 month notice. The total liability amounts to USD 11.360, which are due within one year.

The Company has entered an agreement on lease of premises. The agreement can be terminated with 6 month notice. The total liability amounts to USD 19.091, which are due within one year.

The Company has not entered into any time-charter agreements beyond 12 months.

14 Related parties

	Basis
Controlling interest	
TriKap A/S	Ultimate Parent

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.

There have been no such transactions.

15 Subsequent events

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

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Trithorn Bulk A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 are presented in USD'000.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Trithorn Bulk A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

16 Accounting Policies (continued)

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

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

Translation policies

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

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

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. 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 Group. The stage of completion is determined on

Notes to the Financial Statements

16 Accounting Policies (continued)

the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise indirect production costs and expenses for time charter hire, bunker, premises, sales and distribution as well as office expenses, etc.

Staff expenses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including badwill.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

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

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

16 Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at USD 0. Any legal or constructive obligation

16 Accounting Policies (continued)

of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

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

The cost of raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning time charter hire, insurance premiums and subscriptions.

Equity

Dividend

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

16 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

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

Cash Flow Statement

The cash flow statement shows the Group´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 Group´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 investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\dfrac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\dfrac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$