

Clipper Bulk Invest II K/S

Sundkrogsgade 19
2100 Copenhagen
Central Business Registration No. 41 80 17 19

Annual report 2021

The Annual General Meeting adopted the annual report on June 24, 2022

Anders Schandorff

Chairman of the General Meeting

CLIPPER BULK INVEST II K/S 2021

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COMPANY

Clipper Bulk Invest II K/S
Sundkrogsgade 19
2100 København Ø
Denmark

Central Business Registration No. 41 80 17 19
Registered in: City of Copenhagen

General partner:

Komplementarselskabet Clipper Bulk Invest II ApS

STATEMENT BY MANAGEMENT

Management have today considered and approved the annual report of Clipper Bulk Invest II K/S for the financial period October 28, 2020 to December 31, 2021.

The consolidated financial statements and the Parent financial statements are presented in accordance with the IFRS.

In our opinion, the consolidated financial statements and the Parent financial statements give a true and fair view of the Group's and the Parent's financial position at December 31, 2021 and of their results and the consolidated cash flows for the period year October 28, 2020 to December 31, 2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the Annual Report for adoption at the Annual General Meeting.

Copenhagen, June 24, 2022

On behalf of General Partner,

Directors

Morten Hvidtfeldt
Director

Anders Schandorff
Director

Board of Directors

Torben Gülnar Jensen
Chairman

Frank Gülnar Jensen

Per Gullestrup

MANAGEMENT COMMENTARY

Primary activities

The Group focuses on the operation of oceanic transportation trading with bulk commodities.

The Group's bulk vessels conduct their operations through Clipper Handy Pool.

Development in activities and finances

The profit for the period is USD 8,563 thousand and the Group has an equity of USD 26,349 thousand at December 31, 2021. The result for the period is considered satisfactory.

Uncertainty relating to recognition and measurement

One of the Group's vessels was involved in a collision in 2021. The accounting effect has been reflected in 2021. No specific uncertainties relating to recognition and measurement has been identified.

Outlook

Overall, for 2022 Clipper Bulk Invest K/S expects an operating result higher than in 2021.

Events after the balance sheet date

The Group has made extraordinary repayments on bank loans of USD 4,250 thousand in February 2022 and USD 3,250 in May 2022.

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

INDEPENDENT AUDITORS' REPORT

To the shareholders of CLIPPER BULK INVEST II K/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Clipper Bulk Invest II K/S for the financial year October 28, 2020 to December 31, 2021, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at December 31, 2021, and of the results of their operations and cash flows for the financial year October 28, 2020 to December 31, 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, 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 conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial Statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Copenhagen, June 24, 2022

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 96 35 56

Kim Takata Mücke
State Authorized Public Accountant
Identification No (MNE) mne10944

Anette Beltrão-Primdahl
State Authorized Public Accountant
Identification No (MNE) mne45854



CONSOLIDATED FINANCIAL STATEMENTS

CLIPPER BULK INVEST II K/S

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME / (LOSS) FOR THE
PERIOD FROM OCTOBER 28, 2020 TO DECEMBER 31, 2021
(US Dollars Thousands)

	Notes	2020 / 2021
		<u>USD '000</u>
Net revenue		20,649
Commercial expenses		(570)
Operating expenses		(8,300)
Administration expenses		<u>(260)</u>
Profit / (loss) before depreciation, etc.		11,519
Depreciation	2	<u>(2,016)</u>
Profit / (loss) from operations		9,503
Financial income		2
Financial expenses		<u>(906)</u>
Profit / (loss) before taxes		8,599
Income taxes		<u>(36)</u>
Profit / (loss) for the year		<u>8,563</u>
Other Comprehensive Income / (Loss)		
Other comprehensive income / (loss) for the year		<u>-</u>
Total comprehensive income / (loss) for the year		<u>8,563</u>

CLIPPER BULK INVEST II K/S

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
(US Dollars Thousands)

	Notes	2021 <u>USD '000</u>
Assets		
Vessels	2	<u>33,664</u>
Non-current assets		<u>33,664</u>
Trade receivables	3	1,347
Voyages in progress		390
Accounts receivable, others		99
Prepaid expenses and other assets		2,067
Cash and cash equivalents	4	<u>5,389</u>
Current assets		<u>9,292</u>
Assets		<u><u>42,956</u></u>
Equity and liabilities		
Share capital		17,786
Retained earnings		<u>8,563</u>
Equity		<u>26,349</u>
Long term interest bearing loans	5	<u>12,809</u>
Non-current liabilities		<u>12,809</u>
Current portion of interest bearing loans	5	2,185
Trade accounts payable		169
Other liabilities		<u>1,444</u>
Current liabilities		<u>3,798</u>
Equity and liabilities		<u><u>42,956</u></u>

CLIPPER BULK INVEST II K/S

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE
 PERIOD FROM OCTOBER 28, 2020 TO DECEMBER 31, 2021
 (US Dollars Thousands)

	Share capital	Retained Earnings	Total
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Share capital upon formation October 28, 2020	17,786	-	17,786
Profit / (loss) for the period	<u>-</u>	<u>8,563</u>	<u>8,563</u>
Total comprehensive profit / (loss) for the period	<u>-</u>	<u>8,563</u>	<u>8,563</u>
Balance, December 31, 2021	<u>17,786</u>	<u>8,563</u>	<u>26,349</u>

CLIPPER BULK INVEST II K/S

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
PERIOD FROM OCTOBER 28, 2020 TO DECEMBER 31, 2021
(US Dollars Thousands)

	Notes	2020 / 2021
		USD '000
Profit/(loss) for the year		8,563
Adjustments for:		
Depreciation	2	2,016
Financial income		(2)
Financial Expenses		906
Income taxes		36
Change in receivables and other current assets		(3,903)
Change in payables and accrued liabilities		1,577
Financial income received		2
Financial expenses paid		<u>(1,066)</u>
Net cash flows from operating activities		<u>8,129</u>
Investing activities		
Investments in vessels	2	<u>(35,680)</u>
Net cash flows used in investing activities		<u>(35,680)</u>
Financing activities		
Proceeds from bank loans		20,100
Repayment of bank loans		(4,946)
Share capital		<u>17,786</u>
Net cash flows used in financing activities		<u>32,940</u>
Change in cash and cash equivalents		5,389
Cash and cash equivalents, beginning of period		<u>-</u>
Cash and cash equivalents, end of period		<u><u>5,389</u></u>

CLIPPER BULK INVEST II K/S

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(US Dollars Thousands)

1. GENERAL

The Group was established on October 28, 2020.

Companies included in the consolidated financial statements	Country of incorporation	Percentage owned
Parent		<u>2021</u>
Clipper Bulk Invest II K/S	Denmark	100
Fully consolidated companies:		
Copenhagen Shipping LLC	Marshall Island	100
Houston Shipping LLC	Marshall Island	100
Hong Kong Shipping LLC	Marshall Island	100
Como Shipping LLC	Marshall Island	100

The Group focuses on the operation of oceanic transportation trading with bulk commodities.

The Group's bulk vessels conduct their operations through Clipper Handy Pool.

The Group had no employees during the year. The Group has outsourced administration, management and the staffing of crews.

The Group's headquarter is located in Denmark: Sundkrogsgade 19, 2100 Copenhagen, Denmark.

Summary of Significant Accounting Policies are detailed in note 10, Details of the Adoption of New and Revised International Financial Reporting Standards are included in note 11 and Critical Accounting Judgements and Key Sources of Estimation Uncertainty are detailed in note 12.

2. VESSELS

	Year	Acquisition	Net	
<u>Fully consolidated companies:</u>	<u>Built</u>	<u>Cost</u>	<u>Book</u>	<u>Loan</u>
			<u>Value</u>	
Copenhagen Shipping LLC				
"M.V. Clipper Copenhagen"	2010	7,506	7,021	3,436
Houston Shipping LLC				
"M.V. Clipper Houston"	2010	7,973	7,411	3,436
Hong Kong Shipping LLC				
"M.V. Clipper Hong Kong"	2009	8,034	7,562	3,437
Como Shipping LLC				
"M.V. Clipper Como"	2010	<u>12,167</u>	<u>11,670</u>	<u>4,685</u>
		<u>35,680</u>	<u>33,664</u>	<u>14,994</u>

The movement in vessels was as follows (US dollars thousand):

	2021
	<u>USD'000</u>
Cost:	
Balance, beginning of period	-
Additions	<u>35,680</u>
Balance, end of year	<u>35,680</u>
Depreciation:	
Balance, beginning of period	-
Depreciation	<u>2,016</u>
Balance, end of year	<u>2,016</u>
Vessels	<u>33,664</u>

The Group has performed a review of the estimated net selling prices and value in use for the vessels. The review of estimated net selling prices was based on prices provided by internationally acknowledged shipbrokers and value in use derived from discounted cash flow calculations. The underlying assumptions for the discounted cash flow calculations are presented in note 12, Critical Accounting Judgements and Key Sources of Estimation Uncertainty. The Group has concluded that no vessels are impaired at December 31, 2021.

3. TRADE RECEIVABLES

The Group has receivables from Clipper Handy Pool and Clipper Bulk Shipping Ltd. The receivables from Clipper Handy Pool is calculated as the unsettled earnings share from the pool as of the balance sheet date. The receivable from Clipper Handy Pool is not assessed to be subject to particular credit risk. The receivables from Clipper Bulk Shipping Ltd. represents receivables from trading activities. No balances are overdue and no expected credit losses have been recognized.

4. CASH AND CASH EQUIVALENTS

The cash and cash equivalents in the Group primarily consist of deposits with reputable banks. Cash and cash equivalents are not assessed to be subject to particular credit risk. Bank deposits carry a floating rate of interest. Carrying amount correspond to the fair value.

5. INTEREST-BEARING LOANS

Interest-bearing loans are measured at amortized cost:

	2021
	<u>USD'000</u>
The movement in loans was as follows:	
Balance at October 28, 2020	-
New bank loans obtained	20,100
Repayment of bank loans	(4,946)
Capitalized borrowing expenses	(189)
Borrowing expenses amortized	29
Balance at 31 December, 2021	<u>14,994</u>

The fair value of loans, calculated as the present value of expected future repayments and interest payment using interest rates based on actual market rates, is estimated to be equal to the recognized value, as all loans are subject to variable interest rates (level 2 in the fair value hierarchy).

The repayment profile specified for the loans outstanding at December 31 is as follows:

	2021
	<u>USD'000</u>
0-1 year	2,185
1-2 years	2,185
2-3 years	2,185
3-4 years	2,185
4-5 years	6,254
6 years and beyond	-
	<u>14,994</u>

The above is exclusive of future interest payments.

The main terms for bank loans are as follows:

- Matures in 2026
- Bank loan is divided into tranche A, tranche B and tranche C
- Interest is applied at a margin over Libor
- Fixed repayments for the tranche A, B and C loan are based on a 7-year profile with a bullet repayment in 2026
- There are no financial covenants
- Vessels are pledged as security

In 2021, the effective interest rate for interest-bearing loans was 4.00%.

All bank loans are in US dollars.

There are no unused credit facilities related to bank loans at December 31, 2021.

6. SENSITIVITY ANALYSIS

Movement in freight rates – All things being equal, a freight rate change of USD/day 1,000 would have led to the following change in profit for the year:

	2021
Changes in freight rates of USD/day 1,000:	USD '000
Changes in Profit / (loss) for the year	<u>734</u>

Movement in interest rates – All things being equal, a change in the interest rate level of 1 percentage point on the variable interest debt would have resulted in a change in profit for the year:

	2021
Changes in the interests level of 1 percent:	USD '000
Changes in Profit / (loss) for the year	<u>120</u>

7. RISK MANAGEMENT

Foreign currency risk management - The Group's exposure to changes in currency exchange level is limited. Earnings and operating costs as well as assets and liabilities are to a large degree denominated in US dollars.

Credit risks management - The Group has a significant concentration of credit risk with two counterparties in terms of the receivable from Clipper Handy Pool and Clipper Bulk Shipping Ltd. The Group monitors its exposure on an on-going basis. The credit risk is reduced by regular distributions from the Pool and regular payments from Clipper Bulk Shipping Ltd.

The extent of the Group's credit exposure is represented by the aggregate balance of amounts receivable as shown in the consolidated statement of financial position.

8. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

For all financial assets the carrying values are equal to or approximate their fair values.

The carrying amounts of other payables with variable interest rates approximate their fair values.

9. CAPITAL STRUCTURE

General partner assesses on a regular basis whether the Group's capital structure is in accordance with the Group's and Shareholders' interests. The overall objective is to ensure a capital structure that supports long-term growth and also maximizes returns to the shareholders of the Group.

10. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, applied consistently for the period presented.

The following is a summary of the significant accounting policies:

- a. Reporting currency - Due to the international nature of the Group's activities and the fact that the Group transacts most of its business in US dollars, the consolidated financial statements are prepared in US dollars. The DKK exchange rate against USD applied is 6.5612 at December 31, 2021
- b. Consolidation - The consolidated financial statements include the companies that are controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity. This control is normally evidenced when the Group owns more than 50 percent of the voting rights.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated.

Companies included in the consolidated financial statements are listed in note 1.

- c. Cash and cash equivalents - Cash and cash equivalents include cash on hand and cash with banks.
- d. Receivables - Receivables are stated at face value, after allowance for expected credit losses.
- e. Income recognition - Revenue from voyage charters and time charters are recognized ratably over the life of the charters.

The Group's bulk vessels conduct their operations through a pool (Clipper Handy Pool). The pool is regarded as a jointly controlled operation, and the Group's share of the statement of comprehensive income and statement of financial position in the pool is accounted for by recognising a proportional share, based on participation in the pool, combining items of a uniform nature. The Group's share of pool revenues and expenses are allocated in accordance with the formulas agreed by the pool participants.

- f. Commercial expenses – Commercial expenses include management fee to the pool (Clipper Handy Pool) and other trading related expenses.
- g. Operating expenses - Operating expenses include costs relating to the operation of the Group's vessels, crew cost, insurance, maintenance and other vessel operating costs.
- h. Administration expenses - Administration expenses comprise costs incurred from the administration of the Group and related corporate costs.
- i. Vessels and related depreciation - Vessels are stated at cost and are depreciated on a straight-line basis. For bulk and projects vessels the depreciation is calculated over a 20-year period from the date of completion of construction and the vessels are put into operational use. Dry docking costs are capitalized separately and depreciated over 30 months.

Depreciation is based on cost less the estimated residual value. Residual value is estimated as the Light Weight Metric Ton of each vessel multiplied by scrap value per ton. The useful life and the residual value of the vessels are reviewed at least at each financial year-end based on market conditions, regulatory requirements and the Group's business plans. Residual value of dry docking is nil.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the vessels.

- j. Claims accounting for voyages - Claims made on the Group are generally covered by insurance and accordingly only that element of a claim, which is not covered by insurance, has been accrued. Where claims are not covered by insurance and payments are expected, provision is made for the full amount of the estimated liability.
- k. Foreign currency translation - The Group's entities maintain their accounts in US dollars. Individual transactions in other currencies are translated into US dollars using the approximate rate of exchange in effect at the time the transaction is recorded. Settlement of all transactions is translated into US dollars using the rate of exchange in effect on the date of settlement. Monetary assets and liabilities denominated in currencies other than US dollars are translated at the rates of exchange at the respective consolidated statement of financial position date. Non-monetary assets and liabilities are translated at the rates prevailing at the transaction date. Translation gains or losses are included in the consolidated statement of comprehensive income.
- l. Impairment of assets - Vessels are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Any impairment loss is recognized in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased, though the carrying amount of the asset may not exceed the carrying amount that would have been determined had the impairment loss not been recognized in prior years.

- m. Related parties - Related parties comprise the Group's shareholder, their affiliates and key management personnel.
- n. Income taxes – Clipper Bulk Invest II K/S is a limited liability partnership, which for tax purposes is a tax exempted entity. Instead taxation takes place at the shareholder level. All subsidiaries are registered for corporate taxation in Denmark and with vessel owning entities applying the Danish tonnage tax scheme.

11. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted all relevant new and updated accounting standards.

New standards and interpretations not yet adopted

The IASB has issued a number of new or amended standards and interpretations with effective date post 31 December 2021. The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2021. The Group expects to adopt the Standards and Interpretations when they become mandatory, as applicable for the Group.

None of the standards and interpretations are expected to have a significant impact on recognition and measurement.

12. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Carrying amount of vessels

The Group acquired all vessels in 2020 and 2021. At December 31, 2021 the carrying amount of the Group's vessels was USD 33.7 million.

Impairment indicators and methodology used

The Group has tested whether the carrying amount for vessels exceeds the recoverable amount at December 31, 2021.

The impairment test is performed by the Group making an assessment of the vessels' future earnings from the continued use in its own operations (referred to as "value in use") as well as an assessment of the fair value less costs of disposal ("net selling price") at the consolidated statement of financial position date for the vessels owned by the Group. The recoverable amount is determined as being the higher of the value in use and the net selling price.

The Group assesses potential impairment on a portfolio basis since all vessels are operated collectively through the Clipper Handy Pool.

Estimation of value in use

In developing estimates of value in use, the Group makes assumptions about future freight rates, ship operating expenses, dry dock costs in the remaining useful lives of the vessels. At December 31, 2021 the key assumptions used in the value at use calculation and in the assessment of owned vessels are as follows:

- The cash flows are based on current tonnage.
- The vessels are expected to generate normal income for 20 years from the completion of construction.
- Estimates of freight rates are based upon Management expectations of future trends, including expectations of market demands and the supply of similar vessels in the market, with reference to historical trends and available market reports and other information available to Management. Management's estimate of freight rates assumes that the freight rates will be higher than the current rates over the remaining useful life of the Group's vessels.
- Operating expenses and dry dock costs are estimated based on Management's experience and knowledge of the market as well as plans and initiatives outlined in the operating budgets.
- At the end of the useful lives the vessels will be sold at their estimated scrap value.
- The rate used to discount the forecasted cash flows was 8.0%

The review for potential impairment indicators and projection of future discounted cash flows related to the vessels is complex and requires the Group to make various estimates of future freight rates, earnings from the vessels and discount rates. All of these factors have historically been volatile and the impairment assessment is especially sensitive to changes in the freight rates.

Estimation of net selling prices

In developing estimates of the net selling prices, the Group reviews reported sales and purchase prices and prices for new buildings for similar vessels, market demand and general market conditions. In addition, valuations for the vessels are obtained from internationally acknowledged independent shipbrokers for the Group's fleet of vessels.

The valuations obtained by internationally acknowledged independent shipbrokers at any point in time reflect market prices of secondhand vessels obtained in recent transactions, which in a given period may be affected by unusual transactions such as distressed sales. The broker valuations obtained are therefore

not necessarily reflective of the net selling prices that may be obtained in a future disposal in an ordinary transaction between willing parties.

Summary

Based on the review of value in use and net selling prices for the Group's vessels the Group has determined that the vessels are not impaired at December 31, 2021.

Management confirms that it is their current intention to continue to operate the Group's vessels for a considerable period, and thus that it is appropriate to use the amounts from the value in use calculations as a basis for concluding that the recoverable amount for the vessels exceeds their carrying amounts.



FINANCIAL STATEMENTS PARENT

CLIPPER BULK INVEST II K/S

STATEMENT OF COMPREHENSIVE INCOME / (LOSS), PARENT FOR THE
 PERIOD FROM OCTOBER 28, 2020 TO DECEMBER 31, 2021
 (US Dollars Thousands)

	Notes	2020 / 2021
		<u>USD '000</u>
Administration expenses		<u>(47)</u>
Profit / (loss) from operations		(47)
Profit / (loss) from investments in subsidiaries	1	8,938
Financial expenses		<u>(328)</u>
Profit / (loss) before taxes		8,563
Income taxes		<u>-</u>
Profit / (loss) for the year		<u><u>8,563</u></u>
Other Comprehensive Income / (Loss)		
Other comprehensive income / (loss) for the year		<u>-</u>
Total comprehensive income / (loss) for the year		<u><u>8,563</u></u>

CLIPPER BULK INVEST II K/S

STATEMENT OF FINANCIAL POSITION, PARENT
AS OF DECEMBER 31, 2021
(US Dollars Thousands)

	Notes	2021 <u>USD '000</u>
Assets		
Investments in subsidiaries	1	<u>26,506</u>
Non-current assets		<u>26,506</u>
Other receivables		20
Cash and cash equivalents		<u>340</u>
Current assets		<u>360</u>
Assets		<u><u>26,866</u></u>
Equity and liabilities		
Share capital		17,786
Net revaluation reserve		8,938
Retained earnings		<u>(375)</u>
Equity		<u>26,349</u>
Due to related parties	2	497
Other accrued liabilities		<u>20</u>
Current liabilities		<u>517</u>
Equity and liabilities		<u><u>26,866</u></u>

CLIPPER BULK INVEST II K/S

STATEMENT OF CHANGES IN EQUITY, PARENT FOR THE
PERIOD FROM OCTOBER 28, 2020 TO DECEMBER 31, 2021
(US Dollars)

	<u>Share capital</u>	<u>Net revaluation reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Share capital upon formation October 28, 2020	17,786	-	-	17,786
Profit / (loss) for the period	<u>-</u>	<u>8,938</u>	<u>(375)</u>	<u>8,563</u>
Total comprehensive profit / (loss) for the period	<u>-</u>	<u>8,938</u>	<u>(375)</u>	<u>8,563</u>
Balance, December 31, 2021	<u>17,786</u>	<u>8,938</u>	<u>(375)</u>	<u>26,349</u>

CLIPPER BULK INVEST II K/S

NOTES TO FINANCIAL STATEMENTS, PARENT
YEAR ENDED DECEMBER 31, 2021
(US Dollars Thousands)

1. Investment in subsidiaries

	2021
	<u>USD'000</u>
Cost beginning of period	-
Additions for the period	<u>17,568</u>
Cost end of period	<u>17,568</u>
Value adjustments, net beginning of period	-
Net shares of profit / (loss) after tax	<u>8,938</u>
Value adjustments, net end of period	<u>8,938</u>
Carrying amount end of period	<u>26,506</u>

Investments in subsidiaries can be specified as follows:

Name	Registered	Ownership	Value
			<u>USD'000</u>
Copenhagen Shipping LLC	Marshall Island	100%	3,548
Houston Shipping LLC	Marshall Island	100%	9,202
Hong Kong Shipping LLC	Marshall Island	100%	8,915
Como Shipping LLC	Marshall Island	100%	<u>4,841</u>
			<u>26,506</u>

2. Transactions with related parties

All transactions with related parties take place at arm's length terms.

	<u>Shareholders</u>	<u>Subsidiaries</u>	<u>Related party</u>
	2021	2021	2021
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
Transactions with related parties can be summarized as follows:			
Administration and overhead			(1)
Interest inc/(exp.)	(237)		
Receivable/(Payable), net		(497)	

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