
A/S Dan-Bunkering Ltd.

Strandvejen 5, DK-5500 Middelfart

Annual Report for 2021/22

CVR No 67 22 69 17

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/6 2022

Casper Pasgaard Dybdal
Chairman of the General
Meeting



pwc

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of A/S Dan-Bunkering Ltd. for the financial year 1 May 2021 - 30 April 2022.

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 30 April 2022 of the Company and of the results of the Company operations for 2021/22.

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.

Middelfart, 28 June 2022

Executive Board

Claus Bulch Klausen
CEO

Board of Directors

Keld Rosenbæk Demant

Christoffer Berg Lassen

Michael Krabbe

Independent Auditor's Report

To the Shareholder of A/S Dan-Bunkering Ltd.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 April 2022 and of the results of the Company's operations for the financial year 1 May 2021 - 30 April 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of A/S Dan-Bunkering Ltd. for the financial year 1 May 2021 - 30 April 2022, 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 Financials 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.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

- 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.

Trekantområdet, 28 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lasse Berg

State Authorised Public Accountant

mne35811

Company Information

The Company

A/S Dan-Bunkering Ltd.
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DK-5500 Middelfart

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CVR No: 67 22 69 17
Financial period: 1 May - 30 April
Municipality of reg. office: Middelfart

Board of Directors

Keld Rosenbæk Demant
Christoffer Berg Lassen
Michael Krabbe

Executive Board

Claus Bulch Klausen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Financial Highlights

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

	<u>2021/22</u>	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>
	USD '000	USD '000	USD '000	USD '000	USD '000
Key figures					
Profit/loss					
Revenue	1,003,229	631,280	717,153	865,231	761,533
Gross profit/loss	15,796	13,449	20,195	18,481	15,509
Profit/loss before financial income and expenses	(745)	4,693	8,811	10,548	8,016
Net financials	14,314	11,183	14,888	10,284	9,913
Profit before tax	13,568	15,876	23,699	25,047	22,960
Net profit/loss for the year	12,771	14,658	21,809	22,747	21,083
Balance sheet					
Balance sheet total	143,929	115,509	89,781	104,819	106,329
Equity	66,521	53,972	59,934	50,198	46,502
Investment in property, plant and equipment	55	627	31	312	611
Ratios					
Gross margin	1.6 %	2.1 %	2.8 %	2.1 %	2.0 %
Return on equity	21.2 %	25.7 %	39.6 %	47.0 %	58.9 %
Solvency ratio	46.2 %	46.7 %	66.8 %	47.9 %	43.7 %
Number of employees	34	33	36	33	33

For definitions, see under accounting policies.

Management's Review

Key activities

The main activities of the Company comprise the purchase, sale, mediation and supply of bunkers and lubricating oil for ships as well as various naturally related services. Trade takes place on a worldwide basis with suppliers and customers within the shipping industry. The Company is represented by offices in Middelfart and Copenhagen.

Development in the year

Earnings before tax amounted to USD 13.6 million. The equity amounted to USD 66.5 million at year-end. Revenue increased by USD 371 million to USD 1.003 million and gross profit increased by USD 2.3 million. Profit before tax in 2021/22 was USD 2.3 million lower compared to 2020/21.

The performance in 2021/22 is considered by management to be satisfactory as the company has been operating in a volatile shipping market under the impact of COVID-19 and the global energy crisis.

A/S Dan-Bunkering Ltd. maintained a high nominal equity and the solvency ratio ended at 46% of the total assets end of the year. Due to this continued solid and robust financial position of the Company we maintain a very strong position with our suppliers in terms of credits. The Company participates in a loan agreement through its parent company and has access to substantial funds and liquidity.

In December 2021, the pending court case against A/S Dan-Bunkering Ltd. was concluded which impacted the result in 2021/22 with a cost of USD 6.9 million.

Expectations for the year ahead

The Company's level of activity, revenues and earnings are affected by several external factors, such as the development on the global freight market, oil price development and the general structure of the international energy markets.

In the financial year 2022/23, we expect a result at the same level of what have been achieved this year.

This is however with some uncertainty due to the lingering effects of COVID-19, price developments in the energy markets and stability in the global economies.

Management's Review

Operating risks

A/S Dan-Bunkering Ltd.'s vision is to be a global and leading supplier of bunkers, lubricating oil and related products and services.

A/S Dan-Bunkering Ltd. will on a continuous basis develop its business in line with the customers' wishes and requirements. The Company wants to be known as a safe choice for its customers and for its high quality in a wide sense, and deliveries must follow the highest international standards as regards both trade and quality.

The Company's strategy plan contains clear objectives for A/S Dan-Bunkering Ltd. as a whole and for the individual enterprises of the Group to support growth in activities and earnings. Current follow-up is made on the realization of the goals set.

Foreign exchange risks

The Company hedges against commercial foreign exchange exposure on a current basis and moreover, assesses the need to hedge against foreign exchange exposure of future cash flows. Hedging mainly takes place by means of forward exchange contracts. Future expected cashflows are hedged for a maximum period of the first succeeding 12 months.

Credit risks

The Company is exposed to credit risk relating to its customers, and all customers and other business partners are credit rated regularly in accordance with the Company's policy for assuming credit risks. Thorough internal procedures are in place to minimize the credit risks and the international conventions for obtaining maritime lien for bunker deliveries mitigates the negative impact from defaulting payers. In addition, the Company insures the credit risk on certain receivables where considered adequate due to the credit worthiness of the counterparty or the size of the credit exposure.

Interest rate risks

The Company's interest-bearing debt is mainly based on variable interest rates, and therefore earnings are affected by any changes in the level of interest. The Company monitors and assesses on a current basis the financial consequences of interest rate changes and hedges the interest rate risk if considered adequate.

Oil price risk

The Company's trading activities are back-to-back trading, where sale and purchase are done simultaneously and thus without any open positions. When the Company enters into fixed price agreements the oil price exposure from such contracts is also hedged to reduce the price risk.

Management's Review

Trading risks

The Company's trading activities are widely spread on the various shipping segments and no single customer or supplier has a significant part of the Company's sales or purchases. Deliveries take place widely spread over the world and as such geographical or political uncertainty in specific parts of the world should not affect the Group's activities significantly.

Corporate social responsibility

(cf. Section 99 a of the Danish Financial Statements Act)

The Company's policies for corporate social responsibility are disclosed in the Financial Statement of Bunker Holding A/S (CVR-no. 75 26 63 16) for 2021/22.

Report on Gender Composition in Management

(cf. Section 99 b in the Danish Financial Statements Act)

The Company's Report on Gender Composition in Management is disclosed in the Financial Statement of Bunker Holding A/S (CVR-no. 75 26 63 16) for 2021/22.

Data etichs

(cf. Section 99 d in the Danish Financial Statements Act)

The Company's policies for data etichs are disclosed in the Financial Statement of Bunker Holding A/S (CVR-no. 75 26 63 16) for 2021/22.

Compliance

At A/S Dan-Bunkering Ltd., we know that every lasting business relationship is based on mutual trust and respect. We also know that trust is earned and should not be taken for granted. Keeping promises and meeting expectations are keys to building a trustful relation where two parties can rely on each other.

Quality, proactivity and attention to detail must characterize everything we do. This means that we always strive to create value for our customers and suppliers in any way that we can, and that we aim to avoid unnecessary bureaucracy and obsolete routines. We set high standards for our employees and expect initiative from all, while at the same time displaying a high degree of humanity and compassion.

Management's Review

Competition & Anti-corruption

It is a fundamental principle that A/S Dan-Bunkering Ltd. must act in full compliance with applicable competition laws and anti-corruption laws. Due to the global nature of our activities, it is imperative that A/S Dan-Bunkering Ltd. complies with all relevant rules and legislation in those countries where the Company operates.

A/S Dan-Bunkering Ltd.'s activities are subject to a number of anti-corruption laws, i.a. the Danish Criminal Code, the UK law against corruption (the UK Bribery Act) and the American anti-corruption law (the U.S. Foreign Corrupt Practices Act).

The Company has introduced a compliance program to ensure that the Company has adequate procedures to prevent fraudulent behavior among individuals within the Company or persons associated with the Company.

Compliance Programs

It is A/S Dan-Bunkering Ltd.'s policy that all board members, managers and employees must have a general understanding of competition and anti-corruption laws and possesses the tools and knowledge necessary to ensure that A/S Dan-Bunkering Ltd. acts in full compliance herewith. Furthermore, it is our policy that all board members, managers and employees must demonstrate proper business ethics and code of conduct.

To realize the goal, A/S Dan-Bunkering Ltd. strengthens the knowledge of competition law and anti-corruption law by having a 'competition law compliance program' and an 'anti-corruption law compliance program'. The programs each consist of a compliance manual (available on the company intranet) and recurring training of relevant managers and employees in competition-law and anti-corruption law matters. Furthermore, each employee is to complete a compliance e-learning once every year.

A/S Dan-Bunkering Ltd.'s management assists in ensuring that we act in compliance with competition law and anti-corruption law. Employees must always report to management both in clear-cut cases and cases of doubt. Employees are encouraged to consult management with any questions or grey zone matters.

Income Statement 1 May - 30 April

	Note	2021/22 USD '000	2020/21 USD '000
Revenue	1	1,003,229	631,280
Expenses for raw materials and consumables		(987,433)	(617,831)
Gross profit/loss		15,796	13,449
Staff expenses	2	(5,211)	(5,106)
Other operating income		757	184
Other external expenses	3	(11,984)	(3,653)
Profit before depreciation		(642)	4,874
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		(103)	(181)
Profit/loss before financial income and expenses	3	(745)	4,693
Income from investments in subsidiaries		13,907	10,688
Financial income	4	1,093	857
Financial expenses	5	(686)	(362)
Profit/loss before tax		13,569	15,876
Tax on profit/loss for the year	6	(798)	(1,218)
Net profit/loss for the year		12,771	14,658

Balance Sheet 30 April

Assets

	Note	2022 USD '000	2021 USD '000
Other fixtures and fittings, tools and equipment		52	464
Leasehold improvements		110	160
Prepayments for property, plant and equipment		55	0
Property, plant and equipment	7	217	624
Investments in subsidiaries	8	38,943	32,758
Other investments	9	17	16
Deposits	9	321	185
Fixed asset investments		39,281	32,959
Fixed assets		39,498	33,583
Trade receivables		51,293	37,367
Receivables from group enterprises		51,057	43,242
Other receivables		1,821	1,081
Deferred tax asset	10	84	76
Prepayments	11	164	110
Receivables		104,419	81,876
Cash at bank and in hand		12	50
Currents assets		104,431	81,926
Assets		143,929	115,509

Balance Sheet 30 April

Liabilities and equity

	Note	2022 USD '000	2021 USD '000
Share capital		3,404	3,404
Reserve for net revaluation under the equity method		26,058	19,873
Retained earnings		37,059	30,695
Equity		66,521	53,972
Credit institutions		28	375
Trade payables		32,144	28,632
Payables to group enterprises		42,385	28,700
Corporation tax		822	1,211
Other payables		2,029	2,619
Short-term debt		77,408	61,537
Debt		77,408	61,537
Liabilities and equity		143,929	115,509
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Fee to auditors appointed at the general meeting	15		
Subsequent events	16		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	USD '000	USD '000	USD '000	USD '000
Equity at 1 May	3,404	0	30,695	34,099
Net effect from change of accounting policy	0	19,873	0	19,873
Adjusted equity at 1 May	3,404	19,873	30,695	53,972
Exchange adjustments	0	(222)	0	(222)
Dividend from group enterprises	0	(7,500)	7,500	0
Net profit/loss for the year	0	13,907	(1,136)	12,771
Equity at 30 April	3,404	26,058	37,059	66,521

Notes to the Financial Statements

	2021/22	2020/21
	USD '000	USD '000
1 Revenue		
The Company's activities are considered one segment.		
Geographical segments		
Revenue, domestic	138,808	75,050
Revenue, foreign	864,421	556,230
Total revenue	1,003,229	631,280
 2 Staff expenses		
Wages and salaries	4,906	4,805
Pensions	249	242
Other social security expenses	56	59
	5,211	5,106
 Average number of employees	34	33
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
 3 Special items		
Legal case expense	6,939	0
	6,939	0
 4 Financial income		
Interest received from group enterprises	1,040	765
Other financial income	53	92
	1,093	857

Notes to the Financial Statements

	2021/22 USD '000	2020/21 USD '000	
5 Financial expenses			
Interest paid to group enterprises	112	47	
Other financial expenses	574	315	
	686	362	
6 Tax on profit/loss for the year			
Current tax for the year	822	1,186	
Deferred tax for the year	(7)	8	
Adjustment of tax concerning previous years	(17)	24	
	798	1,218	
7 Property, plant and equipment			
	Other fixtures and fittings, tools and equipment USD '000	Leasehold improvements USD '000	Prepayments for property, plant and equipment USD '000
Cost at 1 May	1,265	301	0
Additions for the year	0	0	55
Disposals for the year	(473)	0	0
Cost at 30 April	792	301	55
Impairment losses and depreciation at 1 May	801	141	0
Depreciation for the year	53	50	0
Reversal of impairment and depreciation of sold assets	(114)	0	0
Impairment losses and depreciation at 30 April	740	191	0
Carrying amount at 30 April	52	110	55

Notes to the Financial Statements

	2022 USD '000	2021 USD '000
8 Investments in subsidiaries		
Cost at 1 May	12,885	12,860
Additions for the year	0	25
Cost at 30 April	<u>12,885</u>	<u>12,885</u>
Value adjustments at 1 May	19,873	23,485
Exchange adjustment	(222)	0
Net profit/loss for the year	13,907	10,688
Dividend to the Parent Company	(7,500)	(14,300)
Value adjustments at 30 April	<u>26,058</u>	<u>19,873</u>
Carrying amount at 30 April	<u>38,943</u>	<u>32,758</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Dan-Bunkering (Monaco) S.A.M.	Monaco	100 %	1,638	399
Dan-Bunkering (America) Inc.	Texas, USA	100 %	13,300	5,557
Dan-Bunkering (Middle East) DMCC	UAE, Dubai	100 %	14,467	3,696
Dan-Bunkering (Singapore) Pte. Ltd.	Singapore	100 %	9,519	4,255
Fuel Consulting ehf.	Iceland	100 %	20	(1)

9 Other fixed asset investments

	Securities USD '000	Deposits USD '000
Cost at 1 May	16	185
Additions for the year	0	136
Cost at 30 April	<u>16</u>	<u>321</u>
Revaluations at 1 May	1	0
Revaluations at 30 April	1	0
Carrying amount at 30 April	<u>17</u>	<u>321</u>

Notes to the Financial Statements

	2022 <u>USD '000</u>	2021 <u>USD '000</u>
10 Deferred tax asset		
Deferred tax asset at 1 May	76	84
Amounts recognised in the income statement for the year	<u>8</u>	<u>(8)</u>
Deferred tax asset at 30 April	<u>84</u>	<u>76</u>

11 Prepayments

Prepayments comprise prepaid expenses relating to rent, consultant assistance, fees, subscriptions, etc.

12 Distribution of profit

Extraordinary dividend paid	0	21,000
Reserve for net revaluation under the equity method	13,907	(3,612)
Retained earnings	<u>(1,136)</u>	<u>(2,730)</u>
	<u>12,771</u>	<u>14,658</u>

Notes to the Financial Statements

	2022 USD '000	2021 USD '000
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13 Contingent assets, liabilities and other financial obligations

A/S Dan-Bunkering Ltd. is an obligor in respect of the bank loans of the group companies. As at 30 April 2022, these obligations were limited to USD 66,501k, which is equal to A/S Dan-Bunkering Ltd.'s equity and A/S Dan-Bunkering Ltd.'s and its subsidiary's intra-group liability to Bunker Holding A/S as at 30 April 2022.

In the event that these obligations in respect of the bank loans of the group companies materialize, Bunker Holding A/S will cancel any claim it may have against A/S Dan-Bunkering Ltd. in an amount equaling the part of the obligations which relate to A/S Dan-Bunkering Ltd. and its subsidiary's intra-group liability to Bunker Holding A/S.

The Danish group enterprises are jointly and severally liable for tax on the consolidated jointly taxed income etc. The total corporation tax payable is shown in the Annual Report of SelfGenerations T ApS, which is the management company of the joint taxation. The Danish group enterprises are moreover jointly and severally liable for Danish withholding taxes. Any subsequent adjustments of corporation tax and withholding taxes may imply that the Company is liable for a higher amount.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	624	201
Between 1 and 5 years	2,349	0
	<u>2,973</u>	<u>201</u>

Hereof group enterprises	6	11
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Guarantee obligations

Payment guarantees, through bank	7	8
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Notes to the Financial Statements

14 Related parties

Related parties comprise the Supervisory Board, the Executive Board and senior executives in the group enterprises as well as companies in which these persons have significant interests.

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.

Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of the immediate Parent Company,

Name	Place of registered office
Bunker Holding A/S.	Middelfart, Denmark.

The Company's ultimate Parent Company which prepares Consolidated Financial Statements is SelfGenerations T ApS, in which Torben Østergaard-Nielsen, CEO, exercises control.

15 Fee to auditors appointed at the general meeting

Fee to auditors appointed at the general meeting is stated in the Annual Report of Bunker Holding A/S.

16 Subsequent events

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

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of A/S Dan-Bunkering Ltd. for 2021/22 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Financial Statements for 2021/22 are presented in USD '000.

Changes in accounting policies

The company has changed its accounting policies for measuring investments in subsidiaries from cost to equity method.

The company has adjusted the comparative figures. The change has resulted in an increase in the ordinary result for 2020/21 by USD 3,612k. In addition, it has increased the company's fixed assets by USD 19,873k in 2020/21 and the total balance sheet total by USD 19,873k in 2020/21. Equity is increased by USD 19,873k in 2020/21. The company's cash flows are not affected by the change.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Bunker Holding A/S, the Company has not prepared consolidated financial statements.

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 Bunker Holding A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

US dollar is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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

Segment information

Segment information on activities is presented. The distribution of net revenue by business area does not differ significantly from each other.

Income Statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Revenue also includes income from the sale of financial derivatives in respect of crude oil and oil-related products at the time when the contract is concluded.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Notes to the Financial Statements

17 Accounting Policies (continued)

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution 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 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 intangible assets and property, plant and equipment.

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.

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 Danish group companies. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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:

Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

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.

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Fixed asset investments

Fixed asset investments, which consist of securities, are measured at the fair value at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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 under assets comprise prepaid expenses.

Equity

Dividend

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes to the Financial Statements

17 Accounting Policies (continued)

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

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.

Financial Highlights

Explanation of financial ratios

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