# Dannebrog Rederi A/S

Rungsted Strandvej 113, DK-2960 Rungsted Kyst

# Annual Report for 1 January - 31 December 2019

CVR No 67 78 40 14

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/3 2020

Christian Thuesen Chairman of the General Meeting



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### **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Dannebrog Rederi A/S for the financial year 1 January - 31 December 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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.

Rungsted, 31 March 2020

### **Executive Board**

Rasmus Lund-Jacobsen

### **Board of Directors**

Johan Ernst Wedell-Wedellsborg Rasmus Lund-Jacobsen Chairman Oluf Myhrmann



### **Independent Auditor's Report**

To the Shareholder of Dannebrog Rederi 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Dannebrog Rederi A/S for the financial year 1 January - 31 December 2019, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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.

Hellerup, 31 March 2020 **PricewaterhouseCoopers** Statsautoriseret Revisionspartnerselskab *CVR No 33 77 12 31* 

Flemming Eghoff State Authorised Public Accountant mne30221 Mark Philip Beer State Authorised Public Accountant mne29472



# **Company Information**

**The Company** Dannebrog Rederi A/S

Rungsted Strandvej 113 DK-2960 Rungsted Kyst

Telephone: + 45 + 45 45 17 77 77

CVR No: 67 78 40 14

Financial period: 1 January - 31 December Municipality of reg. office: Hørsholm

**Board of Directors** Johan Ernst Wedell-Wedellsborg, Chairman

Rasmus Lund-Jacobsen

Oluf Myhrmann

**Executive Board** Rasmus Lund-Jacobsen

**Auditors** PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44 DK-2900 Hellerup



# **Financial Highlights**

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

	2019 USD '000	2018 USD '000	2017 USD '000	2016 USD '000	2015 USD '0000
Key figures					
Profit/loss					
Revenue	13,153	18,361	23,308	33,912	26,271
Gross profit/loss	-1,739	-4,411	-2,674	64	8,616
Profit/loss before financial income and					
expenses	-1,739	-4,418	-2,690	-7,630	2,633
Net financials	500	-3,947	-2,070	449	36,064
Net profit/loss for the year	-1,064	-8,280	-4,751	-7,227	38,780
Balance sheet					
Balance sheet total	14,797	14,266	18,344	90,335	103,726
	317	1,403	9,696	90,333 84,447	91,537
Equity	317	1,403	9,090	04,447	91,557
Number of employees	0	0	0	0	15
Ratios					
Profit margin	-13.2%	-24.1%	-11.5%	-22.5%	10.0%
Solvency ratio	2.1%	9.8%	52.9%	93.5%	88.2%
Return on equity	-123.7%	-149.2%	-10.1%	-8.2%	53.3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



### **Management's Review**

### Main activity

The primary activity of Dannebrog Rederi A/S is to act as a tonnage provider of modern and specialized Handy and Medium Range tanker vessels to its charterers.

### Development in the year

The income statement of the Company for 2019 shows a loss of t.USD 1,064, and at 31 December 2019 the balance sheet of the Company shows equity of t.USD 317.

The year was characterized by a tanker market which started out firm, deteriorated during the year, and then strengthened again towards the end of the year.

### The past year and follow-up on development expectations from last year

As expected, and expressed in the 2018 report, supply and demand balance in the industry improved in 2019 and freight rates also strengthened especially during the last quarterly. The result in 2019 was primarily be borne by owned tonnage, and was significantly better than that of 2018. The earnings from the vessels were however insufficient to cover administrative cost, why the 2019 was also negative.

#### Market risks

Revenues from the shipping operations are linked to global market trends, which through demand fluctuations affect freight rates as well as prices of e.g. tonnage and fuel. International provisions imply that in case of a maritime accident that results in oil or chemical spillage, the Group will be imposed heavy financial liabilities in terms of the clean-up work. To reduce this risk, the widest possible insurance coverage has been taken out, comprising environmental and pollution coverage, coverage of the value of vessel and cargo, liability coverage as regards third parties and war risk insurance.

### Foreign exchange risks

The income from shipping activities is in USD, and hence no currency risk for Dannebrog reporting in USD.

### Targets and expectations for the year ahead

The Company's outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events disclosures in note 2. It is, however, too early yet to give an opinion as to the extent of the negative implications. On that basis, Management finds itself unable to give an opinion on the expectations of the Company's revenue and results for 2020.



### **Management's Review**

### Research and development

The shipping company is not involved in research and development activities.

### Uncertainty relating to recognition and measurement

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

### **Subsequent events**

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020. Naturally, Management will make an effort to recapture any lost revenue later in the year.



# **Income Statement 1 January - 31 December**

	Note	2019 USD '0000	2018 USD '0000
Revenue		13,153	18,361
Other operating income		173	359
Vessel operating costs		-13,649	-21,738
Other external expenses		-1,416	-1,393
Gross profit/loss		-1,739	-4,411
Depreciation, amortisation and impairment of intangible assets and			
property, plant and equipment	3	0	-7
Profit/loss before financial income and expenses		-1,739	-4,418
Income from investments in group enterprises	4	54	-3,070
Income from investments in associates	5	772	-638
Financial income	6	17	36
Financial expenses	7	-343	-275
Profit/loss before tax		-1,239	-8,365
Tax on profit/loss for the year	8	175	85
Net profit/loss for the year		-1,064	-8,280



# **Balance Sheet 31 December**

## Assets

	Note	2019 USD '000	2018 USD '000
Other fixtures and fittings, tools and equipment		0	0
Property, plant and equipment	9	0	0
Investments in group enterprises	10	555	131
Investments in associates	11	12,992	11,100
Fixed asset investments		13,547	11,231
Fixed assets		13,547	11,231
Trade receivables		387	116
Receivables from group enterprises		0	455
Other receivables		655	38
Prepayments	12	86	566
Receivables		1,128	1,175
Cash at bank and in hand		122	1,860
Currents assets		1,250	3,035
Assets		14,797	14,266



# **Balance Sheet 31 December**

# Liabilities and equity

	Note	2019	2018
		USD '000	USD '000
Share capital		12,675	12,675
Retained earnings		-12,358	-11,272
Equity		317	1,403
Provisions relating to investments in group enterprises		13	0
Provisions		13	0
Trade payables		1	6
Payables to group enterprises		14,438	11,694
Other payables		28	1,040
Deferred income	14	0	123
Short-term debt		14,467	12,863
Debt		14,467	12,863
Liabilities and equity		14,797	14,266
Going concern	1		
Subsequent events	2		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
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# **Statement of Changes in Equity**

		Retained	
	Share capital	earnings	Total
	USD '000	USD '000	USD '000
Equity at 1 January	12,675	-11,272	1,403
Exchange adjustments relating to foreign entities	0	-22	-22
Net profit/loss for the year	0	-1,064	-1,064
Equity at 31 December	12,675	-12,358	317



### 1 Going concern

The Company has at 31 December 2019 lost more than 50% of the nominal share capital, wherefore the Company is subject to the rules of capital loss in the Danish Companies Act.

Management has complied with section 119 of the Dansih Companies Act and expects to reestablish nominal share capital due to expected profit in the coming years.

Furthermore in order to strengthen the company's capital resources, the company has received a declaration of support from the parent company. The declaration is valid until and including 31 December 2020.

Based on the above, it is the management's assessment that the company's capital resources are sufficient and, accordingly, present the financial statements according to the principles of going concern.

### 2 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020.

3	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2019 USD '000	2018 USD '0000
	Depreciation of property, plant and equipment	0 0	7 7
4	Income from investments in group enterprises	2019 USD '000	2018 USD '000
	Share of profits / losses of subsidiaries	54 <b>54</b>	-3,070 -3,070



		2019	2018
5	Income from investments in associates	USD '000	USD '000
	Share of profits / losses of associates	772	-638
		772	-638
6	Financial income		
	Interest received from group enterprises	0	6
	Other financial income	4	16
	Exchange adjustments	13	14
		17	36
7	Financial expenses		
	Interest paid to group enterprises	342	271
	Other financial expenses	1	4
		343	275
8	Tax on profit/loss for the year		
	Current tax for the year	-175	-120
	Adjustment of tax previous years	0	35
		-175	-85



### 9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	USD '000
Cost at 1 January	570
Cost at 31 December	570
Impairment losses and depreciation at 1 January	570
Impairment losses and depreciation at 31 December	570
Carrying amount at 31 December	0
Depreciated over	3 - 10 years



10 Investments in group enterprises	2019 USD '000	2018 USD '000
Cost at 1 January	14,533	26,678
Disposals for the year	0	-12,145
Cost at 31 December	14,533	14,533
Value adjustments at 1 January	-14,402	-23,427
Disposals for the year	0	12,104
Exchange adjustment	0	-9
Net profit/loss for the year	53	-3,070
Value adjustments at 31 December	-14,349	-14,402
Equity investments with negative net asset value amortised over		
receivables	358	0
Equity investments with negative net asset value transferred to provisions	13	0
Carrying amount at 31 December	555	131

Investments in group enterprises are specified as follows:

	Place of registered		Votes and
Name	office	Share capital	ownership
Borgship I ApS	Hørsholm (Danmark)	DKK 250.000	100%
Borgship V	Hørsholm (Danmark)	DKK 6.885.000	69%
Weco Marine Services Ltd.	Polen	PLN 50.000	100%



11 Investments in associates	2019 USD '0000	2018 USD '0000
Cost at 1 January	16,025	15,390
Additions for the year	1,140	635
Cost at 31 December	17,165	16,025
Value adjustments at 1 January	-4,925	-4,283
Exchange adjustment	-20	-2
Net profit/loss for the year	772	-638
Other equity movements, net	0	-2
Value adjustments at 31 December		-4,925
Carrying amount at 31 December	12,992	11,100

Investments in associates are specified as follows:

	Place of registered		Votes and	
Name	office	Share capital	ownership	
		DKK		
Kronborg Shipping K/S	Hørsholm (Danmark)	40.000.000	72%	
Kronborg Management ApS	Hørsholm (Danmark)	1.000.000	72%	
Stenwec I P/S	København (Danmark)	500.000	50%	
Komplementarselskabet Stenwec ApS	København (Danmark)	50.000	50%	
All foreign associates are recognised and mea	sured as senarate entities			

### 12 Prepayments

Prepayments comprise prepaid expenses concerning future financial years.



13	Distribution of profit	2019 USD '000	2018 USD '000
	Retained earnings	-1,064	-8,280
		-1,064	-8,280

### 14 Deferred income

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

2019	2018
000' QSLI	11SD '000

### 15 Contingent assets, liabilities and other financial obligations

### **Guarantee obligations**

The Company's contractual obligations relating to short-term chartering of vessels total tUSD 12,109 (2018: tUSD 21,419).

### Other contingent liabilities

There is a residual liability corresponding to the Company's share of the non-paid capital totalling tUSD 756 tied to the investment in Kronborg Shipping K/S.

At the withdrawal from the tonnage tax regime, a tax liability totalling USD 7.9 million is incumbent on the Company.

The Danish Group companies are jointly and severally liable for the tax on the Group's jointly taxed income.



### 16 Related parties

Consolidated Financial Statements				
The Company is included in the Group Annual Report of the Parent Company:				
Name	Place of registered office			
Weco A/S	Hørsholm			



### 17 Accounting Policies

The Annual Report of Dannebrog Rederi A/S for 2019 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.

Financial Statements for 2019 are presented in TUSD. Applied US Dollar exchange rate on the 31st of December 2019, 667,59 (2018: 651,94).

#### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Weco 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 Weco 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 the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when 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.

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.

#### 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.



### 17 Accounting Policies (continued)

### **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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

### **Income Statement**

#### Revenue

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

### **Vessel operating costs**

Vessel operating costs comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise expenses for premises 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 together with gains and losses on the sale of property, plant and equipment.



### 17 Accounting Policies (continued)

### 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.

### Income from investments in subsidiaries and associates

The items "Income from investments in group enterprises" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

### 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

The Company is comprised by the tonnage tax regime. No provision is made for deferred tax since no deferred tax is expected to arise under the tonnage tax regime.

The Company is jointly taxed with Weco A/S. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

### **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.

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 3-10 years

Depreciation period and residual value are reassessed annually.



### 17 Accounting Policies (continued)

### Impairment of fixed assets

The carrying amounts of property, plant and equip ment 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, the asset is written down to its lower recoverable amount.

#### Investments in subsidiaries and associates

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

The items "Investments in subsidiaries" and "Investments in associates" 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 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 and associates 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 and the associates.

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

#### **Receivables**

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### **Prepayments**

Prepayments comprise prepaid expenses concerning future financial years.

### **Equity**

### Dividend

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



### 17 Accounting Policies (continued)

### **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.

### **Deferred income**

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

### **Financial Highlights**

### **Explanation of financial ratios**

Profit margin	Profit before financials
	Revenue
Solvency ratio	Equity at year end Total assets at year end
Return on equity	Net profit for the year  Average equity

