Christianiaship A/S

Amerika Plads 38, DK-2100 Copenhagen

Annual Report for 2023

CVR No. 43 33 93 70

The Annual Report was presented and adopted at the Annual General Meeting of the company on 28/6 2024

Marie Adserballe Kristensen
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Christianiaship A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

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.

Copenhagen, 28 June 2024

Executive Board

Torben Kæseler Larsen
Managing Director

Board of Directors

Axel Camillo Eitzen Chairman	Torben Kæseler Larsen	Snorre Schie Krogstad

Independent Auditor's report

To the shareholder of Christianiaship A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company´s operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Christianiaship A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”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 Company 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 Financial Statements Act.

Based on the work we have performed, in our view, Management’s Review is in accordance with the 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.

Management’s responsibilities for the Financial Statements

Management is responsible for the preparation of 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 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 Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

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 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 Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Hellerup, 28 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Søren Ørjan Jensen
State Authorised Public Accountant
mne33226

Martin Birch
State Authorised Public Accountant
mne42825

Company information

The Company	Christianiaship A/S Amerika Plads 38 2100 Copenhagen CVR No: 43 33 93 70 Financial period: 1 January - 31 December Incorporated: 20 June 2022 Financial year: 2nd financial year Municipality of reg. office: Copenhagen
Board of Directors	Axel Camillo Eitzen, chairman Torben Kæseler Larsen Snorre Schie Krogstad
Executive Board	Torben Kæseler Larsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a 2-year period, the development of the Company is described by the following financial highlights:

	2023 TUSD 12 months	2022 TUSD 6 months
Key figures		
Profit/loss		
Revenue	32,238	15,754
Gross profit	20,437	8,221
Profit/loss of primary operations	15,666	6,366
Profit/loss of financial income and expenses	-3,243	-1,050
Net profit/loss for the year	12,432	5,318
Balance sheet		
Balance sheet total	76,380	52,650
Investment in property, plant and equipment	29,024	47,042
Equity	34,584	12,087
Ratios		
Gross margin	63.4%	52.2%
Profit margin	48.6%	40.4%
Return on assets	20.5%	12.1%
Solvency ratio	45.3%	23.0%
Return on equity	53.3%	88.0%

Management's review

Key activities

The company's key activities consists primarily of owning vessels used for chartering.

Business review

Christianiaship A/S (the Company or Christianiaship) is a specialized chemical vessel owning company established in 2022 to be the ship owning arm of Christiania Shipping A/S (Christiania Shipping or the Group). In 2022 all the 100% owned Christiania Shipping A/S vessels were transferred to Christianiaship. At the end of 2023 the Company owned 12 chemical vessels. All the vessels are on time charter to Christiania Shipping A/S for a period of 6 months. The technical management is outsourced to external technical managers.

Organization

The Company has no employees, but acquires all necessary administration services from Christiania Shipping A/S.

Strategic focus

Safety is the Group’s first and foremost priority and it is an integral part of Christianiaship’s vision, mission, strategy and values. The Group’s overall strategic focus is:
•Develop a safety culture with a target of zero accidents
•Optimize and develop the existing business platform
•Expand and renew the fleet
•Continue the consolidation within the chemical tanker segment and generate profitable growth

Market

Rates

After several challenging years in the small chemical market segment, the market finally improved to a very satisfactory market in 2022 and continued to be firm in 2023. The fleet of Christianiaship was on t/c to Christiania Shipping at an average rate of USD 11,392 per month.

Profit and loss

Gross profit for the year was USD 20.4 million (six months in 2022: USD 8.2 million). Ordinary depreciation was USD 4.8 million (six months in 2022: USD 1.9 million). Net financial expenses for the year were USD 3.2 million (six months in 2022: USD 1.0 million). The Company had a tax income in 2023 of USD xx thousand (2022: USD 2 thousand).

Statement of financial positions

The Company’s total assets were USD 76.4 million (2022: USD 52.6 million). The book value of owned vessels was USD 61.2 million (2022: USD 45.2 million). Restricted cash accounts related to the bank loan with NIBC, was USD 2.5 million (2022: USD 2.3 million). Cash at the end of the year was USD 10.8 million (2022: USD 6.1 million).

The Company’s equity amounted to USD 24.5 million (2022: USD 12.1 million).

Total long-term liabilities amounted to USD 29.5 million (2022: USD 31.4 million). Long-term bank loan was USD 29.5 million at the end of 2023 (2022: USD 31.1 million) and long-term lease liabilities was USD 0.3 million (2022: USD 0.3 million).

Total current liabilities were USD 22.0 million (2022: USD 9.2 million), of which USD 6.4 million (2022: USD 6.5 million) is short-term bank debt, USD 0.2 million (2022: USD 0.1 million) is short-term lease liabilities. Trade payables at year end was USD 5.0 million (2022: USD 0.7 million), payables to group enterprises were USD 10.1 million (2022: USD 1.2 million) and other payables was USD 0.4 million (2022: USD 0.6 million).

Management's review

Outlook for 2024

The Company expects continued firm rates and steady volumes in 2024 which we expect will result in gross profit of about USD 12 million for the Company on the basis of the existing fleet.

Risk factors

Being an international player in the chemical tankers segment, Christianiaship is exposed to a variety of risks that can affect the Company's result. The risk factors can be divided into the following main risk components:

•Market risk
•Operational risk
•Financial risk

Such risks are normally related to volatility in charter income, charter defaults, unforeseen operational events, operating expenses and unforeseen capital expenditure requirements, fluctuations in interest- and foreign exchange rates, as well as financing risk related to new capital expenditure requirements and refinancing of existing credit facilities.

Market risk

Christianiaship's revenues are exclusively generated from activities in the oil and chemical tankers industry. The oil and chemical tanker industry is cyclical and volatile, which can lead to reductions in freight rates, volumes transported, and ship values. Fluctuations in freight rates result from changes in the supply of chemical vessels and demand for seaborn transportation of certain chemicals. Christianiaship mitigates the risk of fluctuation in freight rates to a certain degree, by entering into TC contracts for a period of 6 months.

Operational risk

The Group is focused on delivering strong operational performance for the fleet and is striving towards operational excellence through strict attention on vessel maintenance and through continued education of its staff. Despite the Group's high degree of pre-emptive maintenance and education there is a risk for equipment failure and accidents. Risks related to the operation of the vessels, transport of cargo, personal injuries, environmental damages, and war are covered by insurances in internationally recognized insurance companies. The Group aims at minimizing its exposure by using multiple insurance companies. The Group has established duplication of business-critical IT systems and contingency plans in case of breakdowns. Back-up of data is made in an external IT environment outside the Group's offices. Even though the Group obtains loss of hire insurance for contracts over a certain length, a technical breakdown will affect the earnings for a period of at least 14 days (deductible).

Risk related to changes in laws and regulation

The Group's operation and vessels are subject to international environmental laws and regulations which have become more stringent in recent years. Although the Group is doing its outmost to comply, changes in laws and regulations may expose the Group.

Financial risk

Investments are typically financed by cash reserves, equity proceeds injected by the shareholders, debt obtained by international banks or international leasing providers. The Company is exposed to financing risk related to potential new investments and refinancing of existing debt. In July 2022, the Company financed its outstanding Bank debt with NIBC when a 5-year USD 39.5 million loan was entered into. The loan agreement was amended in December 2023. The loan agreements include customary financial covenants. At the end of 2023 the Company was in compliance with all its covenants. The Group is dependent upon a stable income to be able to refinance debt or raise new debt in the future.

Interest rate risk

The Company's bank loans are generally subject to floating interest rates. For 2023, the Company did not hedge any of its interest rate risk but will evaluate to hedge the exposure going forward.

Currency risk

The Company pursues a finance policy that ensures that foreign exchange risks arise only on the basis of commercial factors. All of the revenues earned by Christianiaship are in USD and all expenses are in USD.

Liquidity risk

The shipping market is capital intensive and insufficient liquidity will severely impact the ability to operate. The Company's approach to manage liquidity risk is to ensure, as far as possible that it will always have sufficient liquidity to meet its obligations.

The Company has a minimum liquidity covenant in its credit facility. In 2024, Christianiaship expects to have sufficient liquidity for meeting its payment obligations for conducting the normal course of its operations without needing the support from its shareholder.

Subsequent events

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

Income statement 1 January - 31 December

	Note	2023	2022
		TUSD 12 months	TUSD 6 months
Revenue	2	32,238	15,754
Other operating income		8,542	0
Expenses for raw materials and consumables		-19,617	-7,408
Other external expenses		-726	-125
Gross profit		**20,437**	**8,221**
Depreciation and impairment losses of property, plant and equipment		-4,771	-1,855
Profit/loss before financial income and expenses		**15,666**	**6,366**
Financial income	3	340	25
Financial expenses	4	-3,583	-1,075
Profit/loss before tax		**12,423**	**5,316**
Tax on profit/loss for the year	5	9	2
Net profit/loss for the year	6	**12,432**	**5,318**

Balance sheet 31 December

Assets

	Note	2023	2022
		TUSD	TUSD
Vessels		60,210	45,187
Prepayments on drydock in progress		983	0
Property, plant and equipment	7	**61,193**	**45,187**
Fixed assets		**61,193**	**45,187**
Raw materials and consumables		90	48
Inventories		**90**	**48**
Receivables from group enterprises		263	0
Other receivables		70	3
Deferred tax asset	8	11	2
Prepayments	9	1,448	1,066
Receivables		**1,792**	**1,071**
Cash at bank and in hand	10	**13,305**	**6,341**
Current assets		**15,187**	**7,460**
Assets		**76,380**	**52,647**

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TUSD	TUSD
Share capital		56	56
Retained earnings		34,528	12,030
Equity		**34,584**	**12,086**
Credit institutions		29,548	31,059
Lease obligations		302	320
Long-term debt	11	**29,850**	**31,379**
Credit institutions	11	6,360	6,516
Lease obligations	11	168	80
Trade payables		4,982	736
Payables to group enterprises		0	1,224
Other payables		436	626
Short-term debt		**11,946**	**9,182**
Debt		**41,796**	**40,561**
Liabilities and equity		**76,380**	**52,647**

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Statement of changes in equity

	Share capital	Retained earnings	Total
	TUSD	TUSD	TUSD
Equity at 1 January	56	12,030	12,086
Contribution from group	0	10,066	10,066
Net profit/loss for the year	0	12,432	12,432
Equity at 31 December	**56**	**34,528**	**34,584**

Notes to the Financial Statements

1. Subsequent events

4 June 2024 Christiania Shipping sold the 2009 built 13,000 dwt vessel Diana Theresa.

2. Revenue

	2023 TUSD 12 months	2022 TUSD 6 months
Geographical segments		
Other	32,238	15,754
	32,238	**15,754**
Business segments		
Other	32,238	15,754
	32,238	**15,754**

3. Financial income

	2023 TUSD 12 months	2022 TUSD 6 months
Interest income, bank	336	25
Exchange gains	4	0
	340	**25**

4. Financial expenses

	2023 TUSD 12 months	2022 TUSD 6 months
Financial expenses, bank	3,490	1,048
Other financial expenses	18	0
Exchange adjustments, expenses	65	24
Exchange loss	10	3
	3,583	**1,075**

5. Income tax expense

	2023 TUSD 12 months	2022 TUSD 6 months
Current tax for the year	-9	-2
	-9	**-2**

6. Profit allocation

	2023 TUSD	2022 TUSD
Retained earnings	12,432	5,318
	12,432	**5,318**

7. Property, plant and equipment

	Vessels TUSD	Prepayments on drydock in progress TUSD
Cost at 1 January	45,729	1,313
Additions for the year	22,483	6,541
Disposals for the year	-8,729	0
Transfers for the year	6,300	-6,300
Cost at 31 December	65,783	1,554
Impairment losses and depreciation at 1 January	1,854	0
Depreciation for the year	4,771	0
Reversal of impairment and depreciation of sold assets	-1,052	571
Impairment losses and depreciation at 31 December	5,573	571
Carrying amount at 31 December	**60,210**	**983**

8. Deferred tax asset

	2023 TUSD	2022 TUSD
Deferred tax asset at 1 January	2	0
Amounts recognised in equity for the year	9	2
Deferred tax asset at 31 December	**11**	**2**

9. Prepayments

Prepayments comprise prepaid expenses concerning charter, insurance premiums, etc.

10. Cash at bank and in hand

	2023	2022
	TUSD	TUSD
Cash at bank and in hand	10,805	4,091
Restricted cash	2,500	2,250
	13,305	**6,341**

11. Long-term debt

	2023	2022
	TUSD	TUSD

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:

	2023	2022
Credit institutions		
After 5 years	0	0
Between 1 and 5 years	29,548	31,059
Long-term part	29,548	31,059
Within 1 year	6,360	6,516
	35,908	**37,575**

	2023	2022
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	302	320
Long-term part	302	320
Within 1 year	168	80
	470	**400**

The fair value of the loan approximates the carrying amount. During 2023, the Group amended the existing loan agreement. The loan agreement, signed in December 2023, includes financial covenants with respect to liquidity, equity ratio and working capital requirements. These requirements were met at the balance sheet date.

Notes to the Financial Statements

12. Contingent assets, liabilities and other financial obligations

There are no security and contingent liabilities at 31 December 2023.

13. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Other related parties	

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.

The sale of goods to associates, kDKK x,xxx, has been effected at arm's length.

Apart from the above, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Christiania Shipping A/S	Copenhagen, Denmark
Eitzen Avanti AS	Oslo, Norway

The Group Annual Report of Christiania Shipping A/S may be obtained at the following address:

The Group Annual Report of Eitzen Avanti AS may be obtained at the following address:

Notes to the Financial Statements

14. Accounting policies

The Annual Report of Christianiaship A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in USD. The exchange rate applied for the financial year 2023 is 6,74 (2022: 6,97).

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Christiania Shipping A/S, the Company has not prepared a cash flow statement.

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.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other 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

USD is used as the presentation currency. All other currencies are regarded as foreign currencies.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Segment information on revenue

Information on business segments and geographical segments is based on the Company´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income statement

Revenue

Revenue comprises freight, demurrage, time charter and other voyage related revenue. Revenue is recognised when or as performance obligations are satisfied by transferring the promised goods or services to the customer, i.e. at a point in time or over time provided that the stage of completion can be measured reliably. Revenue is measured at the consideration the Company expects to be entitled to.

The completion is determined using the load to discharge method based on the percentage of the estimated duration of the voyage completed at the reporting date. Freight revenue and related voyage and operating costs are recognized in the income statement according to the entered charter parties from the date of load to the date of delivery of the cargo (discharge)-

Accordingly, freight, charter hire and demurrage revenue are recognised at selling price upon delivery of the service as specified in the agreement with the charter parties.

Expenses for raw materials and consumables

These are expenses related to voyages performed by the Company's vessels. Voyage related expenses consist mainly of bunkers, port expenses and commissions. Voyage related expenses are recognised as incurred.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Notes to the Financial Statements

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Christiania Shipping A/S. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Vessels	25 years

The fixed assets' residual values are determined at USD 12.5 million.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

Notes to the Financial Statements

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

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 and costs of completion. 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.

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 rent, insurance premiums, subscriptions and interest.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Notes to the Financial Statements

Lease liabilities are initially measured on a present value basis and include the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts to be expected to be payable by the Company under residual value guarantees
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option
- Payments to be made under reasonably certain extension options

In calculating the present value of the lease payments, Christianiaship uses the incremental borrowing rate at the lease commencement date. This is the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The incremental borrowing rate applied is approximately 8%. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset. The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance expenses. Finance expenses are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit/loss of ordinary primary operations x 100 / Revenue
Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity