

## **Victory Cruise Group ApS**

Tøndergade 16  
1752 København V  
Central Business Registration  
No 38030671

## **Annual report 2019**

The Annual General Meeting adopted the annual report on 20.03.2020

### **Chairman of the General Meeting**

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Name: Niels-Erik Thamdrup Lund

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## Entity details

### Entity

Victory Cruise Group ApS  
Tøndergade 16  
1752 København V

Central Business Registration No (CVR): 38030671

Founded: 12.09.2016

Registered in: København

Financial year: 01.01.2019 - 31.12.2019

Reporting period, number:3

### Executive Board

Søren Rasmussen  
Niels-Erik Thamdrup Lund  
Ole Bødtcher-Hansen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 Copenhagen C

## Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Victory Cruise Group ApS for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 20.03.2020

### Executive Board

Søren Rasmussen

Niels-Erik Thamdrup Lund

Ole Bødtcher-Hansen

# Independent auditor's report

## To the shareholders of Victory Cruise Group ApS

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Victory Cruise Group ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

## Independent auditor's report

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 consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## Independent auditor's report

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 20.03.2020

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

Sumit Sudan  
State Authorised Public Accountant  
Identification No (MNE) mne33716

## Management commentary

	<b>2019</b> <b>USD'000</b>	<b>2018</b> <b>USD'000</b>	<b>2017</b> <b>USD'000</b>
<b>Financial highlights</b>			
<b>Key figures</b>			
Revenue	-	16.182	16.493
Gross profit/loss	27.545	2.232	2.423
Operating profit/loss	27.460	(2.615)	(1.040)
Net financials	285	(1.081)	(853)
Profit/loss for the year	27.707	(3.696)	(1.893)
Total assets	17.744	31.439	27.329
Investments in property, plant and equipment	-	4.501	24.407
Equity	17.707	(5.374)	(1.878)
<b>Ratios</b>			
Gross margin (%)	-	13,8	14,7
Net margin (%)	-	(22,8)	(11,5)
Return on equity (%)	449,3	-	-
Equity ratio (%)	99,8	(17,1)	(6,9)

The figures for 2017 are not comparable, this is due to it containing 16 months instead of 12.

Financial highlights are defined and calculated in accordance with the CFA Society Denmark's current "Recommendations & Ratios".

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



## Management commentary

### Primary activities

The primary activity of the Group has been to own and operate the cruise vessels Victory I and Victory II which were sold in early 2019.

The Group has had the ship management, including the technical management, hotel services, food and beverage etc. outsourced to the associated company Cruise Management International Inc., Miami, Florida and CMI Leisure Ltd., a sister company to Cruise Management International Inc.

### Development in activities and finances

In 2019, the Group realized a profit of USD 27.706.911, and equity amounts to USD 17.707.001 as of 31 December 2019.

During 2018 negotiations took place for the sale of the cruise vessels Victory I and Victory II along with the business activities related to Victory Cruise Management and Victory Cruise Lines. The sale was completed in early January 2019 and the vessels were successfully delivered to its new owners in January 2019. The sale resulted in a gain in 2019.

At the end of 2018 the Group acquired the shares in Ocean Victory Partners Ltd. - a company with a vessel under construction with delivery at the end of 2020. In September 2019 the Group re-sold its shares in Ocean Victory Partners Ltd. to DSO Holding ApS, a company owning two subsidiaries each with a vessel under construction. The sale was made at cost resulting in no gain/loss for the Group.

At the end of 2019 it was decided to demerge the Group and transfer the shares in the Group to each of its shareholders. The demerger will be completed in 2020 after which the Group will cease to exist.

### Capital position

At 31 December 2019, the Group's Balance Sheet consists of Receivables from shareholders and associated companies, Cash and Equity. This Balance Sheet will be split in three different companies each belonging to one Shareholder.

As at 31 December 2018, the equity was negative. With the sale of the vessels in early 2019, the Group re-established its equity. Following the sale of the vessels all shareholder loans were repaid during January 2019.

### Events after the balance sheet date

As mentioned above the demerger of the Group will be finalized in 2020 after which the Group will cease to exist.

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

## Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 USD</u>	<u>2018 USD</u>
Revenue		0	16.181.949
Other operating income		28.086.131	0
Cost of sales		(300.254)	(11.188.062)
Other external expenses		(241.174)	(2.762.293)
<b>Gross profit/loss</b>		<b>27.544.703</b>	<b>2.231.594</b>
Staff costs	1	(84.931)	(3.424.098)
Depreciation, amortisation and impairment losses	2	0	(1.422.528)
<b>Operating profit/loss</b>		<b>27.459.772</b>	<b>(2.615.032)</b>
Other financial income	3	333.612	54.578
Other financial expenses	4	(49.097)	(1.135.718)
<b>Profit/loss before tax</b>		<b>27.744.287</b>	<b>(3.696.172)</b>
Tax on profit/loss for the year		(37.376)	0
<b>Profit/loss for the year</b>	5	<b>27.706.911</b>	<b>(3.696.172)</b>

## Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 USD</u>	<u>2018 USD</u>
Assets held for sale		0	26.556.971
<b>Inventories</b>		<b>0</b>	<b>26.556.971</b>
Trade receivables		0	289.855
Receivables from associates	6	16.204.163	0
Other receivables		0	1.370.816
Prepayments		0	153.092
<b>Receivables</b>		<b>16.204.163</b>	<b>1.813.763</b>
<b>Cash</b>		<b>1.540.214</b>	<b>3.068.205</b>
<b>Current assets</b>		<b>17.744.377</b>	<b>31.438.939</b>
<b>Assets</b>		<b>17.744.377</b>	<b>31.438.939</b>

## Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 USD</u>	<u>2018 USD</u>
Contributed capital		14.499	14.499
Retained earnings		17.692.502	(3.285.524)
<b>Equity attributable to the Parent's owners</b>		<b>17.707.001</b>	<b>(3.271.025)</b>
<b>Share of equity attributable to minority interests</b>		<b>0</b>	<b>(2.103.417)</b>
<b>Equity</b>		<b>17.707.001</b>	<b>(5.374.442)</b>
Bank loans		0	8.919.372
Trade payables		0	1.200.564
Payables to group enterprises		0	14.684.013
Income tax payable		37.376	0
Other payables		0	11.890.955
Deferred income		0	118.477
<b>Current liabilities other than provisions</b>		<b>37.376</b>	<b>36.813.381</b>
<b>Liabilities other than provisions</b>		<b>37.376</b>	<b>36.813.381</b>
<b>Equity and liabilities</b>		<b>17.744.377</b>	<b>31.438.939</b>
Contingent liabilities	8		
Transactions with related parties	9		
Subsidiaries	10		

## Consolidated statement of changes in equity for 2019

	<b>Contributed capital USD</b>	<b>Retained earnings USD</b>	<b>Share of equity attributable to minority interests USD</b>	<b>Total USD</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Equity beginning of year	14.499	(3.285.524)	(2.103.417)	(5.374.442)
Effect of divestments of entities etc	0	(2.267.734)	2.267.734	0
Decrease of capital	0	(200.000)	0	(200.000)
Purchase of treasury shares	0	(4.425.468)	0	(4.425.468)
Profit/loss for the year	<u>0</u>	<u>27.871.228</u>	<u>(164.317)</u>	<u>27.706.911</u>
<b>Equity end of year</b>	<b><u>14.499</u></b>	<b><u>17.692.502</u></b>	<b><u>0</u></b>	<b><u>17.707.001</u></b>

## Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 USD</u>	<u>2018 USD</u>
Operating profit/loss		27.459.772	(2.565.032)
Amortisation, depreciation and impairment losses		0	1.422.528
Working capital changes	7	(2.194.180)	2.423.475
<b>Cash flow from ordinary operating activities</b>		<b>25.265.592</b>	<b>1.280.971</b>
Financial income received		20.232	56.278
Financial expenses paid		(22.755)	(1.135.718)
<b>Cash flows from operating activities</b>		<b>25.263.069</b>	<b>201.531</b>
Acquisition etc of property, plant and equipment		0	(4.501.058)
Sale of property, plant and equipment		26.556.971	0
<b>Cash flows from investing activities</b>		<b>26.556.971</b>	<b>(4.501.058)</b>
Loans raised		0	7.952.765
Repayments of loans etc		(32.831.779)	(2.525.000)
Acquisition of treasury shares		(4.425.468)	0
Loans to associates		(15.890.784)	0
Increase of capital		0	200.000
Repayment of capital		(200.000)	0
<b>Cash flows from financing activities</b>		<b>(53.348.031)</b>	<b>5.627.765</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(1.527.991)</b>	<b>1.328.238</b>
Cash and cash equivalents beginning of year		3.068.205	1.739.967
<b>Cash and cash equivalents end of year</b>		<b>1.540.214</b>	<b>3.068.205</b>

## Notes to consolidated financial statements

	<b>2019 USD</b>	<b>2018 USD</b>
<b>1. Staff costs</b>		
Wages and salaries	59.539	2.298.542
Other staff costs	25.392	1.125.556
	<b>84.931</b>	<b>3.424.098</b>
Average number of employees	<b>1</b>	

The Group has not incurred any remuneration cost to the management for the financial year.

	<b>2019 USD</b>	<b>2018 USD</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Depreciation of property, plant and equipment	0	1.422.528
	<b>0</b>	<b>1.422.528</b>

	<b>2019 USD</b>	<b>2018 USD</b>
<b>3. Other financial income</b>		
Financial income from associates	313.380	0
Other interest income	17.727	33.839
Exchange rate adjustments	2.505	20.739
	<b>333.612</b>	<b>54.578</b>

	<b>2019 USD</b>	<b>2018 USD</b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	13.119	231.065
Other interest expenses	23.880	763.597
Exchange rate adjustments	0	29.122
Other financial expenses	12.098	111.934
	<b>49.097</b>	<b>1.135.718</b>

Other financial expenses comprise of interests on bank loans, interests on loans from associates and foreign currency exchange.

	<b>2019 USD</b>	<b>2018 USD</b>
<b>5. Proposed distribution of profit/loss</b>		
Retained earnings	27.871.228	(2.370.139)
Minority interests' share of profit/loss	(164.317)	(1.326.033)
	<b>27.706.911</b>	<b>(3.696.172)</b>

## Notes to consolidated financial statements

### 6. Short-term receivables from associates

The Group has during the period provided loans at a total amount of USD 16.204.163. The loans are provided to associates, and with an interest rate of 3%. These terms for the loans are considered to be at arm's length.

	<b>2019</b> <b>USD</b>	<b>2018</b> <b>USD</b>
<b>7. Change in working capital</b>		
Increase/decrease in inventories	0	164.698
Increase/decrease in receivables	1.813.763	130.364
Increase/decrease in trade payables etc	(4.007.943)	2.128.413
	<b>(2.194.180)</b>	<b>2.423.475</b>

### 8. Contingent liabilities

The Group's prior owned vessels have operated in US waters, and therefore a possible tax liability exist, which is not expected to be material.

### 9. Transactions with related parties

The Group has no related party transactions other than those already separately presented in the balance sheet or the notes to consolidated financial statements.

	<b>Registered in</b>	<b>Corpo- rate form</b>	<b>Equity inte- rest %</b>
<b>10. Subsidiaries</b>			
Victory Cruise Lines Ltd.	Bahamas	Ltd.	100,0
Victory Cruise Management Inc.	USA	Inc.	100,0
Victory I Partners Ltd.	Bahamas	Ltd.	100,0
Victory II Partners Ltd.	Bahamas	Ltd.	100,0



## Parent income statement for 2019

	<u>Notes</u>	<u>2019 USD</u>	<u>2018 USD</u>
Other external expenses		(93.276)	(17.301)
<b>Operating profit/loss</b>		<b>(93.276)</b>	<b>(17.301)</b>
Income from investments in group enterprises	1	30.051.597	0
Income from investments in associates		(3.652)	0
Other financial income		313.380	0
Impairment losses on financial assets		(8.066.141)	0
Other financial expenses		(491)	0
<b>Profit/loss before tax</b>		<b>22.201.417</b>	<b>(17.301)</b>
Tax on profit/loss for the year		(37.376)	0
<b>Profit/loss for the year</b>	<b>2</b>	<b>22.164.041</b>	<b>(17.301)</b>

## Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 USD</u>	<u>2018 USD</u>
Investments in group enterprises		0	0
<b>Fixed asset investments</b>	3	<b>0</b>	<b>0</b>
<b>Fixed assets</b>		<b>0</b>	<b>0</b>
Receivables from associates		16.204.163	0
<b>Receivables</b>		<b>16.204.163</b>	<b>0</b>
<b>Cash</b>		<b>1.540.214</b>	<b>6.592</b>
<b>Current assets</b>		<b>17.744.377</b>	<b>6.592</b>
<b>Assets</b>		<b>17.744.377</b>	<b>6.592</b>

## Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 USD</u>	<u>2018 USD</u>
Contributed capital		14.499	14.499
Retained earnings		17.692.502	(46.071)
<b>Equity</b>		<b>17.707.001</b>	<b>(31.572)</b>
Payables to group enterprises		0	38.164
Income tax payable		37.376	0
<b>Current liabilities other than provisions</b>		<b>37.376</b>	<b>38.164</b>
<b>Liabilities other than provisions</b>		<b>37.376</b>	<b>38.164</b>
<b>Equity and liabilities</b>		<b>17.744.377</b>	<b>6.592</b>
Transactions with related parties	4		

## Parent statement of changes in equity for 2019

	<b>Contributed capital USD</b>	<b>Retained earnings USD</b>	<b>Total USD</b>
Equity beginning of year	14.499	(46.071)	(31.572)
Purchase of treasury shares	0	(4.425.468)	(4.425.468)
Profit/loss for the year	0	22.164.041	22.164.041
<b>Equity end of year</b>	<b>14.499</b>	<b>17.692.502</b>	<b>17.707.001</b>

## Notes to parent financial statements

### 1. Income from investments in group enterprises

The Parent has received income from investments in group enterprises in terms of dividends.

	<b>2019 USD</b>	<b>2018 USD</b>
<b>2. Proposed distribution of profit/loss</b>		
Retained earnings	22.164.041	(17.301)
	<b>22.164.041</b>	<b>(17.301)</b>
		<b>Invest- ments in group enterprises USD</b>
<b>3. Fixed asset investments</b>		
Additions		8.066.141
<b>Cost end of year</b>		<b>8.066.141</b>
Impairment losses for the year		(8.066.141)
<b>Impairment losses end of year</b>		<b>(8.066.141)</b>
<b>Carrying amount end of year</b>		<b>0</b>

The Parent has provided support for its subsidiaries to cover the current liabilities in the companies during the year.

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

### 4. Transactions with related parties

The Company has no related party transactions other than those already separately presented in the balance sheet or the notes to parent financial statements.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

The annual report has been prepared and presented in USD. A DKK/USD exchange rate of 6.676 has been applied (2018: 6.519).

### Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date, are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the balance sheet date, are recognised in the income statement as financial income or financial expenses. Fixed assets purchased in foreign currencies are translated using historical rates.

### Income statement

#### Revenue

Revenue includes invoiced sales of tours recognised in the income statement. If risk transfer has taken place according to the Company's General Conditions and if the income can be assessed reliably and is expected to be received.

## Accounting policies

Revenue is measured at fair value of the agreed payment ex VAT and duties collected on behalf of third parties. All discounts granted are recognised in the revenue.

### Other operating income

Other operation income comprises profits from sale of vessels. Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and the carrying amount at the time of sale.

### Cost of sales

Cost of sales comprises expenses incurred for operation of ships, such as bunker and goods consumed in connection with the activities held on board, such as foods.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for office supplies, marketing costs, etc.

### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for Entity staff.

### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to ships, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year period, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

### Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year. Furthermore, the impairment losses on investments have been recognised separately.

### Other financial income

Other financial income comprises interest income, including interest income on receivables.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

## Accounting policies

### Balance sheet

#### Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

#### Inventories

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

#### Assets held for sale

Assets held for sale are assets that are no longer in use and have been put up for sale. The assets are measured at the lower of carrying amount at the date of reclassification and net realisable value, and no amortisation or depreciation is made.

#### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

#### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

#### Cash

Cash comprises cash in hand and bank deposits.

#### Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

#### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

#### Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

#### Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.



## Accounting policies

### **Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

### **Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with activities and fixed asset investments as well as purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt.

Cash and cash equivalents comprise cash and bank deposits.