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Danish Cruise Holdings ApS

Sofievej 7
2950 Vedbæk
CVR No. 41045906

Annual report 2020

The Annual General Meeting adopted the annual report on 04.06.2021

Niels Erik-Lund
Chairman of the General Meeting

Contents

Entity details

Entity

Danish Cruise Holdings ApS
Sofievej 7
2950 Vedbæk

Business Registration No.: 41045906
Date of foundation: 01.01.2020
Registered office: Hørsholm
Financial year: 01.01.2020 - 31.12.2020

Executive Board

Niels-Erik Thamdrup Lund, Managing Director
Ole Bødtcher-Hansen, Director
Søren Rasmussen, Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of Danish Cruise Holdings ApS for the financial year 01.01.2020 - 31.12.2020

The annual report is presented 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

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, 04.06.2021

Executive Board

Niels-Erik Thamdrup Lund
Managing Director

Ole Bødtcher-Hansen
Director

Søren Rasmussen
Director

Independent auditor's report

To the shareholders of Danish Cruise Holdings ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Danish Cruise Holdings ApS for the financial year 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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 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 and 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.

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, 04.06.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Hansen
State Authorised Public Accountant
Identification No (MNE) mne24828

Management commentary

Financial highlights

	2020 USD'000
Key figures	
Gross profit/loss	15,715
Operating profit/loss	(3,074)
Net financials	(1,759)
Profit/loss for the year	(4,424)
Balance sheet total	69,176
Investments in property, plant and equipment	94,902
Equity	7,869
Cash flows from operating activities	(2,437)
Cash flows from investing activities	(934)
Cash flows from financing activities	(1,880)
Ratios	
Equity ratio (%)	11.38

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Equity ratio (%):
Equity * 100
Balance sheet total

Primary activities

The Company's primary activity is to be the owner of shares in associates, to supply financing to associates and to invest in securities and other financial instruments.

Development in activities and finances

The Company was established on 1 January 2020 through a contribution in kind of values from the following seven companies: Adventurer Partners Ltd., Endeavour Partners Ltd., Diamond Partners Ltd., Ocean Atlantic Partners Ltd., CMI Leisure Ltd., CMI Leisure Management Inc. and Cruise Management International Inc. The contribution in kind had an Equity value of USD 12,509,110.

The first four companies each own an expedition cruise vessel. CMI Leisure Ltd. and CMI Leisure Management Inc. are conducting Hotel Management and Cruise Management International Inc. is conducting Technical Management. Both Hotel and Technical Management are carried out for associated companies as well as for third-party vessel owners.

The Company has three shareholders each of whom previously owned one third each of the seven individual companies. The Company's beginning balance mainly consisted of vessels, cash, vessel related loans, shareholder loans and equity. The company was incorporated with a share capital of DKK 90,000. There have been no major changes to the Balance Sheet composition during the year except for normal operational changes.

Profit/loss for the year in relation to expected developments

As a result of the spread of the COVID-19 virus, economic uncertainties arose during 2020 which negatively impacted net profit. Management is closely monitoring the COVID-19 situation and the impact this may have on the operation and financial situation of the Company. As further described in note 1 to the consolidated financial statements, the shareholders have issued letters of support to the Company.

In 2020, the Company realized a loss of USD 4,423,808 which was worse than expected. Management therefore considers the result unsatisfactory.

Outlook

During and shortly after the end of 2020, several vaccine candidates for COVID-19 have been approved around the world and vaccinations have started to take place. This has brought some optimism that the world may revert to a more normalized situation during the 2021 summer season. However the global economy will be significantly impacted throughout at least the first half of 2021.

At this point it is, however, challenging to predict the pace and strength of a general market recovery and for the Expedition Cruise niche market in particular. Although the Company has a sound financial position it should be noted that the cash flow has been negative for 2020 and if the measures to preserve cash are not sufficient, there is a risk, that the Company will need to take further measures to strengthen its liquidity during 2021.

The Company has a very positive outlook for especially the fourth quarter of 2021 and will continue to focus on obtaining long term contracts for its vessels and on its unique competence within its niche market to navigate through the downturn. For 2021 Management expects a gross profit in the range between USD 16 to USD 19 million and a profit/loss for the year in the range between USD 0 to USD negative 3 million.

Events after the balance sheet date

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

Consolidated income statement for 2020

	Notes	2020 USD
Gross profit/loss	2	**15,715,499**
Staff costs	3	(10,961,183)
Depreciation, amortisation and impairment losses		(7,827,933)
Operating profit/loss		**(3,073,617)**
Other financial income		36,773
Other financial expenses		(1,795,357)
Profit/loss before tax		**(4,832,201)**
Tax on profit/loss for the year	4	408,393
Profit/loss for the year	5	**(4,423,808)**

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 USD
Acquired intangible assets		205,257
Acquired licences		35,250
Goodwill		0
Intangible assets	6	**240,507**
Ships		54,471,542
Other fixtures and fittings, tools and equipment		7,713
Property, plant and equipment	7	**54,479,255**
Fixed assets		**54,719,762**
Raw materials and consumables		2,120,277
Inventories		**2,120,277**
Trade receivables		5,934,390
Deferred tax	8	677,266
Other receivables		1,620,154
Tax receivable		125,791
Prepayments	9	1,220,294
Receivables		**9,577,895**
Cash		**2,758,106**
Current assets		**14,456,278**
Assets		**69,176,040**

Equity and liabilities

	Notes	2020 USD
Contributed capital		13,523
Retained earnings		7,855,455
Equity		**7,868,978**
Deferred tax	8	307,030
Provisions		**307,030**
Bank loans		13,176,291
Payables to owners and management		37,343,880
Non-current liabilities other than provisions	10	**50,520,171**
Prepayments received from customers		6,519,124
Trade payables		956,184
Other payables		3,004,553
Current liabilities other than provisions		**10,479,861**
Liabilities other than provisions		**61,000,032**
Equity and liabilities		**69,176,040**

Going concern	1
Contingent liabilities	12
Assets charged and collateral	13
Transactions with related parties	14
Subsidiaries	15

Consolidated statement of changes in equity for 2020

	Contributed capital USD	Retained earnings USD	Total USD
Contributed upon formation	13,523	12,279,263	12,292,786
Profit/loss for the year	0	(4,423,808)	(4,423,808)
Equity end of year	**13,523**	**7,855,455**	**7,868,978**

Consolidated cash flow statement for 2020

	Notes	2020 USD
Operating profit/loss		(3,073,617)
Amortisation, depreciation and impairment losses		7,827,933
Working capital changes	11	(5,391,313)
Cash flow from ordinary operating activities		**(636,997)**
Taxes refunded/(paid)		(1,800,061)
Cash flows from operating activities		**(2,437,058)**
Acquisition etc. of property, plant and equipment		(933,895)
Cash flows from investing activities		**(933,895)**
Free cash flows generated from operations and investments before financing		**(3,370,953)**
Repayment of loans and interest paid		(1,880,374)
Cash flows from financing activities		**(1,880,374)**
Increase/decrease in cash and cash equivalents		**(5,251,327)**
Cash and cash equivalents beginning of year		8,009,433
Cash and cash equivalents end of year		**2,758,106**
Cash and cash equivalents at year-end are composed of:		
Cash		2,758,106
Cash and cash equivalents end of year		**2,758,106**

Notes to consolidated financial statements

1 Going concern

The current global pandemic of COVID-19 has resulted in a disruption across many industries including the cruise ship industry during 2020. This will continue with uncertainties for the net result and cash flow in 2021 and potentially onwards, but the magnitude and timing hereof is still uncertain, and will depend on the duration and spread of the outbreak.

Management is monitoring the situation closely, and have agreements with most of its key stakeholders including the charterer where revised terms and agreements have been agreed, which take the current market conditions of the cruise ship industry into consideration. Furthermore, the shareholders are also aware of these circumstances, and the shareholders have issued support letters with confirmation to inject cash as needed for the Company to honor its obligations as they fall due for a period of 12 months from the date of these financial statements.

Based on above, Management believes that the financial statements are appropriately prepared based on the going concern principle.

2 Fees to the auditor appointed by the Annual General Meeting

	2020 USD
Statutory audit services	52,000
Tax services	7,500
	59,500

3 Staff costs

	2020 USD
Wages and salaries	8,330,909
Pension costs	30,608
Other social security costs	29,209
Other staff costs	2,570,457
	10,961,183
Average number of full-time employees	**242**

The management have not received remuneration for the year.

4 Tax on profit/loss for the year

	2020 USD
Current tax	(9,865)
Change in deferred tax	(555,627)
Adjustment concerning previous years	157,099
	(408,393)

5 Proposed distribution of profit/loss

	2020 USD
Retained earnings	(4,423,808)
	(4,423,808)

6 Intangible assets

	Acquired intangible assets USD	Acquired licences USD	Goodwill USD
Addition through business combinations etc	220,534	341,816	317,152
Additions	236,473	6,588	0
Cost end of year	**457,007**	**348,404**	**317,152**
Addition through business combinations etc	(190,146)	(296,587)	(317,152)
Amortisation for the year	(61,604)	(16,567)	0
Amortisation and impairment losses end of year	**(251,750)**	**(313,154)**	**(317,152)**
Carrying amount end of year	**205,257**	**35,250**	**0**

7 Property, plant and equipment

	Ships USD	Other fixtures and fittings, tools and equipment USD
Addition through business combinations etc	94,199,825	10,915
Additions	690,830	0
Cost end of year	**94,890,655**	**10,915**
Addition through business combinations etc	(32,734,744)	(1,244)
Depreciation for the year	(7,684,369)	(1,958)
Depreciation and impairment losses end of year	**(40,419,113)**	**(3,202)**
Carrying amount end of year	**54,471,542**	**7,713**

8 Deferred tax

Changes during the year	2020 USD
Recognised through business combinations	(185,391)
Recognised in the income statement	555,627
End of year	**370,236**

Deferred tax has been recognised in the balance sheet as follows	2020 USD
Deferred tax assets	677,266
Deferred tax liabilities	(307,030)
	370,236

Deferred tax relates to different depreciation profiles on ships and property, plant and equipment.

9 Prepayments

Prepayments consists of prepaid expenses and interest.

10 Non-current liabilities other than provisions

	Due after more than 12 months 2020 USD
Bank loans	13,176,291
Payables to owners and management	37,343,880
	50,520,171

11 Changes in working capital

	2020 USD
Increase/decrease in inventories	(334,259)
Increase/decrease in receivables	(2,921,354)
Increase/decrease in trade payables etc.	69,857
Other changes	(2,205,557)
	(5,391,313)

12 Contingent liabilities

A subsidiary in the Group is jointly liable with Quest Partners Ltd. for the total bank debt between these two companies. The total bank debt amounts to USD 5,723,420 at December 31, 2020 of which USD 5,125,510 is recognized as liabilities in the Group.

13 Assets charged and collateral

The following has been provided as collateral for bank loans with an unpaid balance of USD 13,176,291 as of December 31, 2020.

- Mortgage deed registered to the ship owners of Ocean Adventurer, Ocean Endeavour and Ocean Diamond. The book value of the ships amounts to USD 38,257,751.
- Assignment of the insurance amount of the ships
- Unlimited guarantee by each of the ultimate owners.

The Group has entered into operating lease agreements totaling USD 1,824,976 over the next five years.

14 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

15 Subsidiaries

	Registered in	Corporate form	Ownership %	Equity USD
Adventurer Partners Ltd.	Bahamas	Limited	100	528,543
Endeavour Partners Ltd.	Bahamas	Limited	100	1,228,645
Diamond Partners Ltd	Bahamas	Limited	100	4,616,709
Ocean Atlantic Partners Ltd.	Bahamas	Limited	100	(1,896,495)
CMI Leisure Ltd.	Bahamas	Limited	100	2,609,944
CMI Leisure Management Inc.	United States	Limited	100	(114,044)
Cruise Management International Inc.	United States	Limited	100	916,817

Parent income statement for 2020

	Notes	2020 USD
Gross profit/loss		**(34,352)**
Depreciation, amortisation and impairment losses		(30,904)
Operating profit/loss		**(65,256)**
Income from investments in group enterprises		(4,401,931)
Other financial expenses		(12)
Profit/loss before tax		**(4,467,199)**
Tax on profit/loss for the year	1	13,183
Profit/loss for the year	2	**(4,454,016)**

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 USD
Goodwill		185,422
Intangible assets	3	**185,422**
Investments in group enterprises		7,890,853
Financial assets	4	**7,890,853**
Fixed assets		**8,076,275**
Joint taxation contribution receivable		13,183
Receivables		**13,183**
Cash		**9,437**
Current assets		**22,620**
Assets		**8,098,895**

Equity and liabilities

	Notes	2020 USD
Contributed capital		13,523
Retained earnings		8,041,571
Equity		**8,055,094**
Payables to owners and management		5,801
Non-current liabilities other than provisions	5	**5,801**
Payables to group enterprises		30,000
Other payables		8,000
Current liabilities other than provisions		**38,000**
Liabilities other than provisions		**43,801**
Equity and liabilities		**8,098,895**
Working conditions	6	
Contingent liabilities	7	
Transactions with related parties	8	

Parent statement of changes in equity for 2020

	Contributed capital USD	Retained earnings USD	Total USD
Contributed upon formation	13,523	12,495,587	12,509,110
Profit/loss for the year	0	(4,454,016)	(4,454,016)
Equity end of year	**13,523**	**8,041,571**	**8,055,094**

Notes to parent financial statements

1 Tax on profit/loss for the year

	2020 USD
Refund in joint taxation arrangement	(13,183)
	(13,183)

2 Proposed distribution of profit and loss

	2020 USD
Retained earnings	(4,454,016)
	(4,454,016)

3 Intangible assets

	Goodwill USD
Additions	216,326
Cost end of year	**216,326**
Amortisation for the year	(30,904)
Amortisation and impairment losses end of year	**(30,904)**
Carrying amount end of year	**185,422**

4 Financial assets

	Investments in group enterprises USD
Addition through business combinations etc	12,292,784
Cost end of year	**12,292,784**
Share of profit/loss for the year	(4,401,931)
Revaluations end of year	**(4,401,931)**
Carrying amount end of year	**7,890,853**

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

5 Non-current liabilities other than provisions

	Due after more than 12 months 2020 USD
Payables to owners and management	5,801
	5,801

6 Working conditions

The management have not received remuneration for the year.

7 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

8 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

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

The annual report has been prepared and present in USD. A DKK/USD exchange rate of 6.058 has been applied.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

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 takeover 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 rate at 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.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, other operating income, costs of raw materials and consumables and external expenses.

Revenue

Revenue from time charters are recognized over the duration of the charters, further revenue include fees as a result of lay-up agreement with charterers.

Revenue from hotel concession, purchases on board and the services rendered as acting technical manager is recognized in the income statement, when the delivery and services are provided to the buyer.

All revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises expenses incurred for operation of the ships and goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, ship management, stationery and office supplies, marketing costs, sale etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for administrative staff and operational crew on board.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of ships.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income
Other financial income comprises including interest income on receivables from group enterprises, payables and transactions in foreign currencies and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to owners and management, payables and transactions in foreign currencies and tax surcharge under the Danish Tax Prepayment Scheme etc.

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.

The Parent is jointly taxed with all of its Danish and Bahamian group enterprises, as these companies are applicable for the Danish Cooperation Tax Act. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income.

Balance sheet

Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful lives are reassessed annually. The amortisation periods used are 7 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.
Intellectual property rights etc. comprise acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Ships and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	4 years
Ships	10-20 years

Dry docking expenses are capitalized and depreciated over a period of 30 months.

Ships are written down to the lower of recoverable amount and carrying amount. Estimated useful lives and residual values are reassessed annually.

Items of ships are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful lives are reassessed annually. The amortisation periods used are 7 years.

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

Inventories
Inventories comprises of goods for resale, raw materials and consumables.

Inventories are measured at the lower of cost including delivery 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.

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

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

Cash
Cash comprises cash in hand and bank deposits.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities, and 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 taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition property, plant and equipment.

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

Cash and cash equivalents comprise cash.