

Fortuna Seaside Bulk Carriers A/S

Strandvejen 56, 2900 Hellerup

Company reg. no. 37 99 21 78

Annual report

1 July 2022 - 30 June 2023

The annual report was submitted and approved by the general meeting on the 15 November 2023.

Lars Trygved
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance USD 146.940 means the amount of USD 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Executive Board have approved the annual report of Fortuna Seaside Bulk Carriers A/S for the financial year 1 July 2022 - 30 June 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2023 and of the results of the Company's operations and cash flows for the financial year 1 July 2022 – 30 June 2023.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Hellerup, 14 November 2023

Executive board

Lars Trygved

Ulrik Lund Rasmussen

Board of directors

Lars Trygved

Ulrik Lund Rasmussen

Peter Bruno Rasmussen

Henrik Ambjørn Petersen

Sofia Margaretha Weitemeyer
Trygved

Independent auditor's report

To the Shareholders of Fortuna Seaside Bulk Carriers A/S

Opinion

We have audited the financial statements of Fortuna Seaside Bulk Carriers A/S for the financial year 1 July 2022 - 30 June 2023, which comprise income statement, balance sheet, statement of changes in equity, statement of cash flows, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2023, and of the results of the Company's operations and cash flows for the financial year 1 July 2022 - 30 June 2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Independent auditor's report

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

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

Based on the work we have performed, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 14 November 2023

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36

Ulrik Bloch-Sørensen

State Authorised Public Accountant
mne2913

Martin Bomholtz

State Authorised Public Accountant
mne34117

Company information

The company

Fortuna Seaside Bulk Carriers A/S
Strandvejen 56
2900 Hellerup

Phone 39161200

Web site www.fortuna-seaside.com

Company reg. no. 37 99 21 78

Established: 8 September 2016

Domicile: Hellerup

Financial year: 1 July - 30 June

Board of directors

Lars Trygved
Ulrik Lund Rasmussen
Peter Bruno Rasmussen
Henrik Ambjørn Petersen
Sofia Margaretha Weitemeyer Trygved

Executive board

Lars Trygved
Ulrik Lund Rasmussen

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø

Parent company

Fortuna Seaside Invest A/S

Subsidiary

Fortuna Seaside Inc., New York, USA

Financial highlights

USD in thousands.	<u>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>	<u>2020</u>	<u>2019</u>
Income statement:					
Gross profit	1.835	7.976	5.501	429	822
Profit from operating activities	133	6.694	4.572	-216	-2.060
Net financials	262	-57	38	-28	-43
Net profit or loss for the year	417	5.177	4.486	-299	-2.388
Statement of financial position:					
Balance sheet total	7.401	13.328	9.404	5.115	6.222
Investments in property, plant and equipment	0	0	0	26	8
Equity	5.417	10.177	6.628	2.142	2.441
Cash flows:					
Operating activities	959	6.511	5.284	-1.681	-1.257
Investing activities	3.142	-2.857	-1.549	-18	-14
Financing activities	-5.177	-1.628	-67	-196	1.714
Total cash flows	-1.076	2.027	3.669	-1.895	443
Employees:					
Average number of full-time employees	7	5	4	9	11
Key figures in %:					
Liquidity ratio	350,8	411,3	325,9	159,5	155,8
Solvency ratio	73,2	76,4	70,5	41,9	39,2
Return on equity	5,3	61,6	102,3	-13,0	-65,7

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The financial highlights for 2020 solely comprise six months period.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Liquidity ratio
$$\frac{\text{Current assets} \times 100}{\text{Short term liabilities other than provisions}}$$

Solvency ratio
$$\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$$

Financial highlights

Return on equity

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

Management's review

Description of key activities of the company

Like previous years, the principal activities are shipping operations carried out by operation of chartered vessels worldwide.

Development in activities and financial matters

The gross profit for the year totals USD 1.834.760 against USD 7.975.783 last year. Income from ordinary activities after tax totals USD 416.847 against USD 5.176.704 last year. The development must be seen in light of the fact that, according to the annual report 2021/22, the company expected a positive result before tax for 2022/23 between 1-3 mio. USD. Management considers the net profit for the year satisfactory even though the profit was not quite as expected, cf. the annual report for 2021/2022.

Financial risks

Market risks

The Company's revenues are exclusively generated from the seaborne transportation of dry bulk commodities and freight rates obtained by the vessels time chartered by the Company are a risk factor. By timechartering vessels only on short term charters and by securing cargo bookings and cargo contracts for the vessels the company has on charter, the company reduces its exposure to fluctuations in the dry cargo freight market.

Foreign currency risks.

The majority of the Company's transactions are denominated in USD.

The Company's exchange rate risk is thus limited and primarily related to administrative expenses related to the Company's head office in Denmark.

Credit risks.

The Company is dependent on its counterparties fulfilling their payment obligations. To check the financial strength of a counterparty, the Company makes frequent use of providers of independent due diligence, credit reporting and risk management consultancy services to the shipping industry.

Liquidity risks.

The Company takes all necessary steps to ensure that the Company at all times will have sufficient liquidity to fulfill its commitments.

Environmental issues

Fortuna Seaside Bulk Carriers A/S acknowledge the shipping business in general has an obligation to limit its negative environmental impact. The company has as their objective to reduce pollution by maximizing efficiency considering various measures to reduce the overall fuel consumption as well as using more environmentally fuel. It supports the IMO and EU initiatives to further reduce pollution.

Management's review

Expected developments

For 2023/2024, we will continue to capitalize on market volatility whilst operating with balanced trading commitments. The result will depend on market levels, which we currently assess. Based on current assessment of the market, we should be able to achieve a positive result before tax of between 1 and 3 mio. USD.

Events occurring after the end of the financial year

No events have taken place after June 30th, 2023, that would effect the financial status of the company.

Income statement 1 July - 30 June

All amounts in USD.

<u>Note</u>	<u>2022/23</u>	<u>2021/22</u>
Gross profit	1.834.760	7.975.783
Distribution costs	-74.005	-45.179
Administration expenses	-1.627.485	-1.236.705
Operating profit	133.270	6.693.899
Income from investments in group enterprises	70.113	10.733
Other financial income	198.416	13.814
Other financial expenses	-6.628	-81.316
Financing, net	261.901	-56.769
Pre-tax net profit	395.171	6.637.130
Tax on net profit for the year	21.676	-1.460.426
2 Net profit for the year	416.847	5.176.704

Balance sheet at 30 June

All amounts in USD.

Assets		
<u>Note</u>	<u>2023</u>	<u>2022</u>
Non-current assets		
3 Investments in group enterprises	403.889	333.776
4 Other receivables	36.648	33.946
Total investments	<u>440.537</u>	<u>367.722</u>
Total non-current assets	<u>440.537</u>	<u>367.722</u>
Current assets		
5 Raw materials and consumables	481.298	1.670.486
Total inventories	<u>481.298</u>	<u>1.670.486</u>
Trade receivables	88.336	161.838
6 Voyages in progress	62.552	525.657
Receivables from group enterprises	0	3.144.150
7 Deferred tax assets	11.481	43.360
Other receivables	12.235	34.985
8 Prepayments	8.927	1.727
Total receivables	<u>183.531</u>	<u>3.911.717</u>
Cash and cash equivalents	<u>6.295.742</u>	<u>7.378.067</u>
Total current assets	<u>6.960.571</u>	<u>12.960.270</u>
Total assets	<u>7.401.108</u>	<u>13.327.992</u>

Balance sheet at 30 June

All amounts in USD.

Equity and liabilities		
<u>Note</u>	<u>2023</u>	<u>2022</u>
Equity		
	75.476	75.476
9	218.759	148.646
10	4.722.612	4.775.878
	400.000	5.176.704
Total equity	5.416.847	10.176.704
Liabilities other than provisions		
6	823.117	197.295
	1.042.575	1.638.491
	395	0
	43.098	1.251.492
	75.076	64.010
Total short term liabilities other than provisions	1.984.261	3.151.288
Total liabilities other than provisions	1.984.261	3.151.288
Total equity and liabilities	7.401.108	13.327.992
1 Staff costs		
11 Contingencies		
12 Related parties		

Statement of cash flows 1 July - 30 June

All amounts in USD.

<u>Note</u>	<u>2022/23</u>	<u>2021/22</u>
Net profit or loss for the year	416.847	5.176.704
13 Adjustments	-283.577	1.517.195
14 Change in working capital	1.782.318	184.746
Cash flows from operating activities before net financials	1.915.588	6.878.645
Interest received, etc.	198.415	13.813
Interest paid, etc.	-563	-5.008
Cash flows from ordinary activities	2.113.440	6.887.450
Income tax paid	-1.154.839	-376.152
Cash flows from operating activities	958.601	6.511.298
Purchase of financial fixed assets	-2.702	-1.530
Loan to parent company	3.144.545	-2.855.135
Cash flows from investment activities	3.141.843	-2.856.665
Dividend paid	-5.176.704	-1.627.667
Cash flow from financing activities	-5.176.704	-1.627.667
Change in cash and cash equivalents	-1.076.260	2.026.966
Cash and cash equivalents at 1 July 2022	7.378.067	5.427.409
Foreign currency translation adjustments (cash and cash equivalents)	-6.065	-76.308
Cash and cash equivalents at 30 June 2023	6.295.742	7.378.067
Cash and cash equivalents		
Cash and cash equivalents	6.295.742	7.378.067
Cash and cash equivalents at 30 June 2023	6.295.742	7.378.067

Notes

All amounts in USD.

	<u>2022/23</u>	<u>2021/22</u>
1. Staff costs		
Salaries and wages	1.237.259	1.160.919
Pension costs	124.738	166.576
Other costs for social security	8.450	6.800
Salary refund	-97.623	-287.124
Other staff costs	37.033	29.309
	<u>1.309.857</u>	<u>1.076.480</u>
Executive board and board of directors	<u>566.942</u>	<u>489.176</u>
Average number of employees	<u>7</u>	<u>5</u>
2. Proposed distribution of net profit		
Reserves for net revaluation according to the equity method	70.113	10.733
Dividend for the financial year	400.000	5.176.704
Allocated from retained earnings	-53.266	-10.733
Total allocations and transfers	<u>416.847</u>	<u>5.176.704</u>

Notes

All amounts in USD.

	<u>30/6 2023</u>	<u>30/6 2022</u>
3. Investments in group enterprises		
Cost 1 July 2022	185.130	185.130
Cost 30 June 2023	185.130	185.130
Revaluations, opening balance 1 July 2022	148.646	137.913
Net profit for the year	70.113	10.733
Revaluation 30 June 2023	218.759	148.646
Carrying amount, 30 June 2023	403.889	333.776

Financial highlights for the enterprises according to the latest approved annual reports

	Equity interest	Equity USD	Results for the year USD	Carrying amount, Fortuna Seaside Bulk Carriers A/S USD
Fortuna Seaside Inc., New York, USA	100 %	403.889	70.113	403.889
		403.889	70.113	403.889

	<u>30/6 2023</u>	<u>30/6 2022</u>
4. Other receivables		
Cost 1 July 2022	33.946	32.416
Additions during the year	2.702	1.530
Cost 30 June 2023	36.648	33.946
Carrying amount, 30 June 2023	36.648	33.946
Specified as follows:		
Deposits	36.648	33.946
	36.648	33.946

Notes

All amounts in USD.

	<u>30/6 2023</u>	<u>30/6 2022</u>
5. Raw materials and consumables		
Raw materials and consumables	481.298	1.670.486
	<u>481.298</u>	<u>1.670.486</u>
<p>Inventory of raw materials and consumables (bunker oil) is measured at cost on basis of the FIFO method. As 30/6 2023 the net realisable value of the inventory bunker oil is 11 t.USD lower than the cost amount. As per 30/6 2022 the realisable value was 218 t.USD higher than the cost amount.</p>		
6. Voyages in progress		
Selling price of the production for the period	1.387.888	1.291.174
Progress billings	<u>-2.148.453</u>	<u>-962.812</u>
Voyages in progress, net	<u>-760.565</u>	<u>328.362</u>
<p>The following is recognised:</p>		
Voyages in progress (current assets)	62.552	525.657
Voyages in progress (prepayments received on account)	<u>-823.117</u>	<u>-197.295</u>
	<u>-760.565</u>	<u>328.362</u>
7. Deferred tax assets		
Deferred tax assets 1 July 2022	43.360	252.294
Deferred tax of the net profit or loss for the year	<u>-31.879</u>	<u>-208.934</u>
	<u>11.481</u>	<u>43.360</u>
<p>The following items are subject to deferred tax:</p>		
Property, plant, and equipment	2.239	2.985
Current assets	<u>9.242</u>	<u>40.375</u>
	<u>11.481</u>	<u>43.360</u>
8. Prepayments		
Prepaid insurance	5.910	0
Other prepayments	<u>3.017</u>	<u>1.727</u>
	<u>8.927</u>	<u>1.727</u>

Notes

All amounts in USD.

	<u>30/6 2023</u>	<u>30/6 2022</u>
9. Reserve for net revaluation according to the equity method		
Reserves for net revaluation 1 July 2022	148.646	137.913
Share of profit or loss	<u>70.113</u>	<u>10.733</u>
	<u>218.759</u>	<u>148.646</u>
10. Retained earnings		
Retained earnings 1 July 2022	4.775.878	4.786.611
Retained earnings for the year	<u>-53.266</u>	<u>-10.733</u>
	<u>4.722.612</u>	<u>4.775.878</u>

11. Contingencies

Contingent liabilities

The company's annual rent obligation amounts to USD 69,776.

The company has entered into long-term lease agreements with foreign tonnage. The total liability amounts 30 June 2023 USD to 390,000 relating to the financial year 2023/2024.

The company have pledged bank balances of USD 14,627 as security other bank balances.

Joint taxation

With Fortuna Seaside Invest A/S, company reg. no 37 99 19 02 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

12. Related parties

Consolidated financial statements

The company is included in the consolidated financial statements of Fortuna Seaside Invest A/S, Strandvejen 56, 2900 Hellerup.

Notes

All amounts in USD.

	<u>2022/23</u>	<u>2021/22</u>
13. Adjustments		
Income from investments in group enterprises	-70.113	-10.733
Other financial income	-198.416	-13.814
Other financial expenses	6.628	81.316
Tax on net profit or loss for the year	-21.676	1.460.426
	<u>-283.577</u>	<u>1.517.195</u>
14. Change in working capital		
Change in inventories	1.189.188	-192.332
Change in receivables	552.157	877.257
Change in trade payables and other payables	40.973	-500.179
	<u>1.782.318</u>	<u>184.746</u>

Accounting policies

The annual report for Fortuna Seaside Bulk Carriers A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The annual report is presented in American dollars (USD). A USD exchange rate on the balance sheet items of 6.8539 (2022 : 7.1620).

The accounting policies are unchanged from the previous year, and the annual report is presented in American dollars (USD).

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Accounting policies

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve in the Consolidated Financial Statement. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

Income statement

Gross profit

Gross profit comprises revenue, production costs, and other operating income.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue comprises income from voyages and is recognised exclusive of VAT and duties. Revenue is recognised as the work is completed, calculated on the basis of stage of completion (production criterion) at the balance sheet date. Recognition occurs when the following conditions are met:

- the amount of revenue can be measured reliably
 - it is probable that the economic benefits associated with the transaction will flow to the entity
 - the stage of completion of the transaction at the end of the reporting period can be measured reliably:
- and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- Stage of completion is determined on the basis of the completed travel time compared to the expected travel time.

Production costs comprise the vessels operation expenses, incurred to generate revenue for the year. The expenses include charter hire for chartered vessels (operating leases), bunker oil consumption, staff costs, other voyage costs such as commissions and harbour charges, repair and maintenance costs, insurance costs and other operation expenses. Like revenue, vessels operation expenses are recognised on the basis of stage of completion.

Furthermore, provisions for losses on contracts are recognised in case of onerous contracts.

Accounting policies

Distribution costs

Distribution costs comprise costs incurred for the distribution of goods sold during the year and for sales campaigns carried out during the year. Also, costs concerning sales staff, advertising and exhibitions costs, and amortisations.

Administration expenses

Administration expenses comprise expenses incurred during the year concerning management and administration, including expenses concerning administrative staff, the executive board, office premises, stationery and office supplies, and depreciations.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual entities are recognised in the income statement as a proportional share of the entities' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Investments

Investments in group enterprises

Investments in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Accounting policies

Investments in group enterprises are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in group enterprises but are not represented in the parent, the following accounting policies have been applied.

Investments in group enterprises with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

Accounting policies

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories comprise bunker oil kept on board vessels. Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Voyages in progress

Voyages in progress is measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion on the reporting date and the total expected income from voyages in progress. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of voyages in progress.

The voyages in progress is recognised in the statement of financial position under accounts receivables or liabilities. Net assets consist of the sum of voyages in progress, where the selling price of the work performed exceeds invoicing on account. Net liabilities consist of the sum of voyages in progress, where invoicing on account exceeds the selling price.

Costs in connection with sales work and the procurement of contracts are recognised in the income statement when incurred.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Accounting policies

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Tax receivables from group enterprises" or "Income tax payable to group enterprises"

According to the rules of joint taxation, Fortuna Seaside Bulk Carriers A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Accounting policies

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are calculated as the company's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under "Interest income and dividend received".

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the company's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand with deduction of short-term bank debts and short-term securities with a maturity less than 3 months that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

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Martin Bomholtz

Grant Thornton, Godkendt Revisionspartnerselskab CVR: 34209936

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