Hafnia Management A/S

Strandvejen 102 E, 1., 2900 Hellerup

Company reg. no. 32 66 62 21

Annual report

1 January - 31 December 2015

The annual report has been submitted and approved by the general meeting on the 30 March 2016.

Peter Ringsted
Chairman of the meeting

Notes:

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

Contents

	Page
Reports	
Management's report	1
The independent auditor's reports	2
Management's review	
Company data	4
Management's review	5
Annual accounts 1 January - 31 December 2015	
Profit and loss account	6
Balance sheet	7
Notes	9
Accounting policies used	13

Management's report

The board of directors and the executive board have today presented the annual report of Hafnia Management A/S for the financial year 1 January to 31 December 2015.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2015 and of the company's results of its activities in the financial year 1 January to 31 December 2015.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Hellerup, 18 March 2016

Executive board

Anders Engholm Madsen	Torben Bager

Board of directors

Søren Vad Sørensen chairman	Per Johansson	Søren Steenberg Jensen
Ann-Marie Åström	Mikael Øpstun Skov	

The independent auditor's reports

To the shareholders of Hafnia Management A/S

Report on the annual accounts

We have audited the annual accounts of Hafnia Management A/S for the financial year 1 January to 31 December 2015, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

The management's responsibility for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control as it determines necessary in order to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

Copenhagen, 18 March 2016

Christensen Kjærulff
State Authorised Public Accountants
CVR-nr. 15 91 56 41

Iver Haugsted
State Authorised Public Accountant

Company data

The company	Hafnia Management A/S Strandvejen 102 E, 1. 2900 Hellerup	
	Web site:	www.hafniamanagement.com
	Company reg. no.:	32 66 62 21
	Established:	1 January 2010
	Domicile:	Hellerup
	Financial year:	1 January - 31 December
Board of directors	Søren Vad Sørensen, chairman Per Johansson Søren Steenberg Jensen Ann-Marie Åström Mikael Øpstun Skov	
Executive board	Anders Engholm Madsen Torben Bager	
Auditors	Christensen Kjærulff, Statsautoriseret Revisionsaktieselskab	
Subsidiary	Hafnia Handy Pool Management ApS, Hellerup	
Associated enterprise	Straits Tankers Pte. Ltd., Singapore	

The principal activities of the company

The company's principal acitvities consist of commercial activities within the product tankers markets. Hafnia Management A/S specialises in the segments ranging from 35.000 to 110.000 dtw.

Development in activities and financial matters

The gross profit for the year is DKK 57,1m against DKK 32,8m last year.
Ordinary profit after tax are DKK 29,6m against DKK 6,2m last year. The management consider the results satisfactory.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Profit and loss account 1 January - 31 December

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

Note		2015	2014
	Gross profit	**57.135.904**	**32.790**
1	Staff costs	-38.811.028	-28.820
	Depreciation and writedown relating to tangible fixed assets	-1.375.780	-1.313
	Operating profit	**16.949.096**	**2.657**
	Income from equity investment in group enterprise	3.807.152	370
	Income from equity investment in associated enterprise	12.794.535	3.362
	Other financial income	1.886.698	764
	Other financial costs	-1.674.990	0
	Results before tax	**33.762.491**	**7.153**
	Tax on ordinary results	-4.148.827	-913
	Results for the year	**29.613.664**	**6.240**
	Proposed distribution of the results:		
	Reserves for net revaluation as per the equity method	16.601.687	3.733
	Dividend for the financial year	20.490.000	0
	Allocated to results brought forward	0	2.507
	Allocated from results brought forward	-7.478.023	0
	Distribution in total	**29.613.664**	**6.240**

Balance sheet 31 December

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

Note	Assets	2015	2014
	Fixed assets		
2	Other plants, operating assets, and fixtures and furniture	2.136.894	2.488
	Tangible fixed assets in total	2.136.894	2.488
3	Equity investment in group enterprise	4.202.854	406
4	Equity investment in associated enterprise	9.567.129	5.990
	Other debtors	144.057	242
	Financial fixed assets in total	13.914.040	6.638
	Fixed assets in total	**16.050.934**	**9.126**
	Current assets		
	Amounts owed by group enterprises	0	1
	Deferred tax assets	436.421	465
	Other debtors	8.867.992	4.666
	Accrued income and deferred expenses	1.074.933	1.043
	Debtors in total	10.379.346	6.175
	Other securities and equity investments	2.172.822	0
	Securities in total	2.172.822	0
	Cash funds	29.319.961	6.959
	Current assets in total	**41.872.129**	**13.134**
	Assets in total	**57.923.063**	**22.260**

Balance sheet 31 December

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

Note	Equity and liabilities	2015	2014
	Equity		
5	Contributed capital	500.000	500
6	Reserves for net revaluation as per the equity method	13.209.335	5.837
7	Results brought forward	12.334.738	9.574
8	Proposed dividend for the financial year	20.490.000	0
	Equity in total	**46.534.073**	**15.911**
	Liabilities		
	Bank debts	2.739.827	0
	Trade creditors	3.489.944	1.999
	Corporate tax	1.086.557	465
	Other debts	4.072.662	3.885
	Short-term liabilities in total	11.388.990	6.349
	Liabilities in total	**11.388.990**	**6.349**
	Equity and liabilities in total	**57.923.063**	**22.260**

9 Mortgage and securities

10 Contingencies

Notes

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

		2015	2014
1.	**Staff costs**		
	Salaries and wages	33.969.267	24.922
	Pension costs	3.153.171	2.742
	Other costs for social security	107.010	89
	Other staff costs	1.581.580	1.067
		38.811.028	**28.820**
	Average number of employees	33	28
2.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2015	10.582.971	8.683
	Additions during the year	1.024.423	1.900
	Cost 31 December 2015	**11.607.394**	**10.583**
	Depreciation and writedown 1 January 2015	-8.094.720	-6.782
	Depreciation and writedown for the year	-1.375.780	-1.313
	Depreciation and writedown 31 December 2015	**-9.470.500**	**-8.095**
	Book value 31 December 2015	**2.136.894**	**2.488**

Notes

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

	31/12 2015	31/12 2014
3. Equity investment in group enterprise		
Additions during the year	25.500	30
Disposals during the year	0	-5
Cost 31 December 2015	**25.500**	**25**
Revaluations, opening balance 1 January 2015	381.199	0
Results for the year before goodwill amortisation	3.796.155	381
Revaluation 31 December 2015	**4.177.354**	**381**
Book value 31 December 2015	**4.202.854**	**406**

Group enterprise:

	Domicile	Share of ownership
Hafnia Handy Pool Management ApS	Hellerup	51 %

	31/12 2015	31/12 2014
4. Equity investment in associated enterprise		
Acquisition sum, opening balance 1 January 2015	535.148	535
Cost 31 December 2015	**535.148**	**535**
Revaluation, opening balance 1 January 2015	5.455.448	3.714
Translation by use of the exchange rate valid on balance sheet date	1.020.848	308
Results for the year before goodwill amortisation	12.794.535	3.362
Dividend	-10.238.850	-1.929
Revaluation 31 December 2015	**9.031.981**	**5.455**
Book value 31 December 2015	**9.567.129**	**5.990**

Associated enterprise:

	Domicile	Share of ownership
Straits Tankers Pte. Ltd.	Singapore	50 %

Notes

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

		31/12 2015	31/12 2014
5.	**Contributed capital**		
	Contributed capital 1 January 2015	500.000	500
		500.000	**500**

The share capital consists of 500 shares, each with a nominal value of DKK 1,000. No shares hold particular rights.

		31/12 2015	31/12 2014
6.	**Reserves for net revaluation as per the equity method**		
	Reserves for net revaluation 1 January 2015	5.836.647	3.714
	Share of results	16.601.687	3.733
	Exchange rate adjustments	1.009.851	319
	Distributed dividend	-10.238.850	-1.929
		13.209.335	**5.837**
7.	**Results brought forward**		
	Results brought forward 1 January 2015	9.573.911	5.138
	Profit or loss for the year brought forward	-7.478.023	2.507
	Dividend from associated enterprise	10.238.850	1.929
		12.334.738	**9.574**
8.	**Proposed dividend for the financial year**		
	Dividend for the financial year	20.490.000	0
		20.490.000	**0**

9. Mortgage and securities

TDKK 2.742 of other debtors has been provided as security for bank credit facility TDKK 2.740.

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

10. Contingencies

Contingent liabilities

The company has entered into rental agreement concerning Tuborg Boulevard 5, 2900 Hellerup. The monthly lease amount is TDKK 158 and the lease is interminable until 29 February 2020, after which the lease has a notice of termination of 6 months.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and, as from the financial year 2012, unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

As from 1 July 2012, the company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The liability relating to obligations in connection with corporation tax represents an estimated maximum of DKK 438 thousand. The liability relating to obligations in connection with withholding taxes represents an estimated maximum of DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

Accounting policies used

The annual report for Hafnia Management A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Exchange rate adjustments of current accounts with foreign group enterprises, which are considered an addition or a deduction in the equity of independent group enterprises, are recognised directly in the equity. Likewise, capital profits and losses on loans and derived financial instruments for hedging independent foreign group enterprises are recognised in the equity.

The profit and loss account

Gross profit

The gross profit comprises the net turnover and external costs..

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, and loss on debtors.

Staff costs

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

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials include interest income, interest expenses, and realised and unrealised capital gains and losses on financial assets and liabilities. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

Results from equity investments in group enterprise and associated enterprise

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the group enterprise is recognised in the profit and loss account at a proportional share of the group enterprise's results after tax.

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the associated enterprise is recognised in the profit and loss account at a proportional share of the associated enterprise's results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

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

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of expected residual value after the end of the useful life of the asset.

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

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Other plants, operating assets, fixtures and furniture	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Financial fixed assets

Equity investments in group enterprise and associated enterprise

Equity investments in group enterprise and associated enterprise are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprise and associated enterprise are transferred to the reserves under the equity for net revaluation as per the equity method. Dividend from group enterprise expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprise and associated enterprise.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprise and associated enterprise are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Securities and equity investments

Securities and equity investments recognised as current assets are measured at cost price on the balance sheet date.

Available funds

Available funds comprise cash at bank and in hand.

Equity - dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Hafnia Management A/S is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Hafnia Management A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or “Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25 % to 22 %, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22 % will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22 %.

Liabilities

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