
Baltic Shipping Company A/S

Ved Isefjorden 24, DK-3390 Hundested

Annual Report for 1 January - 31 December 2017

CVR No 81 44 57 10

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
9 /4 2018

Morten Skjønnemand
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Baltic Shipping Company A/S for the financial year 1 January - 31 December 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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.

Hundested, 9 April 2018

Executive Board

Peter Ronnie Hulstrøm

Board of Directors

Peter Aarosin
Chairman

Mikkel Schmidt

Peter Ronnie Hulstrøm

Thomas Holst Olsen

Christian Aarosin

Independent Auditor's Report

To the Shareholder of Baltic Shipping Company 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Baltic Shipping Company A/S for the financial year 1 January - 31 December 2017, 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.

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 misstate-

Independent Auditor's Report

ment, 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.
- 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

Independent Auditor's Report

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, 9 April 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Thomas Wraae Holm
statsautoriseret revisor
mne30141

Martin Birch
statsautoriseret revisor
mne42825

Company Information

The Company

Baltic Shipping Company A/S
Ved Isefjorden 24
DK-3390 Hundested

CVR No: 81 44 57 10

Financial period: 1 January - 31 December

Municipality of reg. office: Halsnæs

Board of Directors

Peter Aarosin, Chairman
Mikkel Schmidt
Peter Ronnie Hulstrøm
Thomas Holst Olsen
Christian Aarosin

Executive Board

Peter Ronnie Hulstrøm

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

The principal activities of the company

Baltic Shipping Company A/S is a wholly owned subsidiary of Baltic Holding Hundested ApS. The company was established in 1950 and have since been transporting bulk and project cargo primarily in the Baltic Sea.

Baltic Shipping Company is specialized in Competitive Chartering, Ships Agency, Commercial Ship Management, handling and transporting Project Cargo and stevedoring.

At the end of 2017 Baltic Shipping Company operates a fleet of 26 dry cargo vessels in the range from 1400-3750 dwt in commercial management.

Market overview and expected development

2017 marked yet another year of strong progress for Baltic Shipping Company. The revenue has increased and so has number of vessels in commercial management and the number of employees compared to previous year.

The number of voyages has also increased significantly in all areas of our business.

The positive development is primarily due to an increasingly dominating position in a strong market, which enables us to optimize our fleet and hence provide the best possible results for both vessel and freight owners.

Management's Review

Development in activities and financial matters

The total Revenue for 2017 generated in BSC, including the revenue generated by the vessels in BSC commercial management, amounts to DKK 432.1 millions compared to DKK 285.4 millions in 2016, which is an increase of 51,4%. In BSC, only the commission received for commercial management is recognised as revenue, why the reported revenue in the financial statements amounts to DKK 30.5 millions compared to DKK 20.6 millions in 2016.

The result before tax is DKK 12.3 millions compared to DKK 9.3 millions in 2016 which is an increase of 33%.

The Management consider the result very satisfactory and in line with our expectations.

The number of people employed by Baltic Shipping Company has increased from an average of 13 employees in 2016 to 22 employees by the end of 2017.

Our fleet in Commercial Management has grown from 21 vessels at the end of 2016 up to 28 vessels during 2017. The market for coaster trading in the Baltic sea has grown steadily stronger during the year and this tendency is expected to continue in the foreseeable future. The activity for Baltic Shipping Company has in line with the development in the market grown significantly both in terms of filling own and foreign tonnage.

Our Agency and Stevedoring activities has also shown major growth in 2017. We have opened new office in Vordingborg and invested in a weighing bridge to support the growth in the area, which will be delivered in March 2018.

We have also invested in a new conveyor belt, which has been specially designed to support safe and efficient loading of the vessels, this is expected to be delivered and ready for use in April 2018.

Last but not least we have invested in two cranes. A Sennebogen 835M from 2003, which has been employed by our office in Copenhagen since delivery in May 2017 – and a new Sennebogen 870M, which will be delivered in March 2018 and will support our activities in Frederiksværk.

Our customer base has been additionally strengthened in 2017 and we continue having a strong relationship with our customers based on a competitive service, which is build on long lasting cooperation and partnerships.

Capital resources

Due to the nature of our business, there are relatively large fluctuations in liquidity requirements, which requires robust liquidity resources, which we have been able to maintain throughout the year.

Management's Review

Internal Risk management

We are continuously working on improving our internal risk management and quality standards.

To stress the importance of high quality standards in the sea transport for feeds, we were GMP+ B4 certified in June 2017.

Our quality management system will be further strengthened by third quarter 2018 with ISO9001 certification, which we are currently incorporating in the whole organization. The procedures support awareness and focus on quality assurance and correct start-up and continuous review of each project, promoting safety and preventive actions combined with ensuring the expected profitability and customer satisfaction.

Social responsibility

As a company, we have an ethical responsibility for our people, our surroundings and the world in which we live – including safety and environment on our projects. We therefore keep a continuous focus on safety, working environment and environmentally sound behavior and on contributing positively to our surroundings.

Throughout the year, we have worked for a positive and developing working environment, which focuses on the individual employee, and on collaboration between employees and across departments. We have supported initiatives to improve employee health and safety and are striving to continuously improve work-life balance, by ensuring the right people and the right number of people.

As a shipping company, we have a responsibility to contribute to the development of future shipping employees and leaders. We make an effort to take a significant number of own trainees onboard – and preferably keep them onboard - and support the education of trainees and of our employees in general. We currently employ 3 shipping trainees and 1 accounting trainee out of 22 employees in total.

We consider diversity a strength that helps us gain access to the best talents and develops our business and organization in a positive direction. In Baltic Shipping Company we fully support and live by the UN Code of Conduct, and our human rights policies are consolidated from this and our employee handbook.

Subsequent events

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

Income Statement 1 January - 31 December

| | Note | 2017 DKK | 2016 DKK |
|--|------|--------------------------|-------------------------|
| Gross profit/loss | | 24,560,632 | 16,223,135 |
| Staff expenses | 1 | -13,743,912 | -9,268,902 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 2 | -1,000,927 | -843,592 |
| Other operating expenses | | <u>0</u> | <u>-66,250</u> |
| Profit/loss before financial income and expenses | | 9,815,793 | 6,044,391 |
| Income from investments in subsidiaries | 3 | 2,352,892 | 3,228,682 |
| Financial income | 4 | 223,208 | 63,701 |
| Financial expenses | 5 | <u>-85,722</u> | <u>-85,931</u> |
| Profit/loss before tax | | 12,306,171 | 9,250,843 |
| Tax on profit/loss for the year | 6 | <u>-2,090,317</u> | <u>-1,368,400</u> |
| Net profit/loss for the year | | <u>10,215,854</u> | <u>7,882,443</u> |

Distribution of profit

Proposed distribution of profit

| | | |
|---|--------------------------|-------------------------|
| Proposed dividend for the year | 11,400,000 | 7,300,000 |
| Reserve for net revaluation under the equity method | 2,352,892 | 3,228,682 |
| Retained earnings | <u>-3,537,038</u> | <u>-2,646,239</u> |
| | <u>10,215,854</u> | <u>7,882,443</u> |

Balance Sheet 31 December

Assets

| | Note | 2017 DKK | 2016 DKK |
|--|------|-------------------|-------------------|
| Land and buildings | | 637,292 | 0 |
| Other fixtures and fittings, tools and equipment | | 2,903,892 | 1,966,055 |
| Property, plant and equipment in progress | | 120,000 | 0 |
| Property, plant and equipment | 7 | 3,661,184 | 1,966,055 |
| Investments in subsidiaries | 8 | 2,769,260 | 3,416,368 |
| Deposits | | 155,784 | 155,784 |
| Fixed asset investments | | 2,925,044 | 3,572,152 |
| Fixed assets | | 6,586,228 | 5,538,207 |
| Inventories | | 1,958,541 | 0 |
| Trade receivables | | 15,972,211 | 9,344,396 |
| Receivables from group enterprises | | 1,483,538 | 0 |
| Other receivables | | 1,054,988 | 3,126,234 |
| Deferred tax asset | 9 | 63,847 | 57,442 |
| Corporation tax | | 9,327 | 213,285 |
| Prepayments | | 1,006,152 | 358,588 |
| Receivables | | 19,590,063 | 13,099,945 |
| Cash at bank and in hand | | 10,371,034 | 6,195,201 |
| Currents assets | | 31,919,638 | 19,295,146 |
| Assets | | 38,505,866 | 24,833,353 |

Balance Sheet 31 December

Liabilities and equity

| | Note | 2017 DKK | 2016 DKK |
|--|------|-------------------|-------------------|
| Share capital | | 700,000 | 700,000 |
| Reserve for net revaluation under the equity method | | 144,260 | 291,368 |
| Retained earnings | | 13,159 | 1,050,268 |
| Proposed dividend for the year | | 11,400,000 | 7,300,000 |
| Equity | | 12,257,419 | 9,341,636 |
| Lease obligations | | 1,312,629 | 640,910 |
| Long-term debt | 10 | 1,312,629 | 640,910 |
| Lease obligations | 10 | 721,263 | 338,570 |
| Trade payables | | 14,112,177 | 10,421,642 |
| Payables to group enterprises | | 0 | 425,101 |
| Corporation tax | | 319,516 | 0 |
| Other payables | | 9,606,791 | 3,587,946 |
| Deferred income | | 176,071 | 77,548 |
| Short-term debt | | 24,935,818 | 14,850,807 |
| Debt | | 26,248,447 | 15,491,717 |
| Liabilities and equity | | 38,505,866 | 24,833,353 |
| Contingent assets, liabilities and other financial obligations | 11 | | |
| Accounting Policies | 12 | | |

Statement of Changes in Equity

| | Share capital | Reserve for net revaluation under the equity method | Retained earnings | Proposed dividend for the year | Total |
|---|----------------|--|----------------------|--------------------------------------|-------------------|
| | DKK | DKK | DKK | DKK | DKK |
| Equity at 1 January | 700,000 | 291,368 | 898,435 | 7,300,000 | 9,189,803 |
| Net effect from change of accounting policy | 0 | 0 | 151,762 | 0 | 151,762 |
| Adjusted equity at 1 January | 700,000 | 291,368 | 1,050,197 | 7,300,000 | 9,341,565 |
| Ordinary dividend paid | 0 | 0 | 0 | -7,300,000 | -7,300,000 |
| Dividend from group enterprises | 0 | -2,500,000 | 2,500,000 | 0 | 0 |
| Net profit/loss for the year | 0 | 2,352,892 | -3,537,038 | 11,400,000 | 10,215,854 |
| Equity at 31 December | 700,000 | 144,260 | 13,159 | 11,400,000 | 12,257,419 |

Notes to the Financial Statements

| | 2017 <u>DKK</u> | 2016 <u>DKK</u> |
|---|--------------------------|-------------------------|
| 1 Staff expenses | | |
| Wages and salaries | 12,922,192 | 8,137,814 |
| Pensions | 778,264 | 1,101,897 |
| Other social security expenses | 43,456 | 29,191 |
| | <u>13,743,912</u> | <u>9,268,902</u> |
| | | |
| Average number of employees | <u>19</u> | <u>13</u> |
| | | |
| 2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | |
| Depreciation of property, plant and equipment | 1,000,927 | 843,592 |
| | <u>1,000,927</u> | <u>843,592</u> |
| Which is specified as follows: | | |
| Buildings | 27,708 | 0 |
| Other fixtures and fittings, tools and equipment | 939,492 | 644,436 |
| Motor vehicles | 33,727 | 199,156 |
| | <u>1,000,927</u> | <u>843,592</u> |
| | | |
| 3 Income from investments in subsidiaries | | |
| Share of profits of subsidiaries | 2,352,892 | 3,228,682 |
| | <u>2,352,892</u> | <u>3,228,682</u> |
| | | |
| 4 Financial income | | |
| Interest received from group enterprises | 19,675 | 0 |
| Other financial income | 58,749 | 63,701 |
| Exchange adjustments | 144,784 | 0 |
| | <u>223,208</u> | <u>63,701</u> |

Notes to the Financial Statements

| | <u>2017</u> DKK | <u>2016</u> DKK |
|---|-------------------------|-------------------------|
| 5 Financial expenses | | |
| Interest paid to group enterprises | 0 | 23,226 |
| Other financial expenses | 85,722 | 44,704 |
| Exchange adjustments | 0 | 18,001 |
| | <u>85,722</u> | <u>85,931</u> |
| | | |
| 6 Tax on profit/loss for the year | | |
| Current tax for the year | 2,204,862 | 1,346,444 |
| Deferred tax for the year | -6,405 | 7,186 |
| Adjustment of tax concerning previous years | -108,140 | 14,770 |
| | <u>2,090,317</u> | <u>1,368,400</u> |

Notes to the Financial Statements

7 Property, plant and equipment

| | Land and buildings | Other fixtures and fittings, tools and equipment | Property, plant and equipment in progress | Total |
|---|-----------------------|---|---|-------------------------|
| | DKK | DKK | DKK | DKK |
| Cost at 1 January | 0 | 3,913,853 | 0 | 3,913,853 |
| Additions for the year | 665,000 | 2,172,762 | 120,000 | 2,957,762 |
| Disposals for the year | 0 | -541,757 | 0 | -541,757 |
| Cost at 31 December | <u>665,000</u> | <u>5,544,858</u> | <u>120,000</u> | <u>6,329,858</u> |
| Impairment losses and depreciation at 1 January | 0 | 1,948,127 | 0 | 1,948,127 |
| Depreciation for the year | 27,708 | 973,219 | 0 | 1,000,927 |
| Reversal of impairment and depreciation of sold assets | 0 | -280,380 | 0 | -280,380 |
| Impairment losses and depreciation at 31 December | <u>27,708</u> | <u>2,640,966</u> | <u>0</u> | <u>2,668,674</u> |
| Carrying amount at 31 December | <u>637,292</u> | <u>2,903,892</u> | <u>120,000</u> | <u>3,661,184</u> |
| Depreciated over | <u>20-50 years</u> | <u>3-10 years</u> | | |
| Including assets under finance leases amounting to | <u>0</u> | <u>2,318,002</u> | <u>0</u> | <u>2,318,002</u> |

Notes to the Financial Statements

| | 2017 DKK | 2016 DKK |
|---------------------------------------|------------------|------------------|
| 8 Investments in subsidiaries | | |
| Cost at 1 January | 125,000 | 125,000 |
| Cost at 31 December | 125,000 | 125,000 |
| Value adjustments at 1 January | 3,291,368 | 62,686 |
| Net profit/loss for the year | 2,352,892 | 3,228,682 |
| Dividend to the Parent Company | -3,000,000 | 0 |
| Value adjustments at 31 December | 2,644,260 | 3,291,368 |
| Carrying amount at 31 December | 2,769,260 | 3,416,368 |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital | Votes and ownership | Equity | Net profit/loss for the year |
|-------------------------------|----------------------------|---------------|---------------------|-----------|------------------------------|
| Baltic Coaster Chartering ApS | Halsnæs | TDKK 125 | 100% | 2,769,260 | 2,352,892 |

Baltic Coaster Chartering ApS has after 31 December 2017 paid out dividend amounting to TDKK 2.500.

| | 2017 DKK | 2016 DKK |
|--|---------------|---------------|
| 9 Deferred tax asset | | |
| Property, plant and equipment | -63,847 | -57,442 |
| Transferred to deferred tax asset | 63,847 | 57,442 |
| | 0 | 0 |
| Deferred tax has been provided at 22% corresponding to the current tax rate. | | |
| Deferred tax asset | | |
| Calculated tax asset | 63,847 | 57,442 |
| Carrying amount | 63,847 | 57,442 |

Notes to the Financial Statements

10 Long-term debt

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

The debt falls due for payment as specified below:

| | <u>2017</u> DKK | <u>2016</u> DKK |
|--------------------------|-------------------------|-----------------------|
| Lease obligations | | |
| Between 1 and 5 years | 1,312,629 | 640,910 |
| Long-term part | 1,312,629 | 640,910 |
| Within 1 year | 721,263 | 338,570 |
| | <u>2,033,892</u> | <u>979,480</u> |

11 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with Baltic Coaster Chartering ApS:

The Company has provided an unlimited suretyship for Baltic Coaster Chartering ApS engagement with Danske Bank.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

| | | |
|-----------------------|-------------------------|-------------------------|
| Within 1 year | 2,075,638 | 805,522 |
| Between 1 and 5 years | 4,350,128 | 1,694,271 |
| After 5 years | 2,801,975 | 0 |
| | <u>9,227,741</u> | <u>2,499,793</u> |

Other contingent liabilities

The 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.

Notes to the Financial Statements

12 Accounting Policies

The Annual Report of Baltic Shipping Company A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B with addition of certain note disclosures applying to reporting class C.

The Financial Statements for 2017 are presented in DKK.

Changes in accounting policies

Management has decided to recognize financial leasing contracts as this give a more true and fair view. The effect on equity and net result for 2016 amounts to DKK 151,762 (increase).

The comparison figures has been changed in accordance with the change in accounting policy.

Further more some comparison figures has been change for comparison reason.

Recognition and measurement

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

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

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

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

Leases

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

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the inte-

Notes to the Financial Statements

12 Accounting Policies (continued)

rest element on the lease payments is charged over the lease term to the income statement.

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

Translation policies

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.

Income Statement

Revenue

Revenue from the services is recognised when the risks and rewards relating to the service provided 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.

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

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Notes to the Financial Statements

12 Accounting Policies (continued)

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

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish 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

Notes to the Financial Statements

12 Accounting Policies (continued)

expected useful lives of the assets, which are:

| | |
|---|-------------|
| Land and buildings | 20-50 years |
| Other fixtures and fittings, tools and equipment | 3-10 years |

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and 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, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

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

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

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

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

Inventories

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

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

Notes to the Financial Statements

12 Accounting Policies (continued)

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.

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 rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Notes to the Financial Statements

12 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

Loans 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.

Other payables including working accounts with ship owners.

Deferred income

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