Integrity Bulk Holding ApS

Tuborg Havnevej 18, 2., DK-2900 Hellerup

Annual Report for 20 December 2022 - 31 March 2023

CVR No 43 72 68 89

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 6 /7 2023

Martin Egvang
Chairman of the General Meeting

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Contents

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Integrity Bulk Holding ApS for the financial year 20 December 2022 - 31 March 2023.

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

In my opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 March 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022/23.

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

Hellerup, 6 July 2023

Executive Board

Martin Egvang

Independent Auditor's Report

To the Shareholder of Integrity Bulk Holding ApS

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 March 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 20 December 2022 - 31 March 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Integrity Bulk Holding ApS for the financial year 20 December 2022 - 31 March 2023, 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.

Hellerup, 6 July 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Wraae Holm	Jakob Thisted Binder
State Authorised Public Accountant	State Authorised Public Accountant
mne30141	mne42816

Company Information

The Company	Integrity Bulk Holding ApS Tuborg Havnevej 18, 2. DK-2900 Hellerup CVR No: 43 72 68 89 Financial period: 20 December - 31 March Municipality of reg. office: Gentofte
Executive Board	Martin Egvang
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	Group
	2022/23
	TUSD
Key figures	
Profit/loss	
Revenue	132,956
Gross profit/loss	17,205
Operating profit/loss	9,100
Profit/loss before financial income and expenses	14,332
Net financials	987
Net profit/loss for the year	13,863
Balance sheet	
Balance sheet total	48,116
Equity	39,941
Cash flows	
Cash flows from:	
- operating activities	13,786
Change in cash and cash equivalents for the year	13,786
Number of employees	10
Ratios	
Gross margin	12.9%
Profit margin	10.8%
Solvency ratio	83.0%
Return on equity	42.0%

The Group was established by a share conversion 20 December 2022. The Group decided for accounting purposes to use the "book-value-method" resulting in the the financial highlights for 2022/23 consist financial data as if the Group was established at the beginning of the year

Management’s Review

Key activities

The Group's aim is - directly or through equity participation in other companies - to conduct business in shipping, transport, industry, trade and crafts, and other activities deemed relevant by the Executive Board.

Development in the year

The income statement of the Group for 2022/23 shows a profit of TUSD 13,863, and at 31 March 2023 the balance sheet of the Group shows equity of TUSD 39,941.

The Group was established by a share conversion 20 December 2022. The Group decided for accounting purposes to use the "book-value-method" resulting in that consolidation for the Group has been made since 1 April 2022.

Targets and expectations for the year ahead

Although the market conditions have softened during the first quarter of the new financial year, the Group is well positioned and expect a positive, although lower result than the past year.

Market risks

Freight rates obtained on the vessels time chartered by the Group are the main risk elements. The Group's revenues are exclusively generated from activities in the dry bulk segment.

The dry bulk industry is cyclical and volatile, which can lead to reductions in freight rates and volumes. Fluctuations in freight rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the large variety of products that the vessels carry. Bunker fuels constitute an additional factor affecting net earnings and price fluctuations can have a considerable impact on the Group's results.

Foreign exchange risks

The Group uses United States Dollar (“USD”) as the functional currency because the majority of the Group’s transactions are denominated in USD. Thus, the Group’s exchange rate risk is related to cash flows not denominated in USD.

The primary risk relates to transactions denominated in Danish Krone (“DKK”), euro (“EUR”), Singapore Dollar (“SGD”) and other major currencies and relates to administrative and operating expenses.

Management's Review

Credit risks

The Group is reliant on its counterparties fulfilling their payment obligations. Should a counterpart default on its obligations, the Group could incur potential losses, which could have a negative impact on the Group's future growth, results and cashflow.

Liquidity risks

Cash is an important factor for the Group's development. The Group monitors constantly its cash flow forecasts carefully to ensure it has adequate liquidity for its working capital requirements. The Group maintains an unused credit line with Nordea Bank of USD 1,000k.

Corporate responsibility and external environment

Environment

It is the ambition to continuously improve energy efficiency with all vessels in our fleet. Consequently, The Group is always inquiring about energy efficiency when engaging a supplier including contractual terms ensuring the supply to the vessel is compliant with low-sulphur bunker regulation. Since 2021, we have included contractual terms about low-sulphur bunker regulation compliance in all new contracts, and we will continue this in the future.

However, as the fuel consumption is the only material impact, we may influence, and since the number of transactions are limited, the Group do not see sufficient material to require a formalized policy. We are continuously evaluating the need for a more formalized policy.

From 1 January 2023 it has been mandatory for all vessels to calculate their attained Energy Efficiency Existing Ship Index (EEXI) to measure their energy efficiency and to initiate the collection of data for the reporting of their annual operational carbon intensity indicator (CII) and CII rating.

We are constantly monitoring the vessels in our fleet to ensure the lowest possible emission and thus the best rating possible.

Human rights

The Group respects and recognizes human rights, the rights of the child and all International Labour Organization (ILO) charters. With its current business model we don't employ crew on the vessels. When selecting a supplier, it is contractually ensured that the responsibility of work and employment conditions belong to the supplier and that the ITF are granted access to check and review compliance in accordance with international agreements. In 2021, we have included contractual terms about responsibility of work and employment contracts in all new contracts, and we will continue this in the future.

The Group will continue to monitor and ensure that Human Rights are adhered to on all levels in the supply-chain and maintain a zero-tolerance on breach of Human rights and ILO charters.

Consequently, we do not see risks leading to a further need for a more formalized policy on human rights. However, we will continuously evaluate the need for a more formalized policy.

Strategy and objectives

Anti-corruption

The Group has a zero tolerance towards corruption and bribery practices. Contracts with both customers and suppliers follow the standards provided by BIMCO. Port costs forwarded by chartered vessels that are to be paid by the Group undergo quality assurance and approval from an external service provider, which know all official rates in ports. Further, all costs related to voyages are approved directly by management applying a four eye principle. The risks related to corruption and bribery are therefore considered very low. In the Financial Year 2022/2023, we have followed the anti-corruption procedures described above and we will continue to do so in the future.

Policies on CSR

Referencing the above assessment and evaluation of risks related to CSR, the Group has decided not to author formalized policies for impacts related to climate change, environmental issues, human rights and anti-corruption. Our work within these areas is described in the sections above. We will continuously evaluate the need for more formalized policies.

Policy regarding employees

It is the policy of the Group to attract, retain and evolve the best possible employees, meaning employees that are highly qualified and motivated to successfully manage present and future assignments.

The Group believes that personal development is key to the success and well-being of the Group's employees.

In 2022/2023, annual meetings have been held with all employees where the performance of the individual was assessed and evaluated and where targets for 2023 were decided in agreement with the employee.

In 2023/2024 we will continue with annual meetings to assess and evaluate the performance of the individual employees.

The Group has ensured paid health insurance for all employees and has in 2022/2023 continued its offer for employees to be able to work from home to provide grounds for a healthy work life balance.

All staff are encouraged to work for and contribute to a healthy and inspiring work-environment, respecting and supporting their co-worker.

Research and development

The Group is not involved in research and development activities.

Management's Review

Statement in compliance with section 99(b) of the Danish Financial Statements Act

As the ultimate management body of the Group is the Director , the question regarding equitable gender distribution is not relevant for the Group.

The Group employs less than 50 employees and therefore there is no requirement to develop a policy for the underrepresented gender on other management levels

Data ethics

The Group has evaluated if it is relevant to prepare a policy for data ethics. The Group only enter into business with B2B customers and therefore, to a limited extend, collects and processes data. The Group has not prepared a data ethics policy, but all information we receive related to customers, vendors and employees are treated in a responsible manner that secure that the data cannot be accessed by unauthorised persons.

The Group has a clear defined GDPR policy which is communicated to all stakeholders.

International Sanctions

The Group actively monitors all relevant sanctions against Countries, Companies and individuals and ensure a full compliance with same at any given time.

In addition, the Group contractually ensures that all its counterparts warrant to be in full compliance of all international sanctions.

Uncertainty relating to recognition and measurement

The Group has on-going voyages as of 31 March 2023. For these voyages the Management has to estimate the total voyage results. When it is probable that the total voyage costs will exceed the total voyage revenue, a provision for foreseeable losses is recognized as expense immediately.

Subsequent events

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

Income Statement 20 December - 31 March

	Note	Group 2022/23 TUSD	Parent Company 2022/23 TUSD
Revenue	2	**132,956**	**0**
Other operating income	3	5,232	0
Direct expenses		-119,277	0
Other external expenses		-1,706	0
Gross profit/loss		**17,205**	**0**
Staff expenses	4	-2,873	0
Profit/loss before financial income and expenses		**14,332**	**0**
Financial income	5	1,013	0
Financial expenses	6	-26	0
Profit/loss before tax		**15,319**	**0**
Tax on profit/loss for the year	7	-1,456	0
Net profit/loss for the year		**13,863**	**0**

Balance Sheet 31 March

Assets

	Note	Group	Parent Company
		2022/23	2022/23
		TUSD	TUSD
Investments in subsidiaries	8	0	26,598
Deposits	9	48	0
Fixed asset investments		**48**	**26,598**
Fixed assets		**48**	**26,598**
Inventories		**1,863**	**0**
Trade receivables		5,690	0
Other receivables		123	0
Receivable from shareholders and Management		324	0
Prepayments	11	2,100	0
Receivables		**8,237**	**0**
Cash at bank and in hand		**37,968**	**0**
Currents assets		**48,068**	**0**
Assets		**48,116**	**26,598**

Balance Sheet 31 March

Liabilities and equity

	Note	Group 2022/23 TUSD	Parent Company 2022/23 TUSD
Share capital		859	859
Reserve for exchange rate conversion		0	520
Retained earnings		39,082	25,219
Equity		**39,941**	**26,598**
Other provisions	13	501	0
Provisions		**501**	**0**
Trade payables		3,298	0
Contract work in progress, liabilities	10	3,011	0
Corporation tax		719	0
Other payables		646	0
Short-term debt		**7,674**	**0**
Debt		**7,674**	**0**
Liabilities and equity		**48,116**	**26,598**

	Note
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Distribution of profit	12
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Statement of Changes in Equity

Group

	Share capital	Share premium account	Reserve for exchange rate conversion	Retained earnings	Total
	TUSD	TUSD	TUSD	TUSD	TUSD
Capital contribution at establishment	859	25,219	0	0	26,078
Net profit/loss for the year	0	0	0	13,863	13,863
Transfer from share premium account	0	-25,219	0	25,219	0
Equity at 31 March	**859**	**0**	**0**	**39,082**	**39,941**

Parent Company

	Share capital	Share premium account	Reserve for exchange rate conversion	Retained earnings	Total
Capital contribution at establishment	859	25,219	0	0	26,078
Exchange adjustments	0	0	520	0	520
Transfer from share premium account	0	-25,219	0	25,219	0
Equity at 31 March	**859**	**0**	**520**	**25,219**	**26,598**

Cash Flow Statement 20 December - 31 March

	Note	Group 2022/23 TUSD
Net profit/loss for the year		13,863
Adjustments	14	414
Change in working capital	15	998
Cash flows from operating activities before financial income and expenses		**15,275**
Financial income		1,013
Financial expenses		-26
Cash flows from ordinary activities		**16,262**
Corporation tax paid		-2,476
Cash flows from operating activities		**13,786**
Change in cash and cash equivalents		**13,786**
Cash and cash equivalents at 1 April 2022		24,182
Cash and cash equivalents at 31 March		**37,968**
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		37,968
Cash and cash equivalents at 31 March		**37,968**

Notes to the Financial Statements

1 Significant accounting estimates, assumptions and judgements

In connection with the preparation of the financial statements, management applies accounting estimates and judgements. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group has ongoing voyages at 31 March 2023. For these voyages management has recognised the accruals at year-end based an estimate of the voyages total result. When it is probable that the total voyage costs will exceed the total voyage revenue, a provision for foreseeable losses is recognized as expense immediately.

The Group experienced an unforeseeable incident during the financial year 2018/19 caused by a fraudulent conduct by a conglomerate in Korea. The Group has accordingly initiated legal proceedings andthe Management still expects a full recovery of the losses based on current legal proceedings and Civil Actionsin Korea. This expected recovery is not reflected in the Financial Report for the Group as it does not fulfill the recognition criteria in the Danish Financial Statements Act.

2 Revenue

	Group	Parent Company
	2022/23	2022/23
	TUSD	TUSD
Business segments		
The Group only has one business segments which is freight- and time-charter contracts globally.	132,956	0
	132,956	**0**

3 Other operating income

Other income primarily consists of compensation received from agreed cancellation of an option to acquire a vessel.

Notes to the Financial Statements

		Group	Parent Company
		2022/23	2022/23
		TUSD	TUSD
4	**Staff expenses**		
	Wages and salaries	2,720	0
	Pensions	137	0
	Other social security expenses	12	0
	Other staff expenses	4	0
		2,873	**0**
	Average number of employees	**10**	**0**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. The Board of Directors did not receive remuneration.

		Group	Parent Company
5	**Financial income**		
	Other financial income	852	0
	Exchange adjustments	161	0
		1,013	**0**
6	**Financial expenses**		
	Other financial expenses	26	0
		26	**0**
7	**Tax on profit/loss for the year**		
	Current tax for the year	1,456	0
		1,456	**0**

Notes to the Financial Statements

8 Investments in subsidiaries

	Parent Company
	2022/23
	TUSD
Cost at 20 December	0
Contribution in kind at establishment	26,078
Exchange adjustment	520
Carrying amount at 31 March	**26,598**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
INTEGRITY BULK ApS	Denmark	TUSD 1,006	100%
INTEGRITY BULK Pte. Ltd.	Singapore	TUSD 9,000	100%

9 Other fixed asset investments

	Group
	Deposits
	TUSD
Cost 1 April	48
Cost at 31 March	48
Carrying amount at 31 March	**48**

10 Contract work in progress

	Group	Parent Company
	2022/23	2022/23
	TUSD	TUSD
Recognised in the balance sheet as follows:		
Prepayments received recognised in debt	-3,011	0
	-3,011	**0**

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Notes to the Financial Statements

11 Prepayments

Prepayments consist of prepaid expenses concerning prepaid vessel hires, insurance premiums, subscriptions etc.

12 Distribution of profit

	Parent Company
	2022/23
	TUSD
	0

13 Other provisions

	Group	Parent Company
	2022/23	2022/23
	TUSD	TUSD
Other provisions consist of provision for loss on voyages. The provisions are expected to mature as follows:		
Other provisions	501	0
	501	**0**
The provisions are expected to mature as follows:		
Within 1 year	501	0
	501	**0**

14 Cash flow statement - adjustments

	Group
	2022/23
	TUSD
Financial income	-1,013
Financial expenses	26
Tax on profit/loss for the year	1,456
Other adjustments	-55
	414

Notes to the Financial Statements

15 Cash flow statement - change in working capital

Change in inventories	2,478
Change in receivables	6,682
Change in other provisions	197
Change in trade payables, etc	-8,359
	998

16 Contingent assets, liabilities and other financial obligations

	Group	Parent Company
	2022/23	2022/23
	TUSD	TUSD
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	39,731	0
	39,731	**0**

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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.

17 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. No transactions have not been made on an arm's length basis.

Notes to the Financial Statements

17 Related parties (continued)

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

GB4JB Holding ApS
Svanemølle Invest ApS
Micseba Holding SA
Acorn 2023 Holding ApS
Hove Malta Ltd.

18 Fee to auditors appointed at the general meeting

	Group	Parent Company
	2022/23	2022/23
	TUSD	TUSD
PricewaterhouseCoopers		
Audit fee	89	0
	89	**0**

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Integrity Bulk Holding ApS for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Consolidated and Parent Company Financial Statements for 2022/23 are presented in TUSD.

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, Integrity Bulk Holding ApS, 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

The Group is established by a share conversion 20 December 2022. The Group has decided for accounting purposes to use the "book-value-method" in the Danish Financial Statements Act resulting in that consolidation for the Group has been made from 1 April 2022.

Notes to the Financial Statements

19 Accounting Policies (continued)

Pooling of interests

Intragroup business combinations are accounted for under the book-value-method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The book-value-method is applied at the date of acquisition, and comparative figures have not been restated.

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.

Segment information on revenue

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

Voyage charter contracts consist of a single performance obligation of transporting the cargo within a specified period. Therefore, the performance obligation is met evenly as the voyage progresses, and the revenue is recognized on a straight line basis over the voyage days from the commencement of loading to completion of discharge. The voyage charters generally have variable consideration in the form of demurrage or despatch, which is recognised as we satisfy the performance obligations under the contract.

Notes to the Financial Statements

19 Accounting Policies (continued)

Income Statement

Revenue

Revenue from sales is recognised when the risks and rewards relating to the services 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 by using the percentage-of-completion method. 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 voyage days incurred and the total expected voyage days of the voyage.

Revenue consists of freight, demurrage and timecharter and is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Direct expenses

Vessel operating expenses comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and 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 Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

19 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 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.

Corporation tax for shipping operations are calculated based on Tonnage Tax rules. Of other income, tax is calculated in accordance with the Corporation Tax Act rules.

Balance Sheet

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories consist of Bunkers.

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

The net realisable value of bunker 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.

Notes to the Financial Statements

19 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 rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions consists of loss on voyages.

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

19 Accounting Policies (continued)

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.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$

Notes to the Financial Statements

19 Accounting Policies (continued)

Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$