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# **Fortuna Seaside Bulk Carriers A/S**

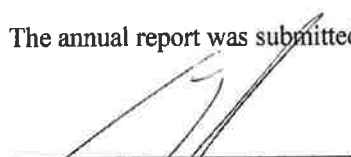
**Strandvejen 56, 2900 Hellerup**

**Company reg. no. 37 99 21 78**

## **Annual report**

**1 January - 30 June 2020**

The annual report was submitted and approved by the general meeting on the *4 November 2020*



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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 report**

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Today, the board of directors and the executive board have presented the annual report of Fortuna Seaside Bulk Carriers A/S for the financial year 1 January - 30 June 2020 of Fortuna Seaside Bulk Carriers A/S.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 30 June 2020 and of the company's results of activities in the financial year 1 January – 30 June 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Hellerup, 4 November 2020

### **Executive board**

Lars Trygved

Michael Steen Jakobsen

### **Board of directors**

Lars Trygved

Michael Steen Jakobsen

Ulrik Lund Rasmussen

Peter Bruno Rasmussen

Henrik Ambjørn Petersen

## **Independent auditor's report**

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### **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 January - 30 June 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 30 June 2020 and of the results of the company's activities for the financial year 1 January - 30 June 2020 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

#### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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**

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As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

## **Independent auditor's report**

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In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

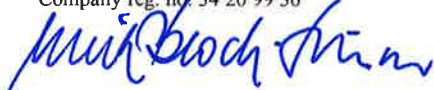
Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 4 November 2020

### **Grant Thornton**

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



Ulrik Bloch-Sørensen  
State Authorised Public Accountant  
mne2913

## Company information

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### The company

Fortuna Seaside Bulk Carriers A/S  
Strandvejen 56  
2900 Hellerup

Phone 39161200  
Web site [www.fortuna-seaside.dk](http://www.fortuna-seaside.dk)

Company reg. no. 37 99 21 78  
Established: 8 September 2016  
Domicile: Hellerup  
Financial year: 1 January - 30 June

### Board of directors

Lars Trygved  
Michael Steen Jakobsen  
Ulrik Lund Rasmussen  
Peter Bruno Rasmussen  
Henrik Ambjørn Petersen

### Executive board

Lars Trygved  
Michael Steen Jakobsen

### Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab  
Stockholmsgade 45  
2100 København Ø

### Parent company

Fortuna Seaside Invest A/S

## Management commentary

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### The principal 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 428.888 (6 months) against USD 821.750 last year (12 months). Loss from ordinary activities after tax totals USD -298.699 (6 months) against USD -2.388.460 last year (12 months). Management considers the net loss for the year unsatisfactory.

### Special risks

The company is exposed to a number of 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 is 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.

### Expected developments

The company expects a profit for year 2020/2021.

### Events occurring after the end of the financial year

The dry cargo freight market has improved in the third quarter of 2020, primarily due to increased demand for raw materials from the Peoples Republic of China.



**Income statement**

All amounts in USD.

<u>Note</u>	<u>1/1 - 30/6 2020</u>	<u>1/1 - 31/12 2019</u>
<b>Gross profit</b>	<b>428.888</b>	<b>821.750</b>
Distribution costs	-5.541	-63.380
Administration costs	-639.403	-2.818.129
<b>Operating profit</b>	<b>-216.056</b>	<b>-2.059.759</b>
Income from equity investments in group enterprises	-47.550	92.390
Other financial income	191	730
2 Other financial costs	-28.337	-43.860
Financing, net	-75.696	49.260
<b>Pre-tax net profit or loss</b>	<b>-291.752</b>	<b>-2.010.499</b>
Tax on net profit or loss for the year	-6.947	-377.961
<b>Net profit or loss for the year</b>	<b>-298.699</b>	<b>-2.388.460</b>
<b>Proposed appropriation of net profit:</b>		
Reserves for net revaluation according to the equity method	-11.868	123.793
Allocated from retained earnings	-286.831	-2.512.253
<b>Total allocations and transfers</b>	<b>-298.699</b>	<b>-2.388.460</b>

## Statement of financial position

All amounts in USD.

<b>Assets</b>		
<u>Note</u>	<u>30/6 2020</u>	<u>31/12 2019</u>
<b>Non-current assets</b>		
3 Other fixtures and fittings, tools and equipment	26.225	7.935
Total property, plant, and equipment	<u>26.225</u>	<u>7.935</u>
4 Equity investments in group enterprises	316.469	328.337
5 Other financial instruments and equity investments	0	6.841
6 Other receivables	30.514	30.344
Total investments	<u>346.983</u>	<u>365.522</u>
<b>Total non-current assets</b>	<b><u>373.208</u></b>	<b><u>373.457</u></b>
<b>Current assets</b>		
Raw materials and consumables	792.216	754.159
Total inventories	<u>792.216</u>	<u>754.159</u>
Trade receivables	382.689	586.282
7 Voyages in progress	1.798.400	680.708
Tax receivables from group enterprises	0	137.192
Other receivables	9.653	6.947
Prepayments and accrued income	16.072	2.583
Total receivables	<u>2.206.814</u>	<u>1.413.712</u>
Other financial instruments and equity investments	17.619	17.975
Total financial instruments	<u>17.619</u>	<u>17.975</u>
Cash on hand and demand deposits	1.725.281	3.663.072
<b>Total current assets</b>	<b><u>4.741.930</u></b>	<b><u>5.848.918</u></b>
<b>Total assets</b>	<b><u>5.115.138</u></b>	<b><u>6.222.375</u></b>

## Statement of financial position

All amounts in USD.

<u>Note</u>	<u>30/6 2020</u>	<u>31/12 2019</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
	75.476	75.476
8	131.339	143.207
9	1.935.221	2.222.052
<b>Total equity</b>	<b>2.142.036</b>	<b>2.440.735</b>
<b>Liabilities other than provisions</b>		
10	66.712	27.295
Total long term liabilities other than provisions	66.712	27.295
7	479.037	934.646
Trade payables	921.717	1.066.848
Payables to group enterprises	1.283.841	1.616.566
Other payables	221.795	136.285
Total short term liabilities other than provisions	2.906.390	3.754.345
<b>Total liabilities other than provisions</b>	<b>2.973.102</b>	<b>3.781.640</b>
<b>Total equity and liabilities</b>	<b>5.115.138</b>	<b>6.222.375</b>
<b>1 Employee issues</b>		
<b>11 Contingencies</b>		

**Statement of changes in equity**

All amounts in USD.

	<b>Contributed capital</b>	<b>Reserve for net revaluation according to the equity method</b>	<b>Retained earnings</b>	<b>Total</b>
Equity 1 January 2019	75.476	20.342	4.734.305	4.830.123
Share of results	0	123.793	-2.512.253	-2.388.460
Exchange rate adjustment	0	-928	0	-928
Equity 1 January 2020	75.476	143.207	2.222.052	2.440.735
Share of results	0	-11.868	-286.831	-298.699
	<b>75.476</b>	<b>131.339</b>	<b>1.935.221</b>	<b>2.142.036</b>

## Notes

All amounts in USD.

	1/1 - 30/6 2020	1/1 - 31/12 2019
<b>1. Employee issues</b>		
Payrolls	406.164	1.290.671
Pensions	56.899	169.581
Other expenses to social security	5.695	13.690
Other staff expenses	23.000	57.160
	<b>491.758</b>	<b>1.531.102</b>
Executive board and board of directors	64.913	370.592
Average number of employees	8	11
<b>2. Other financial costs</b>		
Financial costs, group enterprises	0	9
Other financial costs	28.337	43.851
	<b>28.337</b>	<b>43.860</b>
	30/6 2020	31/12 2019
<b>3. Other fixtures and fittings, tools and equipment</b>		
Cost 1 January 2020	45.684	141.694
Additions during the year	28.896	129.301
Disposals during the year	-45.684	-225.311
<b>Cost 30 June 2020</b>	<b>28.896</b>	<b>45.684</b>
Depreciation and writedown 1 January 2020	-37.749	-60.718
Depreciation for the year	-2.671	-8.897
Depreciation and writedown, assets disposed of	37.749	31.866
<b>Depreciation and writedown 30 June 2020</b>	<b>-2.671</b>	<b>-37.749</b>
<b>Carrying amount, 30 June 2020</b>	<b>26.225</b>	<b>7.935</b>

## Notes

All amounts in USD.

	<u>30/6 2020</u>	<u>31/12 2019</u>
<b>4. Equity investments in group enterprises</b>		
Acquisition sum, opening balance 1 January 2020	185.130	48.022
Additions during the year	<u>0</u>	<u>137.108</u>
<b>Cost 30 June 2020</b>	<b><u>185.130</u></b>	<b><u>185.130</u></b>
Revaluations, opening balance 1 January 2020	143.207	51.745
Result for the year	-11.868	86.186
Other movements in capital	<u>0</u>	<u>5.276</u>
<b>Revaluation 30 June 2020</b>	<b><u>131.339</u></b>	<b><u>143.207</u></b>
<b>Carrying amount, 30 June 2020</b>	<b><u>316.469</u></b>	<b><u>328.337</u></b>
<b>Group enterprises:</b>		
	<b>Domicile</b>	<b>Equity interest</b>
Fortuna Seaside Inc.	New York	100 %
Fortuna Seaside Australia Pty. Ltd.	Melbourne	100 %
	<u>30/6 2020</u>	<u>31/12 2019</u>
<b>5. Other financial instruments and equity investments</b>		
Cost 1 January 2020	6.841	11.151
Disposals during the year	<u>-6.841</u>	<u>-4.310</u>
<b>Cost 30 June 2020</b>	<b><u>0</u></b>	<b><u>6.841</u></b>
<b>Carrying amount, 30 June 2020</b>	<b><u>0</u></b>	<b><u>6.841</u></b>

**Notes**

All amounts in USD.

	<u>30/6 2020</u>	<u>31/12 2019</u>
<b>6. Other receivables</b>		
Cost 1 January 2020	30.344	111.678
Additions during the year	170	30.344
Disposals during the year	<u>0</u>	<u>-111.678</u>
<b>Cost 30 June 2020</b>	<b><u>30.514</u></b>	<b><u>30.344</u></b>
 <b>Carrying amount, 30 June 2020</b>	 <b><u>30.514</u></b>	 <b><u>30.344</u></b>
 Specified as follows:		
Deposits	<u>30.514</u>	<u>30.344</u>
	<b><u>30.514</u></b>	<b><u>30.344</u></b>
 <b>7. Voyages in progress</b>		
Paid cost on voyages in progress	2.111.614	722.057
Payments on account received	<u>-792.251</u>	<u>-975.995</u>
<b>Voyages in progress, net</b>	<b><u>1.319.363</u></b>	<b><u>-253.938</u></b>
 The following is recognised:		
Work in progress for the account of others (Current assets)	1.798.400	680.708
Work in progress for the account of others (Prepayments received)	<u>-479.037</u>	<u>-934.646</u>
	<b><u>1.319.363</u></b>	<b><u>-253.938</u></b>
 <b>8. Reserve for net revaluation according to the equity method</b>		
Reserves for net revaluation 1 January 2020	143.207	20.342
Share of results	-11.868	123.793
Foreign exchange	<u>0</u>	<u>-928</u>
	<b><u>131.339</u></b>	<b><u>143.207</u></b>

**Notes**

All amounts in USD.

	<u>30/6 2020</u>	<u>31/12 2019</u>
<b>9. Retained earnings</b>		
Retained earnings 1 January 2020	2.222.052	4.734.305
Profit or loss for the year brought forward	-286.831	-2.512.253
	<u><b>1.935.221</b></u>	<u><b>2.222.052</b></u>
<b>10. Other payables</b>		
Holiday pay obligation, salaried staff	66.712	27.295
	<u><b>66.712</b></u>	<u><b>27.295</b></u>
Share of liabilities due after 5 years	66.712	27.295

**11. Contingencies****Contingent liabilities**

The company's annual rent obligation amounts to USD 61,945.

The company has entered into long-term lease agreements with foreign tonnage. The total liability amounts to 30 June 2020 USD 1,574,225 relating to the financial year 2020.

**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.

The total tax payable under the joint taxation scheme totals USD 0.

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



## Accounting policies

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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 B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from the previous year, and the annual report is presented in American dollars (USD). The accounting period was changed in the financial year before last and comprises the period 1 January - 30 June 2020. The comparative figures in the income statement comprise the period 1 January 2019 - 31 December 2019.

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of Fortuna Seaside Bulk Carriers A/S and its group enterprises are included in the consolidated financial statements for Fortuna Seaside Invest A/S, Gentofte, CVR nr. 37 99 19 02.

### 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, writedowns 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.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

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 transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

## Accounting policies

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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.

If the foreign group enterprises and associates meet the criteria for independent entities, their income statements are translated using an average exchange rate for the period in question and the balance sheet items are translated using the closing rate. Differences arising from translating the equity of foreign group enterprises at the beginning of the year using the closing rate are recognised directly in equity. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or writedown for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Translation adjustment of balances with foreign group enterprises considered part of the total investment in group enterprises are recognised directly in equity. Likewise, foreign exchange gains and losses on loans and derivatives for the currency hedging of independent foreign group enterprises 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.

#### Net turnover

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.

## **Accounting policies**

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### **Production costs**

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.

Additionally, writedown for impairment relating to expected losses on contracts are recognised.

### **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 costs**

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

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise.

### **Financial income and expenses**

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

### **Results from equity investments in group enterprises**

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement as a proportional share of the group enterprises' 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).

## Accounting policies

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### Statement of financial position

#### Property, plant, and equipment

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3 years	20 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement under depreciation.

#### Impairment loss relating to non-current assets

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

## Accounting policies

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

The recoverable amount is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow derived from the use of the asset or group of assets.

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

### Investments

#### Equity in group enterprises

Equity in group enterprises recognised in the statement of financial position as a proportional share of the enterprise's equity value. This is calculated on the basis of the accounting policies of the parent less/plus unrealised intercompany profits and losses, and less/plus residual value of positive or negative goodwill measured by applying the purchase method.

Group enterprises with negative equity are recognised at no value and, to the extent they are considered irrevocable, amounts owed by these companies are made subject to impairment by the parent's share of the equity. If the negative equity exceeds the receivables, the residual amount is recognised under liability provisions to the extent that the parent has a legal or actual liability to cover the negative equity of these subsidiaries.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are 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.

Profit or loss in connection with the disposal of group enterprises are measured as the difference between the sales amount and the carrying amount of net assets at the time of sale, inclusive of remaining consolidated goodwill and expected costs of sale or liquidation. Profit and loss are recognised in the income statement under net financials.

For the acquisition of new group enterprises, the purchase method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for pre-determined restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of revaluations is taken into consideration.

## **Accounting policies**

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Positive differences (goodwill) between cost and fair value of identifiable acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises and are amortised over their estimated useful economic life. The useful life is determined on the basis of management's experience in the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a longterm earnings potential. The carrying amount of goodwill is subject to impairment tests on a continuing basis and written down in the income statement in those cases when the carrying amount exceeds the expected future net income from the enterprise or the activity to which the goodwill is attached.

### **Other financial instruments and equity investments**

Unlisted financial instruments are measured at cost. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

### **Inventories**

Inventories comprise bunker oil kept on board vessels. Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

### **Receivables**

Receivables are measured at amortised cost, which usually corresponds to nominal value. To counter expected losses, writedown is performed to net realisable value. The enterprise will be applying IAS 39 as the basis of interpretation for the recognition of impairment of financial assets, meaning that a loss must be recognised if there are objective indications of accounts receivable being unable to comply with payment obligations.

### **Voyages in progress**

Voyages in progress is measured at the selling price of the work performed, however with deduction of invoicing on account and expected losses. Voyages in progress is characterised by the manufactured goods featuring a high level of individualisation in the design. Furthermore, it is a requirement that before work is commenced, a binding contract is to be entered into, implying penalty or damages in case of subsequent cancellation.

The selling price is measured on the basis of the stage of completion on the reporting date and the total expected income from the individual contracts. The stage of completion is determined on the basis of an assessment of the work performed, usually determined as the ratio of the costs incurred to the total expected cost of the contract in question.

When it seems probable that the total contract costs will exceed the total contract revenue, the expected contract loss is immediately recognised as costs and provisions.

## **Accounting policies**

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Contracts, for which the selling price of the work performed exceeds the invoicing on account and expected losses, are recognised as trade receivables. Contracts, for which invoicing on account and expected losses exceed the selling price, are recognised as liabilities.

Prepayments from customers are recognised as liabilities.

### **Prepayments and accrued income**

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

### **Financial instruments and equity investments**

Financial instruments and equity investments recognised as current assets are measured at fair value on the reporting date.

### **Cash on hand and demand deposits**

Cash on hand and demand deposits comprise cash at bank and on hand.

### **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 and associates 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.

#### **Liabilities other than provisions**

Liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.