
TriKap A/S

Strandvejen 38, 1. tv, DK-2900 Hellerup

Annual Report for 16 November 2020 - 31 December 2021

CVR No 41 85 33 36

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
18/3 2022

Renè Breyen-Mikkelsen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of TriKap A/S for the financial year 16 November 2020 - 31 December 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020/21.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hellerup, 18 March 2022

Executive Board

Renè Breyen-Mikkelsen

Board of Directors

Marc Lyngaae Slinger

Uffe Eckardt Hansen

Renè Breyen-Mikkelsen

Independent Auditor's Report

To the Shareholders of TriKap A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 16 November 2020 - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of TriKap A/S for the financial year 16 November 2020 - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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 Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- 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.

Odense, 18 March 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Line Hedam
State Authorised Public Accountant
mne27768

Claus Damhave
State Authorised Public Accountant
mne34166

Company Information

The Company

TriKap A/S
Strandvejen 38, 1. tv
DK-2900 Hellerup

CVR No: 41 85 33 36
Financial period: 16 November - 31 December
Municipality of reg. office: Gentofte

Board of Directors

Marc Lyngaae Slinger
Uffe Eckardt Hansen
Renè Breyen-Mikkelsen

Executive Board

Renè Breyen-Mikkelsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Munkebjergvænget 1, 3. og 4. sal
DK-5230 Odense M

Financial Highlights

Seen over a one-year period, the development of the Group is described by the following financial highlights:

	Group
	2020/21
	USD'000
Key figures	
Profit/loss	
Revenue	262.206
Operating profit/loss	22.678
Profit/loss before financial income and expenses	24.474
Net financials	328
Net profit/loss for the year	20.136
Balance sheet	
Balance sheet total	41.008
Equity	20.699
Cash flows	
Cash flows from:	
- operating activities	11.746
- investing activities	-1.600
- financing activities	7.739
Change in cash and cash equivalents for the year	17.885
Number of employees	16
Ratios	
Gross margin	11,3%
Profit margin	9,3%
Return on assets	59,7%
Solvency ratio	50,5%
Return on equity	194,6%

Management's Review

Key activities

The Group is an international operator of modern/eco dry bulk carriers within Handysize and Supramax segments. The Group is operating world wide but with focus on the Atlantic basin. The company is operating in the spot market as well as the contract market with a preference towards short term contracts

Development in the year

The income statement of the Group for 2020/21 shows a profit of USD'000 20,136, and at 31 December 2021 the balance sheet of the Group shows equity of USD'000 20,699.

The result is satisfying.

Outlook

The Group expects a profitable year with the adaptable business model in volatile market conditions. Investments in operating systems and risk management measures will continue in 2022. The result for 2022 is expected to be between USD'000 4,000-8,000.

Foreign branches

The Group has a branch in Norway, subsidiaries in Switzerland, Chile and Cyprus, and businesspartnerships in Greece and the USA.

External environment

The Group continues its commitment to emission reduction through IMO.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2021 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020/21 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 16 November - 31 December

	Note	Group 2020/21 USD'000	Parent 2020/21 USD'000
Revenue		262.206	0
Other operating income		1.796	0
Other external expenses		-234.408	-2
Gross profit/loss		29.594	-2
Staff expenses	1	-5.120	0
Profit/loss before financial income and expenses		24.474	-2
Income from investments in subsidiaries		0	16.108
Financial income	2	785	8
Financial expenses	3	-457	-5
Profit/loss before tax		24.802	16.109
Tax on profit/loss for the year	4	-4.666	0
Net profit/loss for the year		20.136	16.109
Proposed distribution of profit			
Proposed dividend for the year		8.700	0
Reserve for net revaluation under the equity method		0	16.108
Minority interests' share of net profit/loss of subsidiaries		4.027	0
Retained earnings		7.409	1
		20.136	16.109

Balance Sheet 31 December

Assets

	Note	Group 2020/21 USD'000	Parent 2020/21 USD'000
Investments in subsidiaries	5	0	17.781
Fixed asset investments		0	17.781
Fixed assets		0	17.781
Inventories	6	3.819	0
Trade receivables		8.732	0
Other receivables	11	120	0
Deferred tax asset	9	44	0
Corporation tax		585	585
Prepayments	7	9.823	0
Receivables		19.304	585
Cash at bank and in hand		17.885	7
Currents assets		41.008	592
Assets		41.008	18.373

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2020/21 USD'000	Parent 2020/21 USD'000
Share capital		71	71
Reserve for net revaluation under the equity method		0	16.182
Reserve for hedging transactions		74	0
Retained earnings		7.409	1
Proposed dividend for the year		8.700	0
Equity attributable to shareholders of the Parent Company		16.254	16.254
Minority interests		4.445	0
Equity		20.699	16.254
Other payables		886	750
Long-term debt	10	886	750
Trade payables		5.118	0
Payables to group enterprises		32	617
Corporation tax		7	0
Other payables	10	8.051	752
Deferred income	12	6.215	0
Short-term debt		19.423	1.369
Debt		20.309	2.119
Liabilities and equity		41.008	18.373
Distribution of profit	8		
Contingent assets, liabilities and other financial obligations	15		
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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Equity at 1 January	0	0	0	0	0	0	0	0
Cash payment concerning formation of entity	71	0	0	0	0	71	0	71
Fair value adjustment of hedging instruments, end of year	0	0	95	0	0	95	23	118
Tax on adjustment of hedging instruments for the year	0	0	-21	0	0	-21	-5	-26
Other equity movements	0	0	0	0	0	0	400	400
Net profit/loss for the year	0	0	0	7.409	8.700	16.109	4.027	20.136
Equity at 31 December	71	0	74	7.409	8.700	16.254	4.445	20.699

Statement of Changes in Equity

Parent

	Share capital	Reserve for net revaluation under the equity method	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Equity at 1 January	0	0	0	0	0	0	0	0
Cash payment concerning formation of entity	71	0	0	0	0	71	0	0
Fair value adjustment of hedging instruments, end of year	0	95	0	0	0	95	0	0
Tax on adjustment of hedging instruments for the year	0	-21	0	0	0	-21	0	0
Net profit/loss for the year	0	16.108	0	1	0	16.109	0	0
Equity at 31 December	71	16.182	0	1	0	16.254	0	0

Cash Flow Statement 16 November - 31 December

	Note	Group 2020/21 USD'000
Net profit/loss for the year		20.136
Adjustments	13	2.542
Change in working capital	14	-4.617
Cash flows from operating activities before financial income and expenses		18.061
Financial income		785
Financial expenses		-458
Cash flows from ordinary activities		18.388
Corporation tax paid		-6.642
Cash flows from operating activities		11.746
Business acquisition		-1.600
Cash flows from investing activities		-1.600
Repayment of other long-term debt		-2.000
Raising of loans from group enterprises		32
Raising of other long-term debt		750
Cash capital increase		1.071
Cash from business acquisition		7.886
Cash flows from financing activities		7.739
Change in cash and cash equivalents		17.885
Cash and cash equivalents at 1 January		0
Cash and cash equivalents at 31 December		17.885
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		17.885
Cash and cash equivalents at 31 December		17.885

Notes to the Financial Statements

	<u>Group</u>	<u>Parent</u>
	2020/21	2020/21
	USD'000	USD'000
1 Staff expenses		
Wages and salaries	4.952	0
Pensions	79	0
Other social security expenses	71	0
Other staff expenses	18	0
	<u>5.120</u>	<u>0</u>
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	264	0
Supervisory Board	182	0
	<u>446</u>	<u>0</u>
Average number of employees	<u>16</u>	<u>0</u>
2 Financial income		
Exchange gains	<u>785</u>	<u>8</u>
	<u>785</u>	<u>8</u>
3 Financial expenses		
Other financial expenses	141	0
Exchange loss	316	5
	<u>457</u>	<u>5</u>

Notes to the Financial Statements

	Group	Parent
	<u>2020/21</u>	<u>2020/21</u>
	USD'000	USD'000
4 Tax on profit/loss for the year		
Current tax for the year	4.751	0
Adjustment of deferred tax concerning previous years	-59	0
	<u>4.692</u>	<u>0</u>
which breaks down as follows:		
Tax on profit/loss for the year	4.666	0
Tax on changes in equity	26	0
	<u>4.692</u>	<u>0</u>
5 Investments in subsidiaries		
Additions for the year		<u>1.600</u>
Cost at 31 December		<u>1.600</u>
Net profit/loss for the year		14.264
Other equity movements, net		74
Other adjustments		<u>1.843</u>
Value adjustments at 31 December		<u>16.181</u>
Carrying amount at 31 December		<u>17.781</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Trithorn Bulk A/S	København K	USD'000 93.9	80%
Trithorn Bulk Chile SpA	Santiago, Chile	USD'000 15.9	80%
Trithorn Bulk Switzerland Sàrl	Bulle, Switzerland	USD'000 21.3	80%
Trithorn Bulk Ltd	Larnaka, Cyprus	USD'000 1.1	80%

Notes to the Financial Statements

	<u>Group</u>	<u>Parent</u>
	2020/21	2020/21
	USD'000	USD'000
6 Inventories		
Raw materials and consumables	3.819	0
	<u>3.819</u>	<u>0</u>
7 Prepayments		
Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.		
8 Distribution of profit		
Proposed dividend for the year	8.700	0
Reserve for net revaluation under the equity method	0	16.108
Minority interests' share of net profit/loss of subsidiaries	4.027	0
Retained earnings	7.409	1
	<u>20.136</u>	<u>16.109</u>
9 Deferred tax asset		
Tax loss carry-forward	-44	0
Transferred to deferred tax asset	44	0
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	44	0
Carrying amount	<u>44</u>	<u>0</u>

Deferred tax asset consists of temporary differences between carrying amount and tax value on trade receivables.

Notes to the Financial Statements

10 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>Group</u>	<u>Parent</u>
	<u>2020/21</u>	<u>2020/21</u>
	USD'000	USD'000
Other payables		
Between 1 and 5 years	886	750
Long-term part	886	750
Other short-term payables	8.057	752
	<u>8.943</u>	<u>1.502</u>

11 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Assets	118	0
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Forward exchange contracts have been concluded to hedge future cost of bunker at a fixed price. At the balancesheet date, the fair value of the forward exchange contracts amounts to USD 118k.

12 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

	Group	
	<u>2020/21</u>	
	USD'000	
13 Cash flow statement - adjustments		
Financial income	-785	
Financial expenses	457	
Tax on profit/loss for the year	4.666	
Other non cash adjustments	-1.796	
	<u>2.542</u>	
14 Cash flow statement - change in working capital		
Change in inventories	-1.774	
Change in receivables	-9.732	
Change in trade payables, etc	6.771	
Fair value adjustments of hedging instruments	118	
	<u>-4.617</u>	
	Group	Parent
	<u>2020/21</u>	<u>2020/21</u>
	USD'000	USD'000
15 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	30.855	0
Between 1 and 5 years	5.298	0
	<u>36.153</u>	<u>0</u>

Notes to the Financial Statements

	<u>Group</u>	<u>Parent</u>
	2020/21	2020/21
	USD'000	USD'000
15 Contingent assets, liabilities and other financial obligations (continued)		

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to USD'000 0. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

16 Related parties

Basis

Other related parties

RMI Invest ApS	Owner
Gruppetto Sarl	Owner
Sandy Shores AS	Owner

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

17 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of TriKap A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Consolidated and Parent Company Financial Statements for 2020/21 are presented in USD'000.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, TriKap A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired

Notes to the Financial Statements

18 Accounting Policies (continued)

contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consi-

Notes to the Financial Statements

18 Accounting Policies (continued)

deration is recognised directly in equity.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement

Notes to the Financial Statements

18 Accounting Policies (continued)

in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise time charter hire, bunker, premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group including badwill.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at USD 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Notes to the Financial Statements

18 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning time charter hire, insurance premiums and subscriptions.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

18 Accounting Policies (continued)

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$