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# ***XO Shipping A/S***

Tuborg Havnevej 18, st., DK-2900 Hellerup

## **Annual Report for 1 January - 31 December 2020**

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CVR No 33 08 02 12

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
21/4 2021

Kent Hedegaard  
Chairman of the General  
Meeting



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of XO Shipping A/S for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2020.

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.

Hellerup, 21 April 2021

## Executive Board

Kim Holberg Pihl

Alexander Sillehoved

## Board of Directors

Kent Hedegaard  
Chairman

Christian Philip Levin

Erik Svanberg

# Independent Auditor's Report

To the Shareholders of XO Shipping A/S

## Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of XO Shipping A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 Group 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 Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 consolidated financial statements and parent company

# Independent Auditor's Report

financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and 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 Group or 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 and the Group'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 Group's and 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

# Independent Auditor's Report

may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 21 April 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Flemming Eghoff  
statsautoriseret revisor  
mne30221

Mark Philip Beer  
statsautoriseret revisor  
mne29472

## Company Information

### **The Company**

XO Shipping A/S  
Tuborg Havnevej 18, st.  
DK-2900 Hellerup

CVR No: 33 08 02 12  
Financial period: 1 January - 31 December  
Incorporated: 19 August 2010  
Financial year: 10th financial year  
Municipality of reg. office: Gentofte

### **Board of Directors**

Kent Hedegaard, Chairman  
Christian Philip Levin  
Erik Svanberg

### **Executive Board**

Kim Holberg Pihl  
Alexander Sillehoved

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

### **Bankers**

Jyske Bank  
Strandvejen 104A  
2900 Hellerup

# Financial Highlights

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

	<b>Group</b>				
	2020	2019	2018	2017	2016
	kUSD	kUSD	kUSD	kUSD	kUSD
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	232,853	199,315	170,971	116,629	111,900
Operating profit/loss	9,355	5,880	446	4,357	-3,865
Profit/loss before financial income and expenses	9,503	6,028	712	4,940	-3,446
Net financials	129	-285	-354	-261	-31
Net profit/loss for the year	7,104	4,610	144	4,236	-2,935
Dividend	2,000	0	0	1,301	0
<b>Balance sheet</b>					
Balance sheet total	33,553	30,992	13,540	24,422	14,343
Equity	15,104	4,841	231	1,387	-2,849
Equity and subordinate loan capital	15,104	10,341	5,731	8,798	4,635
<b>Cash flows</b>					
Cash flows from:					
- operating activities	11,282	6,781	-1,739	7,855	-7,269
- investing activities	22	-33	0	3	20
including investment in property, plant and equipment	22	-33	0	3	-3
- financing activities	-2,291	-10	-4,052	-1,346	-81
Change in cash and cash equivalents for the year	9,014	6,737	-5,791	6,512	-7,330
Number of employees	20	19	17	16	15
<b>Ratios</b>					
Gross margin	7.0%	4.4%	1.9%	6.5%	-779.6%
Profit margin	4.1%	3.0%	0.4%	4.2%	-3.1%
Return on assets	28.3%	19.5%	5.3%	20.2%	-24.0%
Solvency ratio	45.0%	15.6%	1.7%	5.7%	-19.9%
Solvency ratio inclusive subordinate loan capital	46.3%	33.6%	42.3%	36.0%	32.3%

For definitions, see under accounting policies.



# Management's Review

## **Key activities**

The company's purpose is to operate shipping services and related activities.

## **Development in the year**

The result for 2020 is very satisfactory and exceeds the expectations.

The company's income statement for 2020 shows a profit of kUSD 7.104 after tax, in fact the best result realized since the company's founding almost 10 years ago. The profit development has been supported by a dedicated effort by the employees throughout the year, which enables the company to pay out large bonuses in accordance with the bonus program introduced for 2020, same which is included in the net profit after tax.

The company's balance sheet on December 31, 2020, shows an equity at kUSD 15.104, a strong solvency of 46% achieved by the result and supplemented by the shareholders' capital increase earlier in the year.

## **Special risks - operating risks and financial risks**

### ***Market risks***

Revenues from the shipping operations are linked to global market trends, which through demand fluctuations affect freight rates as well as prices of tonnage and fuel. Management continuously assesses the extent to which it is relevant to take measures against these market fluctuations.

International provisions imply that in case of a maritime accident that results in oil or chemical spillage, the Group will be imposed heavy financial liabilities in terms of the clean-up work. To reduce this risk, the widest possible insurance coverage has been taken out, comprising environmental and pollution coverage, coverage of the value of vessel and cargo, viability coverage as regards third parties and war risk insurance.

### ***Foreign exchange risks***

Most of the income from shipping activities is in USD included operational expenses as well as financial expenses being in USD, and administrative expenses being in USD and DKK.

### ***Interest rate risks***

The interest rate risk on loans is limited.

# Management's Review

## *Statement in compliance with section 99(a) of the Danish Financial Statements Act*

The Group is under the Danish financial statements act required to report on Corporate Social Responsibility (CSR). The values and the approach to do business has always been based on responsibility and accountability, and the Group is compliant with all legal requirements within the areas of climate change, environment, human rights, employee conditions and anti-corruption.

### **Strategy and objectives**

#### **Business model**

The main activities within the Group contains shipping and includes Bulk operating up to 50 short-term chartered vessels from external suppliers. This operation is carried out from the offices in Copenhagen and Geneva by 20 staff in total.

The main part of the technical management (crewing, maintenance, control of costs) is outsourced to external suppliers.

Contracting with suppliers of vessels follows the standard contractual terms provided by the international shipping organization BIMCO. To the extend it has been incorporated into the standard terms, this includes clauses on CSR. The Group select suppliers based on experience and informal expectations and requirements related to energy efficiency and legal compliance. All chartered vessels undergo inspection from relevant authorities, hereunder also the International Transport Worker's Federation, ITF.

The Group acknowledges the importance of being alert to challenges within climate change, environment, human rights, employee conditions and anti-corruption, but being a relatively small organization, The Group do not see the need of formalizing its management approach into written policies and procedures. The management approach is very agile and allows for all within the organization to address top management directly with questions and when in need of approval.

# Management's Review

## Assessment of risks

### Climate change and the environment

It is the ambition to continuously improve energy efficiency with all vessels. Consequently, The Group is always inquiring about energy efficiency when engaging a supplier including contractual terms ensuring the supplier vessel is compliant with low-sulfur bunker regulation.

However, as the fuel consumption is the only material impact, we may influence, and since the number of transactions are limited, the Group do not see risks material enough to require a formalized policy.

### Human rights

The Group respects and recognizes human rights, the rights of the child and all International Labor Organization (ILO) charters. With its current business model we only to a limited extend employ crew on the vessels. All technical management is handled by service providers including ensuring that crew are paid and taken care of in accordance with relevant legislation and standards. When selecting a supplier, it is contractually ensured that the responsibility of work and employment conditions belong to the supplier and that the ITF are granted access to check and review compliance in accordance with international agreements. Consequently, we do not see risks leading to a need for a formalized policy on human rights.

### Anti-corruption

The Group has a zero tolerance towards corruption and bribery practices. Contracts with both customers and suppliers follow the standards provided by BIMCO. Port costs forwarded by chartered vessels that are to be paid by XO Shipping undergo quality assurance and approval from an external service provider, which know all official rates in ports. Further, all costs related to voyages are approved directly by management applying a four eye principle, so the risks related to corruption and bribery are considered very low. Taking into consideration the very small organization, there is no need for a formalized policy on anti-corruption.

# Management's Review

## Policies on CSR

Referencing the above assessment and evaluation of risks related to CSR, the Group has decided not to author formalized policies for impacts related to climate change, environmental issues, human rights and anti-corruption.

### Policy regarding employees

It is the policy to enable XO Shipping to attract, retain and evolve the best possible employees, meaning employees that are highly qualified and motivated to successfully manage present and future assignments.

### Activities and results

XO Shipping believe that personal development is key to the success and well-being of the company's employees.

In 2020, annual meetings have been held with all employees where the performance of the individual was assessed and evaluated and where targets for 2020 were decided in agreement with the employee

XO Shipping has ensured paid health insurance for all employees and has in 2020 continued its offer for employees to be able to work from home, in the light of Corvid 19 and to provide grounds for a healthy work life balance.

## Research and development

The Group is not involved in research and development activities.

## Intellectual capital resources

Through retention and recruitment of new competences, as well as through cooperation, alliances and education, the intellectual capital resources which are major parameters in the development and perfection of new services increase.

The Group has defined goals, positions and strategies that systematically strengthen the value creation and form the basis of the Group's innovative skills, just as it is important to the future success of the Group to attract and retain well-educated employees who identify with the stated core values. Therefore, investments are made to continuously improve the qualifications of the staff.

Annual performance reviews are held with all employees where goals, plans and career opportunities are discussed and planned.

# Management's Review

## Statement in compliance with section 99(b) of the Danish Financial Statements Act

There are no women in the current board because no women have been nominated and elected to the board.

Policy to increase gender diversity on management levels

The goal is by 2027 that the company will meet the gender distribution of 33%.

## Uncertainty relating to recognition and measurement

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

## Subsequent events

In the beginning of 2021 XO Shipping A/S has succeeded in maintaining the same high level of activity as realized in 2020. Operations are not directly affected by Covid 19 in 2021 as the market has become accustomed to new normal. It is management's expectation that XO Shipping A/S should be able to realize approximately the same result for 2021 as realized for 2020.

The high level of activity continues to place demands on the company's capital base, and the shareholders have therefore agreed that only a moderate dividend will be paid out at the annual general meeting.

It is an objective for the management and shareholders of XO Shipping A/S to share its profits with the employees who create the results, which is why we maintain an attractive bonus program for all employees and thus have the best basis for continued growth.

No circumstances have occurred after the balance sheet date that have a material impact on the assessment of the annual report

## Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2020	2019	2020	2019
		USD	USD	USD	USD
<b>Revenue</b>	1	<b>232,853,236</b>	<b>199,314,805</b>	<b>211,306,420</b>	<b>191,307,277</b>
Other operating income		148,930	148,621	358,483	148,621
Expenses for raw materials and consumables		-215,406,503	-189,720,235	-196,783,771	-182,121,655
Other external expenses		-1,269,976	-1,038,513	-1,244,337	-1,005,091
<b>Gross profit/loss</b>		<b>16,325,687</b>	<b>8,704,678</b>	<b>13,636,795</b>	<b>8,329,152</b>
Staff expenses	2	-6,819,777	-2,647,743	-6,027,985	-2,635,702
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-2,437	-28,477	-2,437	-28,477
<b>Profit/loss before financial income and expenses</b>		<b>9,503,473</b>	<b>6,028,458</b>	<b>7,606,373</b>	<b>5,664,973</b>
Results from investments in subsidiaries		0	0	1,451,263	366,393
Financial income	4	344,561	16,265	247,599	12,753
Financial expenses	5	-215,751	-301,431	-215,701	-301,120
<b>Profit/loss before tax</b>		<b>9,632,283</b>	<b>5,743,292</b>	<b>9,089,534</b>	<b>5,742,999</b>
Tax on profit/loss for the year	6	-2,528,187	-1,132,944	-1,985,438	-1,132,651
<b>Net profit/loss for the year</b>		<b>7,104,096</b>	<b>4,610,348</b>	<b>7,104,096</b>	<b>4,610,348</b>

# Balance Sheet 31 December

## Assets

	Note	Group		Parent Company	
		2020 USD	2019 USD	2020 USD	2019 USD
Other fixtures and fittings, tools and equipment		0	12,437	0	12,437
<b>Property, plant and equipment</b>	7	<b>0</b>	<b>12,437</b>	<b>0</b>	<b>12,437</b>
Investments in subsidiaries	8	0	0	1,558,364	107,101
Investments in associates	9	49,488	49,488	0	0
<b>Fixed asset investments</b>		<b>49,488</b>	<b>49,488</b>	<b>1,558,364</b>	<b>107,101</b>
<b>Fixed assets</b>		<b>49,488</b>	<b>61,925</b>	<b>1,558,364</b>	<b>119,538</b>
<b>Inventories</b>		<b>4,944,000</b>	<b>7,723,446</b>	<b>4,944,000</b>	<b>7,295,552</b>
Trade receivables		5,573,711	9,011,461	5,350,597	8,576,458
Receivables from group enterprises		0	0	193,196	394,353
Other receivables		507,274	1,170,286	506,958	1,129,721
Prepayments	10	3,597,253	3,156,605	3,597,080	3,100,524
<b>Receivables</b>		<b>9,678,238</b>	<b>13,338,352</b>	<b>9,647,831</b>	<b>13,201,056</b>
<b>Cash at bank and in hand</b>		<b>18,881,769</b>	<b>9,868,087</b>	<b>15,937,412</b>	<b>9,761,546</b>
<b>Currents assets</b>		<b>33,504,007</b>	<b>30,929,885</b>	<b>30,529,243</b>	<b>30,258,154</b>
<b>Assets</b>		<b>33,553,495</b>	<b>30,991,810</b>	<b>32,087,607</b>	<b>30,377,692</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	Group		Parent Company	
		2020 USD	2019 USD	2020 USD	2019 USD
Share capital	11	8,000,000	86,520	8,000,000	86,520
Reserve for net revaluation under the equity method		0	0	1,457,327	6,064
Retained earnings		5,104,096	4,754,510	3,646,769	4,748,446
Proposed dividend for the year		2,000,000	0	2,000,000	0
<b>Equity</b>		<b>15,104,096</b>	<b>4,841,030</b>	<b>15,104,096</b>	<b>4,841,030</b>
Subordinate loan capital		0	5,500,000	0	5,500,000
Trade payables		8,286,614	10,426,145	8,252,076	9,871,123
Payables to associates		50,440	0	50,440	0
Corporation tax		1,812,477	225,578	1,270,477	225,578
Other payables		4,903,653	1,221,968	4,056,184	1,162,872
Deferred income	13	3,396,215	8,777,089	3,354,334	8,777,089
<b>Short-term debt</b>		<b>18,449,399</b>	<b>26,150,780</b>	<b>16,983,511</b>	<b>25,536,662</b>
<b>Debt</b>		<b>18,449,399</b>	<b>26,150,780</b>	<b>16,983,511</b>	<b>25,536,662</b>
<b>Liabilities and equity</b>		<b>33,553,495</b>	<b>30,991,810</b>	<b>32,087,607</b>	<b>30,377,692</b>
Distribution of profit	12				
Contingent assets, liabilities and other financial obligations	16				
Fee to auditors appointed at the general meeting	17				
Accounting Policies	18				



## Statement of Changes in Equity

### Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	USD	USD	USD	USD	USD
Equity at 1 January	86,520	0	4,754,510	0	4,841,030
Capital increase	3,158,970	0	0	0	3,158,970
Bonus shares	4,754,510	0	-4,754,510	0	0
Net profit/loss for the year	0	0	5,104,096	2,000,000	7,104,096
<b>Equity at 31 December</b>	<b>8,000,000</b>	<b>0</b>	<b>5,104,096</b>	<b>2,000,000</b>	<b>15,104,096</b>

### Parent Company

Equity at 1 January	86,520	6,064	4,748,446	0	4,841,030
Capital increase	3,158,970	0	0	0	3,158,970
Bonus shares	4,754,510	0	-4,754,510	0	0
Net profit/loss for the year	0	1,451,263	3,652,833	2,000,000	7,104,096
<b>Equity at 31 December</b>	<b>8,000,000</b>	<b>1,457,327</b>	<b>3,646,769</b>	<b>2,000,000</b>	<b>15,104,096</b>

## Cash Flow Statement 1 January - 31 December

	Note	Group		Parent Company	
		2020	2019	2020	2019
		USD	USD	USD	USD
Net profit/loss for the year		7,104,096	4,610,348	7,104,096	4,610,348
Adjustments	14	2,389,499	1,446,587	492,399	1,083,102
Change in working capital	15	2,600,838	2,016,118	1,756,287	2,677,999
<b>Cash flows from operating activities before financial income and expenses</b>		<b>12,094,433</b>	<b>8,073,053</b>	<b>9,352,782</b>	<b>8,371,449</b>
Financial income		344,562	16,265	247,599	12,753
Financial expenses		-215,750	-301,432	-215,701	-301,120
<b>Cash flows from ordinary activities</b>		<b>12,223,245</b>	<b>7,787,886</b>	<b>9,384,680</b>	<b>8,083,082</b>
Corporation tax paid		-941,288	-1,006,842	-940,539	-1,006,549
<b>Cash flows from operating activities</b>		<b>11,281,957</b>	<b>6,781,044</b>	<b>8,444,141</b>	<b>7,076,533</b>
Sale/purchase of property, plant and equipment		22,315	-33,351	22,315	-33,351
<b>Cash flows from investing activities</b>		<b>22,315</b>	<b>-33,351</b>	<b>22,315</b>	<b>-33,351</b>

## Pengestrømsopgørelse 1. januar - 31. december

	Note	2020 USD	2019 USD	2020 USD	2019 USD
Repayment of payables to group enterprises		0	-10,224	0	-10,224
Repayment of payables to associates		50,440	0	50,440	0
Repaid subordinate loan capital		-5,500,000	0	-5,500,000	0
Cash capital increase		3,158,970	0	3,158,970	0
<b>Cash flows from financing activities</b>		<b>-2,290,590</b>	<b>-10,224</b>	<b>-2,290,590</b>	<b>-10,224</b>
<b>Change in cash and cash equivalents</b>		<b>9,013,682</b>	<b>6,737,469</b>	<b>6,175,866</b>	<b>7,032,958</b>
Cash and cash equivalents at 1 January		9,868,087	3,130,618	9,761,546	2,728,588
<b>Cash and cash equivalents at 31 December</b>		<b>18,881,769</b>	<b>9,868,087</b>	<b>15,937,412</b>	<b>9,761,546</b>
Cash and cash equivalents are specified as follows:					
Cash at bank and in hand		18,881,769	9,868,087	15,937,412	9,761,546
<b>Cash and cash equivalents at 31 December</b>		<b>18,881,769</b>	<b>9,868,087</b>	<b>15,937,412</b>	<b>9,761,546</b>

# Notes to the Financial Statements

	Group		Parent Company	
	2020 USD	2019 USD	2020 USD	2019 USD
<b>1 Revenue</b>				
<b>Geographical segments</b>				
Globally	232,853,236	199,314,805	211,306,420	191,307,277
	<b>232,853,236</b>	<b>199,314,805</b>	<b>211,306,420</b>	<b>191,307,277</b>
<b>2 Staff expenses</b>				
Wages and salaries	6,649,457	2,537,098	5,857,665	2,525,057
Pensions	43,457	63,097	43,457	63,097
Other social security expenses	19,852	19,377	19,852	19,377
Other staff expenses	107,011	28,171	107,011	28,171
	<b>6,819,777</b>	<b>2,647,743</b>	<b>6,027,985</b>	<b>2,635,702</b>
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	513,534	504,000	513,534	504,000
Board of Directors	15,000	15,000	15,000	15,000
	<b>528,534</b>	<b>519,000</b>	<b>528,534</b>	<b>519,000</b>
<b>Average number of employees</b>	<b>20</b>	<b>19</b>	<b>20</b>	<b>19</b>
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>				
Depreciation of property, plant and equipment	2,437	28,477	2,437	28,477
	<b>2,437</b>	<b>28,477</b>	<b>2,437</b>	<b>28,477</b>

## Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
<b>4 Financial income</b>				
Interest received from group enterprises	0	20	0	20
Other financial income	252,466	16,245	247,599	12,733
Exchange gains	92,095	0	0	0
	<b>344,561</b>	<b>16,265</b>	<b>247,599</b>	<b>12,753</b>
<b>5 Financial expenses</b>				
Interest paid to group enterprises	0	95,105	0	95,105
Interest paid to associates	85,819	131,915	85,819	131,915
Other financial expenses	65,496	75,155	65,446	75,155
Exchange loss	64,436	-744	64,436	-1,055
	<b>215,751</b>	<b>301,431</b>	<b>215,701</b>	<b>301,120</b>
<b>6 Tax on profit/loss for the year</b>				
Current tax for the year	2,832,749	1,200,293	2,290,000	1,200,000
Adjustment of tax concerning previous years	-304,562	-67,349	-304,562	-67,349
	<b>2,528,187</b>	<b>1,132,944</b>	<b>1,985,438</b>	<b>1,132,651</b>

# Notes to the Financial Statements

## 7 Property, plant and equipment

### Group

	Other fixtures and fittings, tools and equipment
	USD
Cost at 1 January	305,117
Disposals for the year	<u>-33,351</u>
Cost at 31 December	<u>271,766</u>
Impairment losses and depreciation at 1 January	292,680
Depreciation for the year	2,437
Reversal of impairment and depreciation of sold assets	<u>-23,351</u>
Impairment losses and depreciation at 31 December	<u>271,766</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>

### Parent Company

	Other fixtures and fittings, tools and equipment
	USD
Cost at 1 January	305,117
Disposals for the year	<u>-33,351</u>
Kostpris at 31 December	<u>271,766</u>
Impairment losses and depreciation at 1 January	292,680
Depreciation for the year	2,437
Reversal of impairment and depreciation of sold assets	<u>-23,351</u>
Impairment losses and depreciation at 31 December	<u>271,766</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>

## Notes to the Financial Statements

	<b>Parent Company</b>	
	2020	2019
	USD	USD
<b>8 Investments in subsidiaries</b>		
Cost at 1 January	101,037	101,037
Cost at 31 December	101,037	101,037
Value adjustments at 1 January	6,064	-360,329
Net profit/loss for the year	1,451,263	366,393
Value adjustments at 31 December	1,457,327	6,064
<b>Carrying amount at 31 December</b>	<b>1,558,364</b>	<b>107,101</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
XO Shipping SA	Schweitz	101.037	100%

## Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
<b>9 Investments in associates</b>				
Cost at 1 January	49,488	49,488	0	0
<b>Carrying amount at 31 December</b>	<b>49,488</b>	<b>49,488</b>	<b>0</b>	<b>0</b>

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
	Rue Du Mont-Blanc 7,		
Maxo Shipping SA	1201 Geneva	CHF 100.000	49%

All foreign associates are recognised and measured as separate entities.

### 10 Prepayments

Prepayments consist of prepaid expenses concerning T/C hire.

### 11 Equity

The share capital consists of 53,018,400 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2020	2019	2018	2017	2016
	USD	USD	USD	USD	USD
Share capital at 1 January	86,520	86,520	86,520	86,520	86,520
Capital increase	7,913,480	0	0	0	0
Capital decrease	0	0	0	0	0
<b>Share capital at 31 December</b>	<b>8,000,000</b>	<b>86,520</b>	<b>86,520</b>	<b>86,520</b>	<b>86,520</b>



## Notes to the Financial Statements

	<b>Parent Company</b>	
	2020	2019
	USD	USD
<b>12 Distribution of profit</b>		
Proposed dividend for the year	2,000,000	0
Reserve for net revaluation under the equity method	1,451,263	6,064
Retained earnings	3,652,833	4,604,284
	<b>7,104,096</b>	<b>4,610,348</b>

### 13 Deferred income

Deferred income consist of accrued income etc.

	<b>Group</b>		<b>Parent Company</b>	
	2020	2019	2020	2019
	USD	USD	USD	USD
<b>14 Cash flow statement - adjustments</b>				
Financial income	-344,561	-16,265	-247,599	-12,753
Financial expenses	215,751	301,431	215,701	301,120
Depreciation, amortisation and impairment losses	-9,878	28,477	-9,878	28,477
Results from investments in subsidiaries	0	0	-1,451,263	-366,393
Tax on profit/loss for the year	2,528,187	1,132,944	1,985,438	1,132,651
	<b>2,389,499</b>	<b>1,446,587</b>	<b>492,399</b>	<b>1,083,102</b>

### 15 Cash flow statement - change in working capital

Change in inventories	2,779,444	-6,396,441	2,351,551	-5,968,548
Change in receivables	3,660,115	-4,265,640	3,553,226	-3,437,443
Change in trade payables, etc	-3,838,721	12,678,199	-4,148,490	12,083,990
	<b>2,600,838</b>	<b>2,016,118</b>	<b>1,756,287</b>	<b>2,677,999</b>

## Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
<b>16 Contingent assets, liabilities and other financial obligations</b>				
<b>Charges and security</b>				
The following assets have been placed as security with bankers:				
Floating charge kUSD	5,613	2,500	5,613	2,500
The following assets have been placed as security with supplier etc.:				
Cash at bank and in hand kUSD	1,314	341	1,314	341
<b>Contingent liabilities</b>				
The company has intered into agreements for chartering ships on Timer Charterbasis to muturity during the year 2021. The aggregate lease obligation amounts to kUSD	22,699	28,798	22,699	28,798
The companys rent obligation and lease liability 31/12 2020 to kUSD	61	59	61	59
<b>17 Fee to auditors appointed at the general meeting</b>				
<b>PricewaterhouseCoopers</b>				
Audit fee	33,070	25,190	28,700	25,190
Tax advisory services	5,000	4,900	5,000	4,900
Other services	21,930	11,937	21,930	7,800
	<b>60,000</b>	<b>42,027</b>	<b>55,630</b>	<b>37,890</b>

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of XO Shipping A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2020 are presented in USD. Exchange rate 31 December 2020, 6,0576 and 31 December 2019, 6,6759

### 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.

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

### Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, XO Shipping A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Leases

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

### 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.

### Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement.

### Revenue

Information on geographical segments based on the Group's risks and returns and its internal financial reporting system.

## Income Statement

### Revenue

Revenue that includes freight and charter income etc., are recognized in the Income Statement, when the voyage is completed. This is considered to be the case when the voyage is completed before the end of the financial year. Ongoing voyages are recognized as the voyage are executed, then the revenue are equal to the activity in the financial year.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### **Running cost, bunkers etc.**

Running cost, bunkers etc. comprise the raw materials and consumables consumed to achieve revenue for the year.

### **Other external expenses**

Other external expenses comprise expenses for premises, office expenses, administrations cost etc.

### **Staff expenses**

Staff expenses comprise wages and salaries as well as payroll expenses.

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation 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 Group.

### **Income from investments in subsidiaries and associates**

Dividends from associates are recognised as income in the income statement when adopted at the General Meeting of the associate. However, dividends relating to earnings in the associate before it was acquired by the Parent Company are set off against the cost of the associate.

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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### 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.

Corporation tax for shipping operations are calculated based on Tonnage Tax rules. Of other income, tax is calculated in accordance with the Corporation Tax Act rules.

## 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	5	years
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The fixed assets' residual values are determined at nil.

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 and associates

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

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.

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 USD 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.

### **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 T/C.

### **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, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities 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

## 18 Accounting Policies (continued)

### **Current tax receivables and liabilities**

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

### **Financial debts**

Debts are measured at amortised cost, substantially corresponding to nominal value.

### **Deferred income**

Deferred income and accruals comprises ongoing voyages.

## **Cash Flow Statement**

The cash flow statement shows the Group's and the Parent Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's and the Parent Company's cash and cash equivalents at the beginning and end of the year.

### **Cash flows from operating activities**

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

### **Cash flows from investing activities**

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

### **Cash flows from financing activities**

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

### **Cash and cash equivalents**

Cash and cash equivalents comprise "Cash at bank and in hand".



# Notes to the Financial Statements

## 18 Accounting Policies (continued)

The cash flow statement cannot be immediately derived from the published financial records.

### Financial Highlights

#### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Solvency ratio inclusive subordinate loan capital	$\frac{(\text{Equity at year end} + \text{subordinate loan at year end}) \times 100}{\text{Total assets at year end}}$