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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 - 31 December 2019

The annual report was submitted and approved by the general meeting on the 27 May 2020.

Lars Trygved
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS British 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

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 - 31 December 2019 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 31 December 2019 and of the company's results of activities and cash flows in the financial year 1 January – 31 December 2019.

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, 19 May 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

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 - 31 December 2019, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity, statement af cash flows 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 31 December 2019 and of the results of the company's activities and cash flows for the financial year 1 January - 31 December 2019 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

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

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, 19 May 2020

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

Ulrik Bloch-Sørensen
State Authorised Public Accountant
mne2913

Company information

The company	Fortuna Seaside Bulk Carriers A/S Strandvejen 56 2900 Hellerup	
	Phone	39161200
	Web site	www.fortuna-seaside.dk
	Company reg. no.	37 99 21 78
	Established:	8 September 2016
	Domicile:	Hellerup
	Financial year:	1 January - 31 December
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	

Financial highlights

USD in thousands.	2019	2018	2017
Income statement:			
Gross profit	822	-211	4.187
Profit from ordinary operating activities	-2.060	-2.331	2.019
Net financials	49	-7	2
Net profit or loss for the year	-2.388	-1.822	1.584
Statement of financial position:			
Balance sheet total	6.222	7.748	10.155
Investments in property, plant and equip-ment	129	70	133
Equity	2.441	4.830	1.660
Cash flows:			
Operating activities	-1.257	-4.528	-866
Investing activities	-14	8	-343
Financing activities	1.714	4.925	4.000
Total cash flows	443	405	2.791
Employees:			
Average number of full-time employees	11	9	6
Key figures in %:			
Acid test ratio	155,8	255,2	-
Solvency ratio	39,2	62,3	16,3
Return on equity	-65,7	-56,1	190,8

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

Acid test ratio

$$\frac{\text{Current assets x 100}}{\text{Short term liabilities other than provisions}}$$

Solvency ratio

$$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

Return on equity

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

Management commentary

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 821.750 against USD -210.938 last year. Loss from ordinary activities after tax totals USD -2.388.460 against USD -1.822.305 last year. 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. The 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.

Events occurring after the end of the financial year

The dry cargo freight market dropped significantly in the first months of 2020 as demand was reduced due to the global outbreak of the Corona virus. The company expects the market to improve in the second half of the year.

Income statement 1 January - 31 December

All amounts in USD.

Note		2019	2018
	Gross profit	**821.750**	**-210.938**
	Distribution costs	-63.380	-59.445
	Administration costs	-2.818.129	-2.060.813
	Operating profit	**-2.059.759**	**-2.331.196**
	Income from equity investments in group enterprises	92.390	31.403
	Other financial income	730	719
	Other financial costs	-43.860	-39.253
	Financing, net	49.260	-7.131
	Pre-tax net profit or loss	**-2.010.499**	**-2.338.327**
	Tax on net profit or loss for the year	-377.961	516.022
2	**Net profit or loss for the year**	**-2.388.460**	**-1.822.305**

Statement of financial position at 31 December

All amounts in USD.

Assets

Note		2019	2018
	Non-current assets		
3	Other fixtures and fittings, tools and equipment	7.935	80.976
	Total property, plant, and equipment	7.935	80.976
4	Equity investments in group enterprises	328.337	99.767
5	Other financial instruments and equity investments	6.841	11.151
6	Other receivables	30.344	111.678
	Total investments	365.522	222.596
	Total non-current assets	**373.457**	**303.572**
	Current assets		
	Raw materials and consumables	754.159	474.822
	Total inventories	754.159	474.822
	Trade receivables	586.282	2.321.153
7	Voyages in progress	680.708	710.065
	Deferred tax assets	0	515.153
	Tax receivables from group enterprises	137.192	0
	Other receivables	6.947	127.911
8	Prepayments and accrued income	2.583	13.547
	Total receivables	1.413.712	3.687.829
	Other financial instruments and equity investments	17.975	18.407
	Total financial instruments	17.975	18.407
	Cash on hand and demand deposits	3.663.072	3.262.929
	Total current assets	**5.848.918**	**7.443.987**
	Total assets	**6.222.375**	**7.747.559**

Statement of financial position at 31 December

All amounts in USD.

Note	Equity and liabilities	2019	2018
	Equity		
	Contributed capital	75.476	75.476
	Reserve for net revaluation according to the equity method	143.207	20.342
9	Retained earnings	2.222.052	4.734.305
	Total equity	**2.440.735**	**4.830.123**
	Liabilities other than provisions		
10	Other payables	27.295	0
	Total long term liabilities other than provisions	27.295	0
7	Prepayments received from customers concerning work in progress for the account of others	934.646	1.081.842
	Trade payables	1.066.848	1.701.511
	Payables to group enterprises	1.616.566	0
	Other payables	136.285	134.083
	Total short term liabilities other than provisions	3.754.345	2.917.436
	Total liabilities other than provisions	**3.781.640**	**2.917.436**
	Total equity and liabilities	**6.222.375**	**7.747.559**

1 Employee issues

11 Contingencies

Statement of changes in equity

All amounts in USD.

	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity 1 January 2018	75.476	27.596	1.556.610	1.659.682
Share of results	0	0	-1.822.305	-1.822.305
Exchange rate adjustments	0	-7.254	0	-7.254
Debt remission	0	0	4.000.000	4.000.000
Group contribution	0	0	1.000.000	1.000.000
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 adjustments	0	-928	0	-928
	75.476	**143.207**	**2.222.052**	**2.440.735**

Statement of cash flows 1 January - 31 December

All amounts in USD.

Note		2019	2018
	Net profit or loss for the year	-2.388.460	-1.822.305
12	Adjustments	501.868	-473.392
13	Change in working capital	630.244	-1.782.473
	Cash flows from operating activities before net financials	-1.256.348	-4.078.170
	Interest received, etc.	732	719
	Interest paid, etc.	-1.032	-14.644
	Cash flows from ordinary activities	-1.256.648	-4.092.095
	Income tax paid	0	-435.803
	Cash flows from operating activities	**-1.256.648**	**-4.527.898**
	Purchase of property, plant, and equipment	-129.301	-70.073
	Sale of property, plant, and equipment	166.367	57.352
	Purchase of fixed asset investments	-30.343	-4.500
14	Acquisition of enterprises and activities	-137.108	0
	Sale of fixed asset investments	111.678	0
	Repayments received	4.742	25.667
	Cash flows from investment activities	**-13.965**	**8.446**
	Repayments of long-term payables	0	3.924.524
	Loan received	1.713.584	1.000.000
	Cash flows from financing activities	**1.713.584**	**4.924.524**
	Change in cash and cash equivalents	**442.971**	**405.072**
	Cash and cash equivalents at 1 January 2019	3.262.929	2.882.466
	Foreign currency translation adjustments (cash and cash equivalents)	-42.828	-24.609
	Cash and cash equivalents at 31 December 2019	**3.663.072**	**3.262.929**
	Cash and cash equivalents		
	Cash on hand and demand deposits	3.663.072	3.262.929
	Cash and cash equivalents at 31 December 2019	**3.663.072**	**3.262.929**

Notes

All amounts in USD.

		2019	2018
1.	**Employee issues**		
	Payrolls	1.290.671	1.097.517
	Pensions	169.581	126.267
	Other expenses to social security	13.690	-24.744
	Other staff expenses	57.160	25.251
		1.531.102	**1.224.291**
	Executive board and board of directors	370.592	204.178
	Average number of employees	11	9
2.	**Proposed appropriation of net profit**		
	Reserves for net revaluation according to the equity method	123.793	0
	Allocated from retained earnings	-2.512.253	-1.822.305
	Total allocations and transfers	**-2.388.460**	**-1.822.305**
3.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2019	141.694	133.069
	Additions during the year	129.301	70.073
	Disposals during the year	-225.311	-61.448
	Cost 31 December 2019	**45.684**	**141.694**
	Depreciation and writedown 1 January 2019	-60.718	-29.315
	Depreciation for the year	-8.897	-35.499
	Depreciation and writedown, assets disposed of	31.866	4.096
	Depreciation and writedown 31 December 2019	**-37.749**	**-60.718**
	Carrying amount, 31 December 2019	**7.935**	**80.976**

Notes

All amounts in USD.

		31/12 2019	31/12 2018
4.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2019	48.022	48.022
	Additions during the year	137.108	0
	Cost 31 December 2019	**185.130**	**48.022**
	Revaluations, opening balance 1 January 2019	51.745	27.596
	Results for the year before goodwill amortisation	86.186	24.149
	Other movements in capital	5.276	0
	Revaluation 31 December 2019	**143.207**	**51.745**
	Carrying amount, 31 December 2019	**328.337**	**99.767**

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	100 %	309.419	166.107	309.419
Fortuna Seaside Australia Pty. Ltd., Melbourne	100 %	18.918	-79.921	18.918
		328.337	**86.186**	**328.337**

		31/12 2019	31/12 2018
5.	**Other financial instruments and equity investments**		
	Cost 1 January 2019	11.151	36.086
	Disposals during the year	-4.310	-24.935
	Cost 31 December 2019	**6.841**	**11.151**
	Carrying amount, 31 December 2019	**6.841**	**11.151**

Notes

All amounts in USD.

		31/12 2019	31/12 2018
6.	**Other receivables**		
	Cost 1 January 2019	111.678	107.178
	Additions during the year	30.344	4.500
	Disposals during the year	-111.678	0
	Cost 31 December 2019	**30.344**	**111.678**
	Carrying amount, 31 December 2019	**30.344**	**111.678**
	Specified as follows:		
	Deposits	30.344	111.678
		30.344	**111.678**
7.	**Voyages in progress**		
	Paid cost on voyages in progress	722.057	861.448
	Payments on account received	-975.995	-1.233.225
	Voyages in progress, net	**-253.938**	**-371.777**
	The following is recognised:		
	Work in progress for the account of others (Current assets)	680.708	710.065
	Work in progress for the account of others (Prepayments received)	-934.646	-1.081.842
		-253.938	**-371.777**
8.	**Prepayments and accrued income**		
	Prepaid parking expenses	2.583	8.232
	Prepaid company arrangement	0	5.315
		2.583	**13.547**

Notes

All amounts in USD.

		31/12 2019	31/12 2018
9.	**Retained earnings**		
	Retained earnings 1 January 2019	4.734.305	1.556.610
	Profit or loss for the year brought forward	-2.512.253	-1.822.305
	Debt remission	0	4.000.000
	Group contribution	0	1.000.000
		2.222.052	**4.734.305**

10.	**Other payables**		
	Holiday pay obligation, salaried staff	27.295	0
		27.295	**0**
	Share of liabilities due after 5 years	27.295	0

11. Contingencies

Contingent liabilities

The company's annual rent obligation amounts to USD 61,754.

The company has entered into long-term lease agreements with foreign tonnage. The total liability amounts to 31 December 2019 USD 576,700 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.

Notes

All amounts in USD.

	2019	2018
12. Adjustments		
Depreciation, amortisation, and impairment	8.897	35.499
Profit from sale of fixed assets	27.078	0
Income from equity investments in group enterprises	-92.390	-31.403
Other financial income	-730	-719
Other financial costs	43.860	39.253
Tax on net profit or loss for the year	377.961	-516.022
Tax reimbursement, group enterprise	137.192	0
	501.868	**-473.392**
13. Change in working capital		
Change in inventories	-279.337	1.517.644
Change in receivables	1.673.527	1.841.352
Change in trade payables and other payables	-763.946	-5.141.469
	630.244	**-1.782.473**
14. Acquisition of enterprises and activities		
Receivables	1.071	0
Cash on hand and demand deposits	170.335	0
Trade payables	-34.298	0
	137.108	**0**

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

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

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.

Net turnover
Revenue compromises 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

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

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 mount 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

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

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

Financial instruments and equity investments recognised under non-current assets comprise listed bonds and shares measured at fair value on the reporting date. Listed financial instruments are measured at market price.

Other 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 face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

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 been 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

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.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

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 tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Accounting policies

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

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

Statement of cash flows

The statement of cash flows shows company cash flows for the year divided into cash flows derived from operating activities, investment activities, and financing activities, respectively, changes in cash and cash equivalents, and cash and cash equivalents at the beginning and 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 profit or loss for the year adjusted for noncash operating items, changes in the working capital, and income tax paid.

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 comprise changes in the size or composition of the share capital and associated costs. Furthermore, cash flows comprise borrowings, repayments of interest-bearing payables, and payments of dividend to the shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits less shortterm bank loans and shortterm financial instruments with a term of less than 3 months which can easily be converted into cash and cash equivalents and are associated with an insignificant risk of value change.