



Scan-Shipping A/S
Snorresgade 18-20
2300 Copenhagen S
Central Business Registration No.
32444199

Annual report 2016

The Annual General Meeting adopted the annual report on 19.05.2017

Chairman of the General Meeting

Name: John Hemming Rasmussen

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Entity details

Entity

Scan-Shipping A/S
Snorresgade 18-20
2300 Copenhagen S

Central Business Registration No: 32444199
Registered in: Copenhagen
Financial year: 01.01.2016 - 31.12.2016

Phone: +4532668100
Fax: +4532574900
Website: www.scan-shipping.com
E-mail: info@scan-shipping.com

Board of Directors

Arne Simonsen, Chairman
Morten Jæpelt
Sune Simonsen
Ulrik Kamstrup Jespersen

Executive Board

Sune Simonsen, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Scan-Shipping A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with 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 31.12.2016 and of the results of their operations for the financial year 01.01.2016 - 31.12.2016.

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, 19.05.2017

Executive Board

Sune Simonsen
Chief Executive Officer

Board of Directors

Arne Simonsen
Chairman

Morten Jæpelt

Sune Simonsen

Ulrik Kamstrup Jespersen

Independent auditor's report

To the owner of Scan-Shipping A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Scan-Shipping A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity 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 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 31.12.2016, and of the results of their operations for the financial year 01.01.2016 - 31.12.2016 in accordance with 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 of 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.

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 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 Entity'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

Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and 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 Entity'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 Entity'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.

Independent auditor's report

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.

Copenhagen, 19.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Anders Kreiner
State Authorised Public Accountant

Christian Sanderhage
State Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Revenue	581.633	934.014	772.105	788.070	515.678
Gross profit/loss	66.781	78.281	65.099	66.362	50.159
EBITDA	(6.172)	231	(9.443)	(1.891)	(7.087)
Operating profit/loss	(8.312)	(1.806)	(11.609)	(3.914)	(8.992)
Net financials	(601)	534	(48)	546	19
Profit/loss for the year	(10.221)	(3.594)	(13.994)	(5.627)	(8.183)
Total assets	191.048	213.120	196.309	181.579	142.824
Investments in property, plant and equipment	2.312	3.193	1.148	3.105	2.952
Equity incl minority interests	8.286	18.199	23.469	40.174	48.260
Employees in average	243	260	285	300	0
Ratios					
Gross margin (%)	11,5	8,4	8,4	8,4	9,7
Net margin (%)	(1,8)	(0,4)	(1,8)	(0,7)	(1,6)
Return on equity (%)	(77,2)	(17,3)	(44,0)	(12,7)	(15,7)
Equity ratio (%)	4,0	8,0	12,0	22,1	33,8

The number of employees represents the total number of employees in the consolidated enterprises of the Group at 31 December. The ratio is disclosed for the first time for 2013.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's primary activities are logistics solutions, global transport and other related services in close cooperation with its subsidiaries and agents.

Development in activities and finances

Loss for year amounts to DKK 8,913 thousand before tax.

Equity totals DKK 8,286 thousand at 31.12.2016.

The Board of Directors considers the performance for the year unacceptable.

Outlook

The Company expects a smaller loss for 2017.

Particular risks

Price risks

The Group is to a wide extent dependent on the development in global shipping prices and in the USD exchange rate.

Currency exposure

Due to foreign activities, results, cash flows and equity are affected by the exchange rate movements in a number of foreign currencies. Exchange rate adjustments of investments in subsidiaries are recognised directly in equity. It is not company policy to hedge the above risks by means of financial instruments, as purchase and sale of shipping services to a wide extent take place in the same foreign currency.

Interest rate exposure

Reasonable changes in the interest level will have no material impact on the Group. Consequently, no agreements are made on hedging of the interest rate exposure.

Management commentary

Group relations

	Share- holding %
Scan-Shipping AB, Sweden	100
Scanway Shipping AS, Norway	100
OY Scan-Shipping AB, Finland	100
Scan-Shipping GmbH, Germany	100
Scan-Group Agencies Sp.z.o.o, Poland	100
Scan-Shipping (Pte.) Ltd., Singapore	100
Scanway Shipping LLC, Russia	100
Shipco-Shipping Jylland A/S, Denmark	100
Scan-Shipping Italia SRL, Italy	100
Scan-Shipping Inc., USA	100
Scan-Shipping LLC, Ukraine	100
Scan-Shipping OU, Estonia	100
Shipco-Shipping AB, Sweden	100
Expa-Services (Pte.) Ltd., Singapore	100
Seaway Shipping AS, Norway	100
Scan-Shipping AB, Sweden	100
Scanway Shipping Real Estate AB, Sweden	100
Scan-Shipping d.o.o, Slovenia	100
Scan-Shipping Hong Kong Ltd., Hong Kong	100
Scan-Shipping (Thailand) Ltd., Thailand	100
Scan-Shipping (Turkey) Ltd., Turkey	100
Scan-Shipping Norway AS, Norway	100
PT Scan-Shipping Indonesia, Indonesia	100
Scan-Shipping LLC, United Arab Emirates	100
Scan-Shipping (Shanghai) Ltd., China	100
Scan-Shipping Colombo (Pte.) Ltd., Sri Lanka	100
Scan-Group DMCC, United Arab Emirates	100
Scan-Shipping srl, Romania	100

Statutory corporate social responsibility report according to section 99a of the Danish Financial Statements Act

Please refer to the management commentary of the Ultimate Parent.

Report on efforts made in relation to the underrepresented gender

It is the policy of Scan-Shipping A/S to secure the best professional competence possible at all levels in the Company. The members of Management are solely appointed based on their qualifications and not based on their gender. By doing so, equal opportunities for both genders are secured provided that the candidates applying for the management positions possess the professional skills required.

Management commentary

Target figures for the Board of Directors

At the time of presentation of the annual report, the Board of Directors at Scan-Shipping A/S has no female members while the Ultimate Parent, A.S. Scan Holding A/S, has three female board members out of seven board members corresponding to 42.9%.

Based on a specific assessment of the Company's situation, including the competences to be present at the Board of Directors, the target is to identify at least one female candidate for the Board of Directors at Scan-Shipping A/S before 2019. This is considered an achievable and ambitious target figure.

Policy for other management levels

Scan-Shipping A/S supports gender equality – both as regards career opportunities and salary conditions. As a concrete action, the Company has put our equal opportunities policy into practice in the Company's employee manual. Based on the limited time frame, it has not yet been possible to record any effect of the above.

Events after the balance sheet date

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

Consolidated income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Revenue	1	581.633	934.014
Other operating income		10.148	6.982
Cost of sales		(470.397)	(807.076)
Other external expenses	2	(54.603)	(55.639)
Gross profit/loss		66.781	78.281
Staff costs	3	(72.953)	(78.050)
Depreciation, amortisation and impairment losses	4	(2.140)	(2.037)
Operating profit/loss		(8.312)	(1.806)
Other financial income	5	895	2.108
Other financial expenses	6	(1.496)	(1.574)
Profit/loss before tax		(8.913)	(1.272)
Tax on profit/loss for the year	7	(1.308)	(2.322)
Profit/loss for the year	8	(10.221)	(3.594)

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Land and buildings		431	400
Other fixtures and fittings, tools and equipment		5.536	5.786
Leasehold improvements		10	100
Property, plant and equipment	9	<u>5.977</u>	<u>6.286</u>
Other investments		0	804
Other receivables		474	1.750
Fixed asset investments	10	<u>474</u>	<u>2.554</u>
Fixed assets		<u>6.451</u>	<u>8.840</u>
Trade receivables		129.387	141.749
Receivables from group enterprises		8.964	8.114
Other receivables		3.839	5.295
Prepayments		6.401	4.843
Receivables		<u>148.591</u>	<u>160.001</u>
Cash		<u>36.006</u>	<u>44.279</u>
Current assets		<u>184.597</u>	<u>204.280</u>
Assets		<u>191.048</u>	<u>213.120</u>

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital		1.000	1.000
Retained earnings		7.286	17.199
Equity		8.286	18.199
Deferred tax	11	206	504
Provisions		206	504
Trade payables		107.682	83.063
Payables to group enterprises		65.418	101.409
Income tax payable		1.247	394
Other payables		8.209	9.551
Current liabilities other than provisions		182.556	194.417
Liabilities other than provisions		182.556	194.417
Equity and liabilities		191.048	213.120
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Group relations	14		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.000	17.199	18.199
Exchange rate adjustments	0	308	308
Profit/loss for the year	0	(10.221)	(10.221)
Equity end of year	1.000	7.286	8.286

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000
1. Revenue		
Shipping services	581.633	934.014
	581.633	934.014
	2016 DKK'000	2015 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	1.080	892
Other assurance engagements	46	40
Tax services	127	83
Other services	89	52
	1.342	1.067
	2016 DKK'000	2015 DKK'000
3. Staff costs		
Wages and salaries	66.170	73.099
Pension costs	4.294	3.775
Other social security costs	2.489	1.176
	72.953	78.050
Average number of employees	243	260
The Board of Directors and the Executive Board are not remunerated by the Group.		
	2016 DKK'000	2015 DKK'000
4. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	2.140	2.037
	2.140	2.037
	2016 DKK'000	2015 DKK'000
5. Other financial income		
Financial income arising from group enterprises	33	55
Other financial income	862	2.053
	895	2.108

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000	
6. Other financial expenses			
Financial expenses from group enterprises	13	220	
Other financial expenses	1.483	1.354	
	1.496	1.574	
	2016 DKK'000	2015 DKK'000	
7. Tax on profit/loss for the year			
Tax on current year taxable income	1.607	2.338	
Change in deferred tax for the year	(298)	(55)	
Adjustment concerning previous years	(1)	39	
	1.308	2.322	
	2016 DKK'000	2015 DKK'000	
8. Proposed distribution of profit/loss			
Retained earnings	(10.221)	(3.594)	
	(10.221)	(3.594)	
	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
9. Property, plant and equipment			
Cost beginning of year	568	18.862	769
Exchange rate adjustments	33	212	0
Additions	0	2.311	1
Disposals	0	(842)	0
Cost end of year	601	20.543	770
Depreciation and impairment losses beginning of the year	(168)	(13.076)	(669)
Exchange rate adjustments	7	(253)	(63)
Depreciation for the year	(9)	(2.103)	(28)
Reversal regarding disposals	0	425	0
Depreciation and impairment losses end of the year	(170)	(15.007)	(760)
Carrying amount end of year	431	5.536	10

Notes to consolidated financial statements

	Other investments DKK'000	Other receivables DKK'000
10. Fixed asset investments		
Cost beginning of year	804	1.750
Disposals	(804)	(1.276)
Cost end of year	0	474
Carrying amount end of year	0	474
		2016 DKK'000
11. Deferred tax		
Changes during the year		
Beginning of year		504
Recognised in the income statement		(298)
End of year		206
		2016 DKK'000
		2015 DKK'000
12. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	9.468	6.815
		2016 DKK'000
		2015 DKK'000
13. Contingent liabilities		
Recourse and non-recourse guarantee commitments	2.104	1.992
Contingent liabilities in total	2.104	1.992

The Company participates in a Danish joint taxation arrangement in which A.S. Scan Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore jointly and severally liable as of the financial year 2013 with the other jointly taxed companies for income taxes etc for the jointly taxed companies, and as of 01.07.2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

Notes to consolidated financial statements

14. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

A.S. Scan Holding A/S, Snorresgade 18-20, 2300 Copenhagen S

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Scan Group A/S, Snorresgade 18-20, 2300 Copenhagen S

Parent income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Revenue	1	284.284	292.327
Other operating income		1.892	2.855
Cost of sales		(237.916)	(244.408)
Other external expenses	2	(14.047)	(15.562)
Gross profit/loss		34.213	35.212
Staff costs	3	(29.052)	(28.566)
Depreciation, amortisation and impairment losses	4	(517)	(481)
Operating profit/loss		4.644	6.165
Income from investments in group enterprises		(14.413)	(8.415)
Other financial income	5	837	623
Other financial expenses	6	(279)	(340)
Profit/loss before tax		(9.211)	(1.967)
Tax on profit/loss for the year	7	(1.010)	(1.627)
Profit/loss for the year	8	(10.221)	(3.594)

Parent balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Other fixtures and fittings, tools and equipment		1.120	1.545
Leasehold improvements		10	37
Property, plant and equipment	9	<u>1.130</u>	<u>1.582</u>
Investments in group enterprises		24.049	26.803
Receivables from group enterprises		14.543	17.020
Other investments		0	50
Other receivables		50	102
Fixed asset investments	10	<u>38.642</u>	<u>43.975</u>
Fixed assets		<u>39.772</u>	<u>45.557</u>
Trade receivables		40.157	46.968
Receivables from group enterprises		45.335	44.640
Prepayments	11	329	112
Receivables		<u>85.821</u>	<u>91.720</u>
Cash		<u>6.250</u>	<u>8.064</u>
Current assets		<u>92.071</u>	<u>99.784</u>
Assets		<u>131.843</u>	<u>145.341</u>

Parent balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital	12	1.000	1.000
Retained earnings		7.286	17.199
Equity		<u>8.286</u>	<u>18.199</u>
Deferred tax		0	8
Provisions for investments in group enterprises	13	12.214	8.441
Provisions		<u>12.214</u>	<u>8.449</u>
Trade payables		28.098	34.637
Payables to group enterprises		76.228	79.567
Other payables		7.017	4.489
Current liabilities other than provisions		<u>111.343</u>	<u>118.693</u>
Liabilities other than provisions		<u>111.343</u>	<u>118.693</u>
Equity and liabilities		<u>131.843</u>	<u>145.341</u>
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Related parties with controlling interest	16		

Parent statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.000	17.199	18.199
Exchange rate adjustments	0	308	308
Profit/loss for the year	0	(10.221)	(10.221)
Equity end of year	1.000	7.286	8.286

Notes to parent financial statements

	2016 DKK'000	2015 DKK'000
1. Revenue		
Shipping services	284.284	292.327
	284.284	292.327
	2016 DKK'000	2015 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	144	144
Tax services	5	10
Other services	26	22
	175	176
	2016 DKK'000	2015 DKK'000
3. Staff costs		
Wages and salaries	27.521	26.816
Pension costs	1.499	1.687
Other social security costs	32	63
	29.052	28.566
Average number of employees	61	61
The Board of Directors and the Executive Board are not remunerated by the Company.		
	2016 DKK'000	2015 DKK'000
4. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	517	481
	517	481
	2016 DKK'000	2015 DKK'000
5. Other financial income		
Financial income arising from group enterprises	828	620
Other financial income	9	3
	837	623

Notes to parent financial statements

	2016 DKK'000	2015 DKK'000
6. Other financial expenses		
Financial expenses from group enterprises	130	199
Other financial expenses	149	141
	279	340
	2016 DKK'000	2015 DKK'000
7. Tax on profit/loss for the year		
Tax on current year taxable income	1.018	1.593
Change in deferred tax for the year	(8)	29
Adjustment concerning previous years	0	5
	1.010	1.627
	2016 DKK'000	2015 DKK'000
8. Proposed distribution of profit/loss		
Retained earnings	(10.221)	(3.594)
	(10.221)	(3.594)
	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
9. Property, plant and equipment		
Cost beginning of year	2.788	365
Additions	330	0
Disposals	(399)	0
Cost end of year	2.719	365
Depreciation and impairment losses beginning of the year	(1.243)	(328)
Depreciation for the year	(490)	(27)
Reversal regarding disposals	134	0
Depreciation and impairment losses end of the year	(1.599)	(355)
Carrying amount end of year	1.120	10

Notes to parent financial statements

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Other investments DKK'000	Other receivables DKK'000
10. Fixed asset investments				
Cost beginning of year	88.530	17.020	50	102
Additions	746	0	0	0
Disposals	0	(2.477)	(50)	(52)
Cost end of year	89.276	14.543	0	50
Revaluations beginning of year	(61.727)	0	0	0
Exchange rate adjustments	308	0	0	0
Share of profit/loss for the year	(14.413)	0	0	0
Dividend	(1.100)	0	0	0
Investments with negative equity depreciated over receivables	7.932	0	0	0
Investments with negative equity transferred to provisions	3.773	0	0	0
Revaluations end of year	(65.227)	0	0	0
Carrying amount end of year	24.049	14.543	0	50

Accumulated investments with negative equity depreciated over receivables at year-end amount to DKK 26,660 thousand.

11. Prepayments

Prepayments consist of prepaid costs.

	Number	Par value DKK'000	Nominal value DKK'000
12. Contributed capital			
Share capital	1.000	1	1.000
	1.000		1.000

13. Provisions for investments in group enterprises

Provision for investments in group enterprises relates to group enterprises with negative equity.

Notes to parent financial statements

	2016 DKK'000	2015 DKK'000
14. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	3.503	2.800
	2016 DKK'000	2015 DKK'000
15. Contingent liabilities		
Recourse and non-recourse guarantee commitments	1.353	1.315
Contingent liabilities in total	1.353	1.315

The Parent has issued letters of support to a number of subsidiaries.

The Company participates in a Danish joint taxation arrangement in which A.S. Scan Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore jointly and severally liable as of the financial year 2013 with the other jointly taxed companies for income taxes etc for the jointly taxed companies, and as of 01.07.2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

16. Related parties with controlling interest

Related parties with a controlling interest in Scan-Shipping A/S:

- Scan Group A/S, Snorresgade 18-20, 2300 Copenhagen S, shareholder
- A.S. Scan Holding A/S, Snorresgade 18-20, 2300 Copenhagen S, Ultimate Parent

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements include Scan-Shipping A/S (Parent) and subsidiaries in which Scan-Shipping A/S either directly or indirectly holds more than 50% of the voting rights or in any other way have controlling influence. Jointly controlled entities are consolidated on a pro rata basis.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Accounting policies

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

Foreign currency translation

Foreign currency transactions are translated applying the exchange rates at the transaction date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date are recognised in the income statement as financial income or financial expenses.

Receivables, payables, and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated applying the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the balance sheet date and the one in effect at the time when the receivable or payable arose are recognised in the income statement as financial income or financial expenses.

If the foreign subsidiaries meet the criteria of independent entities, their income statements and balance sheets are translated applying the exchange rates at the balance sheet date. Exchange differences that arise from translation of foreign subsidiaries' equity at the beginning of the year, applying the exchange rates at the balance sheet date, are recognised directly in equity.

Income statement

Revenue

Revenue is recognised in the income statement if delivery to the Group's cooperators has taken place before year-end and if the income can be computed reliably. Revenue is recognised net of VAT, duties and sales discounts.

Accounting policies

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including gains from the sale of intangible assets and property, plant and equipment.

Cost of sales

Costs relating to revenue are accrued according to the method of revenue recognition. Other costs relating to the financial year in terms of time are charged to the income statement.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Company is jointly taxed with its Ultimate Parent, A.S. Scan Holding A/S, and all of the Ultimate Parent's other Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

Property, plant and equipment

Land and buildings, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The basis of depreciation is cost less estimated residual value after the end of useful life.

Cost comprises the acquisition price and costs directly attributable to the acquisition until the time when it is ready to be put into operation.

Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	15-50 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5 years

On initial recognition, lease contracts regarding property, plant and equipment in which the Company holds all material risks and advantages related to the ownership (finance leasing) are measured in the balance sheet at fair value or present value, if lower, of future lease payments. At the computation of present value, the internal interest rate of the lease contract or an approximate value is used as discount factor. Assets held under finance leases are then treated as the Company's other property, plant and equipment.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Income statement

The Company's share of the subsidiaries' profits or losses after elimination of unrealised intra-group profits and losses and plus or minus amortisation of positive, or negative, goodwill is recognised in the income statement.

Balance sheet

Investments in subsidiaries are recognised in the balance sheet at the pro rata share of the enterprises' equity in accordance with the Parent's accounting policies plus or minus unrealised intra-group profits and losses and plus or minus the residual value of positive, or negative, goodwill calculated according to the purchase method.

Subsidiaries with negative equity are measured at zero value, and any receivable from these enterprises is written down by the Parent's share of such negative equity. If the negative equity exceeds the amounts receivable, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is taken to reserve for net revaluation under the equity method if the carrying amount exceeds cost less amortisation of goodwill.

Accounting policies

Receivables

Receivables are measured at amortised cost, usually equalling nominal value. Provisions for bad and doubtful debts are made at net realisable value.

Other investments

Other investments recognised as fixed asset investments comprise listed securities which are measured at fair value (market price) at the balance sheet date. Unlisted securities etc are measured at estimated market value.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Group has not prepared any cash flow statement as such statement is prepared by the higher-level group.

Segment information

The Group's activities only comprise sea freight, shipping and logistics on the world market. Consequently, it is not relevant to provide disclosures on business segments and geographical markets.