

T.K.B. Shipping A/S

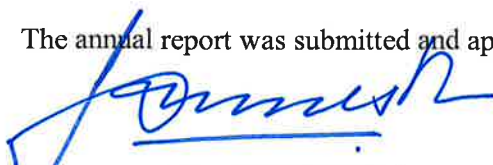
Strandvejen 102B, 2900 Hellerup

Company reg. no. 21 42 66 95

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the



Jørgen P. Dannesboe
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance USD 146.940 means the amount of USD 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of T.K.B. Shipping A/S for the financial year 1 January - 31 December 2020.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities and cash flows in the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Gentofte, 18 May 2021

Managing Director

Jacob Palle Madsen

Board of directors

Jørgen P. Dannesboe

Robert R.A. Sjøqvist

Jacob Palle Madsen

Independent auditor's report

To the shareholders of T.K.B. Shipping A/S

Opinion

We have audited the financial statements of T.K.B. Shipping A/S for the financial year 1 January - 31 December 2020, which comprise income statement, statement of financial position, statement of changes in equity, statement of cash flows, notes and accounting policies. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 18 May 2021

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36



Ulrik Bloch-Sørensen
State Authorised Public Accountant
mne2913



Martin Bomholtz
State Authorised Public Accountant
mne34117

Company information

| | |
|---------------------------|---|
| The company | T.K.B. Shipping A/S Strandvejen 102B 2900 Hellerup |
| | Company reg. no. 21 42 66 95 Established: 13 October 1998 Domicile: Gentofte Financial year: 1 January - 31 December |
| Board of directors | Jørgen P. Dannesboe Robert R.A. Sjøqvist Jacob Palle Madsen |
| Managing Director | Jacob Palle Madsen |
| Auditors | Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø |
| Parent company | Thopas Holding A/S |

Financial highlights

| USD in thousands. | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|--------|--------|--------|-------|-------|
| Income statement: | | | | | |
| Gross profit | 3.037 | 2.862 | 7.268 | 4.255 | 1.901 |
| Profit from operating activities | 1.482 | 1.529 | 5.356 | 3.496 | 184 |
| Net financials | -4 | -151 | -17 | -20 | -30 |
| Net profit or loss for the year | 1.160 | 1.069 | 5.091 | 3.134 | 449 |
| Statement of financial position: | | | | | |
| Balance sheet total | 12.971 | 16.235 | 17.131 | 9.808 | 7.763 |
| Investments in property, plant and equipment | 0 | 73 | 0 | 0 | 0 |
| Equity | 4.472 | 4.313 | 8.844 | 5.253 | 2.119 |
| Cash flows: | | | | | |
| Operating activities | 150 | 4.259 | 2.524 | 1.752 | 1.338 |
| Investing activities | 0 | -73 | 0 | 0 | 0 |
| Financing activities | -2.094 | -1.606 | -1.500 | 0 | 0 |
| Total cash flows | -1.944 | 2.580 | 1.024 | 1.752 | 1.338 |
| Employees: | | | | | |
| Average number of full-time employees | 10 | 10 | 12 | 14 | 14 |
| Key figures in %: | | | | | |
| Liquidity ratio | 231,0 | 204,0 | 206,7 | - | - |
| Solvency ratio | 34,5 | 26,6 | 51,6 | 53,6 | 27,3 |
| Return on equity | 26,4 | 16,2 | 72,2 | 85,0 | 23,7 |

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The financial highlights for 2017 solely comprise the period 1/7 2017 to 31/12 2017.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

| | |
|-------------------------|--|
| Liquidity ratio | $\frac{\text{Current assets} \times 100}{\text{Short term liabilities other than provisions}}$ |
| Solvency ratio | $\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$ |
| Return on equity | $\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$ |

Management commentary

The principal activities of the company

Like previous years, the principal activities are shipping activities.

Development in activities and financial matters

The gross profit for the year totals USD 3.036.542 against USD 2.862.000 last year. Income or loss from ordinary activities after tax totals USD 1.159.684 against USD 1.069.000 last year. The development is expected.. Management considers the net profit or loss for the year satisfactory.

Special risks

Operating risks

The Management of the T.K.B. Shipping A/S performs risk assessment on a continuous basis due to the nature of the Business. Management together with the Board defines procedures to manage and monitor the identified risks which specifically are Time Charter commitments, Contracts of Affreightments and Bunkers. The procedures may contain activities to avoid, to reduce or to shift these risks. It is the objective of the Management to carry market risk and to minimize counterparty risk and Bunker exposure.

Environmental issues

Pollution and the environment can be a major factor in shipping today. As the company operates with chartered vessels, environmental conditions are handled by the shipowners.

Events occurring after the end of the financial year

No events have occurred after the balance sheet date that upset the assessment of the annual report.

Income statement 1 January - 31 December

Amounts concerning 2020: USD.

Amounts concerning 2019: USD thousand.

| <u>Note</u> | <u>2020</u> | <u>2019</u> |
|---|------------------|--------------|
| Gross profit | 3.036.542 | 2.862 |
| 1 Staff costs | -1.533.567 | -1.321 |
| Depreciation and writedown relating to fixed assets | -20.593 | -12 |
| Operating profit | 1.482.382 | 1.529 |
| Other financial income | 45.819 | 11 |
| 2 Other financial costs | -49.381 | -162 |
| Pre-tax net profit or loss | 1.478.820 | 1.378 |
| Tax on ordinary results | -319.136 | -309 |
| 3 Net profit or loss for the year | 1.159.684 | 1.069 |

Statement of financial position at 31 December

Amounts concerning 2020: USD.

Amounts concerning 2019: USD thousand.

| Assets | | |
|--|-------------------|---------------|
| <u>Note</u> | <u>2020</u> | <u>2019</u> |
| Non-current assets | | |
| 4 Other fixtures and fittings, tools and equipment | 40.851 | 61 |
| Total property, plant, and equipment | 40.851 | 61 |
| Total non-current assets | 40.851 | 61 |
| Current assets | | |
| Raw materials and consumables | 2.619.799 | 2.227 |
| Total inventories | 2.619.799 | 2.227 |
| Trade debtors | 1.653.656 | 3.208 |
| 5 Voyages in progress | 2.461.800 | 2.498 |
| Income tax receivables | 0 | 143 |
| Other receivables | 69.985 | 54 |
| 6 Prepayments and accrued income | 42.287 | 62 |
| Total receivables | 4.227.728 | 5.965 |
| Cash on hand and demand deposits | 6.082.485 | 7.982 |
| Total current assets | 12.930.012 | 16.174 |
| Total assets | 12.970.863 | 16.235 |

Statement of financial position at 31 December

Amounts concerning 2020: USD.

Amounts concerning 2019: USD thousand.

| Equity and liabilities | | <u>2020</u> | <u>2019</u> |
|--|--|--------------------------|----------------------|
| Note | | | |
| Equity | | | |
| | Contributed capital | 142.741 | 143 |
| | Retained earnings | 3.329.518 | 3.170 |
| | Proposed dividend for the financial year | 1.000.000 | 1.000 |
| | Total equity | <u>4.472.259</u> | <u>4.313</u> |
| Liabilities other than provisions | | | |
| | Payables to group enterprises | 2.900.000 | 3.947 |
| | Other payables | 0 | 47 |
| | Total long term liabilities other than provisions | <u>2.900.000</u> | <u>3.994</u> |
| 5 | Voyages in progress | 2.304.219 | 2.865 |
| | Trade creditors | 2.757.361 | 4.789 |
| | Income tax payable | 79.526 | 0 |
| | Other payables | 457.498 | 274 |
| | Total short term liabilities other than provisions | <u>5.598.604</u> | <u>7.928</u> |
| | Total liabilities other than provisions | <u>8.498.604</u> | <u>11.922</u> |
| | Total equity and liabilities | <u>12.970.863</u> | <u>16.235</u> |

7 Contingencies

Statement of changes in equity

USD thousand.

| | Contributed capital | Retained earnings | Proposed dividend for the financial year | Total |
|---|--------------------------------|------------------------------|---|--------------|
| Equity 1 January 2019 | 143 | 8.701 | 0 | 8.844 |
| Profit or loss for the year brought forward | 0 | 69 | 1.000 | 1.069 |
| Distributed extraordinary dividend adopted during the financial year. | 0 | -5.600 | 0 | -5.600 |
| Equity 1 January 2020 | 143 | 3.170 | 1.000 | 4.313 |
| Distributed dividend | 0 | 0 | -1.000 | -1.000 |
| Profit or loss for the year brought forward | 0 | 160 | 1.000 | 1.160 |
| | 143 | 3.330 | 1.000 | 4.473 |

Statement of cash flows 1 January - 31 December

Amounts concerning 2020: USD.

Amounts concerning 2019: USD thousand.

| <u>Note</u> | <u>2020</u> | <u>2019</u> |
|--|-------------------|---------------|
| Net profit or loss for the year | 1.159.684 | 1.069 |
| 8 Adjustments | 339.800 | 472 |
| 9 Change in working capital | -1.210.521 | 3.244 |
| Cash flows from operating activities before net financials | 288.963 | 4.785 |
| Interest received, etc. | 1.981 | 9 |
| Interest paid, etc. | -49.381 | -73 |
| Cash flows from ordinary activities | 241.563 | 4.721 |
| Income tax paid | -91.223 | -462 |
| Cash flows from operating activities | 150.340 | 4.259 |
| Purchase of property, plant, and equipment | 0 | -73 |
| Cash flows from investment activities | 0 | -73 |
| Repayments of long-term payables | -1.094.203 | 3.994 |
| Dividend paid | -1.000.000 | -5.600 |
| Cash flows from investment activities | -2.094.203 | -1.606 |
| Change in cash and cash equivalents | -1.943.863 | 2.580 |
| Cash and cash equivalents at 1 January 2020 | 7.982.506 | 5.491 |
| Foreign currency translation adjustments (cash and cash equivalents) | 43.842 | -89 |
| Cash and cash equivalents at 31 December 2020 | 6.082.485 | 7.982 |
| Cash and cash equivalents | | |
| Cash on hand and demand deposits | 6.082.485 | 7.982 |
| Cash and cash equivalents at 31 December 2020 | 6.082.485 | 7.982 |

Notes

Amounts concerning 2020: USD.

Amounts concerning 2019: USD thousand.

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|----------------------|
| 1. Staff costs | | |
| Salaries and wages | 1.386.213 | 1.196 |
| Pension costs | 137.488 | 114 |
| Other costs for social security | 9.866 | 11 |
| | <u>1.533.567</u> | <u>1.321</u> |
| Average number of employees | <u>10</u> | <u>10</u> |
| 2. Other financial costs | | |
| Financial costs, group enterprises | 49.006 | 47 |
| Other financial costs | 375 | 115 |
| | <u>49.381</u> | <u>162</u> |
| 3. Proposed appropriation of net profit | | |
| Dividend for the financial year | 1.000.000 | 1.000 |
| Transferred to retained earnings | 159.684 | 69 |
| Total allocations and transfers | <u>1.159.684</u> | <u>1.069</u> |
| 4. Other fixtures and fittings, tools and equipment | | |
| Cost 1 January 2020 | 73.457 | 0 |
| Additions during the year | 0 | 73 |
| Cost 31 December 2020 | <u>73.457</u> | <u>73</u> |
| Amortisation and writedown 1 January 2020 | -12.013 | 0 |
| Depreciation for the year | -20.593 | -12 |
| Amortisation and writedown 31 December 2020 | <u>-32.606</u> | <u>-12</u> |
| Carrying amount, 31 December 2020 | <u>40.851</u> | <u>61</u> |

Notes

Amounts concerning 2020: USD.

Amounts concerning 2019: USD thousand.

| | <u>31/12 2020</u> | <u>31/12 2019</u> |
|---|-----------------------|--------------------|
| 5. Voyages in progress | | |
| Sales value of the production of the period | 7.263.112 | 2.498 |
| Payments on account received | <u>-7.105.531</u> | <u>-2.865</u> |
| Voyages in progress, net | <u>157.581</u> | <u>-367</u> |
| The following is recognised: | | |
| Voyages in progress for the account of others (Current assets) | 2.461.800 | 2.498 |
| Voyages in progress for the account of others (Short-term liabilities) | <u>-2.304.219</u> | <u>-2.865</u> |
| | <u>157.581</u> | <u>-367</u> |
| 6. Prepayments and accrued income | | |
| Prepaid insurance | <u>42.287</u> | <u>62</u> |
| | <u>42.287</u> | <u>62</u> |
| 7. Contingencies | | |
| Contractual obligations | | |
| The company's annual rent obligation amounts to 117 t.USD. | | |
| The company has entered into long-term lease agreements for foreign tonnage. The total commitment amounts to December 31, 2020 t.USD 11,647, of which t.USD 11,178 relates to the financial year 2021 and t.USD 468 relates to the financial year 2022. | | |
| Joint taxation | | |
| With Maestro Shipping A/S as administration company, the company is subject to the Danish scheme of joint taxation and is proportionally liable for tax claims within the joint taxation scheme. | | |
| The company is proportionally liable for any obligations to withhold tax on interest, royalties, and dividends of the jointly taxed companies. | | |

Notes

Amounts concerning 2020: USD.

Amounts concerning 2019: USD thousand.

7. Contingencies (continued)

Joint taxation (continued)

The liabilities amount to a maximum amount corresponding to the share of the company capital, which is owned directly or indirectly by the ultimate parent company.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

8. Adjustments

| | | |
|--|----------------|------------|
| Depreciation, amortisation, and impairment | 20.593 | 12 |
| Other financial income | -45.819 | -11 |
| Other financial costs | 49.381 | 162 |
| Tax on ordinary results | 315.645 | 309 |
| | <u>339.800</u> | <u>472</u> |

9. Change in working capital

| | | |
|---|-------------------|--------------|
| Change in inventories | -393.126 | 2.382 |
| Change in receivables | 1.593.964 | 1.211 |
| Change in trade payables and other payables | -2.411.359 | -349 |
| | <u>-1.210.521</u> | <u>3.244</u> |

Accounting policies

The annual report for T.K.B. Shipping A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from the previous year, and the annual report is presented in American dollars (USD). A USD exchange rate on balance sheet items of 6.0352 (2019 : 6.6769) has been applied.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Accounting policies

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Income statement

Gross profit

Revenue comprises income from voyages and is recognised exclusive of VAT and duties. Revenue is recognised as the work is completed, calculated on the basis of stage of completion (production criterion) at the balance sheet date. Recognition occurs when the following conditions are met:

- the amount of revenue can be measured reliably
 - it is probable that the economic benefits associated with the transaction will flow to the entity
 - the stage of completion of the transaction at the end of the reporting period can be measured reliably:
- and

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Stage of completion is determined on the basis of the completed travel time compared to the expected travel time. comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

Production costs comprise the vessels operation expenses, incurred to generate revenue for the year. The expenses include charter hire for chartered vessels (operating leases), bunker oil consumption, staff costs, other voyage costs such as commissions and harbour charges, repair and maintenance costs, insurance costs and other operation expenses. Like revenue, vessels operation expenses are recognised on the basis of stage of completion.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Plant and equipment

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Accounting policies

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

| | Useful life |
|--|-------------|
| Plant and machinery | 5-10 years |
| Other fixtures and fittings, tools and equipment | 3-5 years |

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories comprise bunker oil kept on board vessels. Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Voyages in progress

Voyages in progress is measured at the selling price of the work performed, however with deduction of invoicing on account and expected losses. Voyages in progress is characterised by the manufactured goods featuring a high level of individualisation in the design. Furthermore, it is a requirement that before work is commenced, a binding contract is to be entered into, implying penalty or damages in case of subsequent cancellation.

The selling price is measured on the basis of the stage of completion on the balance sheet date and the total expected income from the individual contracts. The stage of completion is determined on the basis of an evaluation of the work performed, usually determined as the ratio of the costs incurred to the total expected cost of the contract in question.

When it is probable that the total contract costs will exceed the total contract revenue, the expected contract loss is immediately recognised as costs and provisions.

Prepayments from customers are recognised under liabilities.

Costs in connection with sales work and the procurement of contracts are recognised in the income statement when incurred.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Accounting policies

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Income tax receivable" or "Income tax payable".

According to the rules of joint taxation, T.K.B. Shipping A/S is proportionally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Accounting policies

Liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are calculated as the company's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under "Interest income and dividend received".

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the company's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand with deduction of short-term bank debts and short-term securities with a maturity less than 3 months that are readily convertible into cash and which are subject to an insignificant risk of changes in value.