
Baltic Shipping Company A/S

Ved Isefjorden 24, DK-3390 Hundested

Annual Report for 1 January - 31 December 2019

CVR No 81 44 57 10

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
17/6 2020

Karina Uldahl Kiel
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 Baltic Shipping Company 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.

Hundested, 17 June 2020

Executive Board

Peter Ronnie Hulstrøm

Board of Directors

Thomas Holst Olsen

Peter Ronnie Hulstrøm

Mikkel Schmidt

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 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 Baltic Shipping Company 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.

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, 17 June 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Thomas Wraae Holm

State Authorised Public Accountant

mne30141

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

Thomas Holst Olsen
Peter Ronnie Hulstrøm
Mikkel Schmidt

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 2019 Baltic Shipping Company has a fleet of 33 dry cargo vessels in the range from 1400-5000 dwt in commercial management.

Market overview and expected development

2019 marked yet another year of strong progress for Baltic Shipping Company. The revenue has increased and so has number of vessels/total vessel days in commercial management and the number of employees compared to previous year.

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 2019 generated in BSC, including the revenue generated by the vessels in BSC commercial management, amounts to DKK 475 million, which is an increase of 6.5% compared to 2018. In BSC only the commission received for commercial management is recognized as revenue, why the reported revenue in the financial statements amounts to DKK 72.6 million compared to 65.9 million in 2018.

The result before tax is DKK 22.7 million compared to DKK 22.8 million in 2018.

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 23 employees in 2018 to an average of 27 employees in 2019.

Our fleet in Commercial Management has grown from an average of 27 vessels in 2018 to an average of 31 vessels during 2019. The market for coaster trading in the Baltic sea has remained strong 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 grown in 2019. We have acquired Carl Elgaard Shipping ApS in Aarhus in January 2019, part of Hvide Sande Supply, in June 2019 and All Danish Ports Agency (now Baltic Shipping Company Fyn ApS) in Odense (Port of Lindoe) in September 2019 and with that strengthened our presence in both Jutland and Funen.

We have invested in a new crane Sennebogen 835M, which was delivered in November 2019.

Our customer base has been additionally strengthened in 2019 and we continue having a strong relationship with our customers based on a competitive service, which is build on long lasting cooperation and partnerships.

Management's Review

Internal Risk management

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

The management have identified the following as primary risk areas:

- 1) Safety during and around our stevedoring operations
- 2) The environmental impact of our core business area
- 3) Employee satisfaction
- 4) Integrity and ethic throughout the entire supply chain

To further strengthen our quality management system we are also ISO9001 certified. The standard is incorporated in and by the whole organization. The general work with and knowledge about all the procedures, supports awareness, 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.

To stress the importance of high quality standards in the sea transport for feeds, we were re-certified in GMP+ B4 and B3 for sea transport.

Management's Review

We all have a responsibility for sustainability and Social responsibility

In Baltic Shipping Company we are placing this responsibility high on the agenda and have increased focus on 8 of the 17 global goals for sustainable development.

The action comprises strategies and measures against climate changes as well as awareness-raising on climate changes. In Baltic Shipping Company we do this by measuring and highlighting the CO₂-emmission of each freight carried by a BSC vessel - and by comparing the CO₂-emmission of the same cargo being moved by trucks and highlighting this to our customers in each invoice, we jointly support sustainable freight. The impact on the environment is significant as each vessel load compares to approximately 100 truck loads.

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. We ensure continued focus and awareness on this by having integrated policies and action points integrated in our Leadership System ISO9001. We have in 5 consecutive years had 0 incidents on personnel.

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. The management keeps a close eye on the voluntary employee turnover and concludes that it continues to stay at a reasonably low level.

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 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. We support integrity and ethics in all aspects of the company's activities and we have a zero tolerance towards corruption. It is an integrated part of our supplier and customer assessment that this part of the code of conduct are adhered to by all. To ensure the adherence by all parties the management is in constant and close dialogue with all involved parties and can again on this basis conclude that no violation of human rights or attempts on corruption have happened in 2019.

Management's Review

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	2019 DKK	2018 DKK
Gross profit/loss		40,567,373	34,742,421
Staff expenses	2	-19,734,627	-17,079,618
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-2,013,685	-1,412,476
Profit/loss before financial income and expenses		18,819,061	16,250,327
Income from investments in subsidiaries	4	3,446,993	6,308,316
Financial income	5	1,080,939	686,964
Financial expenses	6	-658,258	-495,108
Profit/loss before tax		22,688,735	22,750,499
Tax on profit/loss for the year	7	-4,207,722	-3,628,332
Net profit/loss for the year		18,481,013	19,122,167

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	18,500,000	19,200,000
Reserve for net revaluation under the equity method	3,446,993	6,308,315
Retained earnings	-3,465,980	-6,386,148
	18,481,013	19,122,167

Balance Sheet 31 December

Assets

	Note	2019 DKK	2018 DKK
Other fixtures and fittings, tools and equipment		13,855,670	8,812,202
Leasehold improvements		175,461	190,878
Property, plant and equipment in progress		13,300	120,000
Property, plant and equipment	8	14,044,431	9,123,080
Investments in subsidiaries	9	3,624,569	6,577,576
Deposits		170,784	155,784
Fixed asset investments		3,795,353	6,733,360
Fixed assets		17,839,784	15,856,440
Inventories		6,424,157	2,742,756
Trade receivables		21,290,288	16,269,573
Receivables from group enterprises		6,241,823	1,104,954
Other receivables		1,938,907	599,588
Deferred tax asset	10	0	25,060
Corporation tax		332,862	0
Prepayments		383,501	401,563
Receivables		30,187,381	18,400,738
Cash at bank and in hand		7,863,020	14,250,022
Currents assets		44,474,558	35,393,516
Assets		62,314,342	51,249,956

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		700,000	700,000
Reserve for net revaluation under the equity method		49,569	52,576
Retained earnings		11,030	27,010
Proposed dividend for the year		18,500,000	19,200,000
Equity		19,260,599	19,979,586
Provision for deferred tax	10	316,478	0
Provisions		316,478	0
Lease obligations		8,570,743	5,394,728
Other payables		473,240	0
Long-term debt	11	9,043,983	5,394,728
Lease obligations	11	1,608,291	1,168,719
Prepayments received from customers		0	284,379
Trade payables		23,954,805	13,384,974
Payables to group enterprises		167,108	0
Corporation tax		0	913,454
Deposits		0	778,212
Other payables	11	7,963,078	9,345,904
Short-term debt		33,693,282	25,875,642
Debt		42,737,265	31,270,370
Liabilities and equity		62,314,342	51,249,956
Subsequent events	1		
Contingent assets, liabilities and other financial obligations	12		
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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
2019					
Equity at 1 January	700,000	52,576	27,010	19,200,000	19,979,586
Ordinary dividend paid	0	0	0	-19,200,000	-19,200,000
Dividend from group enterprises	0	-3,450,000	3,450,000	0	0
Net profit/loss for the year	0	3,446,993	-3,465,980	18,500,000	18,481,013
Equity at 31 December	700,000	49,569	11,030	18,500,000	19,260,599
2018					
Equity 1. januar	700,000	144,260	13,158	11,400,000	12,257,418
Ordinary dividend paid	0	0	0	-11,400,000	-11,400,000
Dividend from group enterprises	0	-6,400,000	6,400,000	0	0
Net profit/loss for the year	0	6,308,316	-6,386,148	19,200,000	19,122,168
Equity at 31 December	700,000	52,576	27,010	19,200,000	19,979,586

Notes to the Financial Statements

1 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.

Many of the Company's customers have indicated that they will continue to purchase freights with the Company. However, there is still a risk that COVID-19 will have negative impacts on the Company's revenue and earnings in 2020. 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.

Despite the mentioned implications of COVID-19, Management still considers the cash resources reasonable.

	<u>2019</u> DKK	<u>2018</u> DKK
2 Staff expenses		
Wages and salaries	18,503,118	15,948,972
Pensions	1,159,556	948,213
Other social security expenses	71,953	182,433
	<u>19,734,627</u>	<u>17,079,618</u>
Average number of employees	<u>27</u>	<u>23</u>
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	<u>2,013,685</u>	<u>1,412,476</u>
	<u>2,013,685</u>	<u>1,412,476</u>
Which is specified as follows:		
Plant and machinery	361,731	316,477
Other fixtures and fittings, tools and equipment	1,412,012	969,669
Motor vehicles	194,530	81,562
Leasehold improvements	45,412	44,768
	<u>2,013,685</u>	<u>1,412,476</u>

Notes to the Financial Statements

	2019	2018
	DKK	DKK
4 Income from investments in subsidiaries		
Share of profits of subsidiaries	3,446,993	6,308,316
	3,446,993	6,308,316
5 Financial income		
Interest received from group enterprises	104,367	0
Other financial income	430,340	382,063
Exchange gains	546,232	304,901
	1,080,939	686,964
6 Financial expenses		
Interest paid to group enterprises	0	10,727
Other financial expenses	320,225	296,356
Exchange loss	338,033	188,025
	658,258	495,108
7 Tax on profit/loss for the year		
Current tax for the year	3,867,138	3,588,574
Deferred tax for the year	341,538	38,787
Adjustment of tax concerning previous years	-954	971
	4,207,722	3,628,332

Notes to the Financial Statements

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	12,820,874	224,562	120,000	13,165,436
Additions for the year	7,214,917	29,995	13,300	7,258,212
Disposals for the year	<u>-577,500</u>	<u>0</u>	<u>-120,000</u>	<u>-697,500</u>
Cost at 31 December	<u>19,458,291</u>	<u>254,557</u>	<u>13,300</u>	<u>19,726,148</u>
Impairment losses and depreciation at 1 January	4,008,673	33,684	0	4,042,357
Depreciation for the year	1,968,274	45,412	0	2,013,686
Reversal of impairment and depreciation of sold assets	<u>-374,326</u>	<u>0</u>	<u>0</u>	<u>-374,326</u>
Impairment losses and depreciation at 31 December	<u>5,602,621</u>	<u>79,096</u>	<u>0</u>	<u>5,681,717</u>
Carrying amount at 31 December	<u>13,855,670</u>	<u>175,461</u>	<u>13,300</u>	<u>14,044,431</u>
Depreciated over	<u>3-10 years</u>	<u>5 years</u>		
Including assets under finance leases amounting to	<u>1,412,012</u>	<u>0</u>	<u>0</u>	<u>1,412,012</u>

Notes to the Financial Statements

	2019 DKK	2018 DKK
9 Investments in subsidiaries		
Cost at 1 January	125,000	125,000
Cost at 31 December	125,000	125,000
Value adjustments at 1 January	6,452,576	2,644,260
Net profit/loss for the year	3,446,993	6,308,316
Dividend to the Parent Company	-6,400,000	-2,500,000
Value adjustments at 31 December	3,499,569	6,452,576
Carrying amount at 31 December	3,624,569	6,577,576

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Baltic Coaster Chartering ApS	Halsnæs	125,000	100%

10 Provision for deferred tax

Property, plant and equipment	316,478	-25,060
Transferred to deferred tax asset	0	25,060
	316,478	0

Deferred tax has been provided at 22% corresponding to the current tax rate.

Deferred tax asset

Calculated tax asset	0	25,060
Carrying amount	0	25,060

Notes to the Financial Statements

11 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>2019</u> DKK	<u>2018</u> DKK
Lease obligations		
Between 1 and 5 years	8,570,743	5,394,728
Long-term part	8,570,743	5,394,728
Within 1 year	1,608,291	1,168,719
	<u>10,179,034</u>	<u>6,563,447</u>
Other payables		
Between 1 and 5 years	473,240	0
Long-term part	473,240	0
Other short-term payables	7,963,078	9,345,904
	<u>8,436,318</u>	<u>9,345,904</u>

Notes to the Financial Statements

	2019	2018
	DKK	DKK
12 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1,102,344	5,159,831
Between 1 and 5 years	1,109,466	2,011,531
After 5 years	0	83,835
	2,211,810	7,255,197

Guarantee obligations

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

Other contingent liabilities

The Company is part of the national joint taxation with Baltic Holding Hundested ApS, as a management company, and unlimited, jointly and severally liable with the other jointly taxed companies for the total corporation tax.

Notes to the Financial Statements

13 Accounting Policies

The Annual Report of Baltic Shipping Company A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in DKK.

Changes in comparative figures

The comparative figures for 2018 have been restated due to change in mapping of accounts. The changes have no effect on the result or balance sheet.

Consolidated financial statements

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

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.

Notes to the Financial Statements

13 Accounting Policies (continued)

Leases

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

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

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

Translation policies

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.

Notes to the Financial Statements

13 Accounting Policies (continued)

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, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

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.

Notes to the Financial Statements

13 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.

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
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, 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

Notes to the Financial Statements

13 Accounting Policies (continued)

of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

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 de-

Notes to the Financial Statements

13 Accounting Policies (continued)

ferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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.