
Weco Shipping A/S

Rungsted Strandvej 113, DK-2960 Rungsted Kyst

Annual Report for 1 January - 31 December 2015

CVR No 36 95 90 96

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/5 2016

Oluf Myhrmann
Chairman



pwc

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Weco Shipping A/S for the financial year 1 January - 31 December 2015.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and the Group and of the results of the Company and Group operations for 2015.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Rungsted Kyst, 31 May 2016

Executive Board

Johnny Schmølker

Board of Directors

Johan Wedell-Wedellsborg
Chairman

Oluf Myhrmann

Lars Kalstad Vedfelt

Johnny Schmølker

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

To the Shareholder of Weco Shipping A/S

Report on the Financial Statements and the Consolidated Financial Statements

We have audited the Financial Statements and the Consolidated Financial Statements of Weco Shipping A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements and the Consolidated Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements and the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements and the Consolidated Financial Statements 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 whether the Financial Statements and the Consolidated Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements and the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements and the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements and Consolidated Financial Statements 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 Management, as well as evaluating the overall presentation of the Financial Statements and the Consolidated Financial Statements.

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

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

Opinion

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Company and the Group at 31 December 2015 and of the results of the Company and the Group operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements and the Consolidated Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements and the Consolidated Financial Statements.

Hellerup, 31 May 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Flemming Eghoff
statsautoriseret revisor

Mark Philip Beer
statsautoriseret revisor

Company Information

The Company

Weco Shipping A/S
Rungsted Strandvej 113
DK-2960 Rungsted Kyst

Telephone: + 45 45 17 77 77

CVR No: 36 95 90 96

Financial period: 1 January - 31 December

Municipality of reg. office: Hørsholm

Board of Directors

Johan Wedell-Wedellsborg, Chairman
Oluf Myhrmann
Lars Kalstad Vedfelt
Johnny Schmølker

Executive Board

Johnny Schmølker

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Group Chart

Parent Company

Weco Shipping A/S,
Hørsholm, Denmark
Nominal value of DKK 35,000k

Consolidated subsidiaries

100% Dannebrog Rederi A/S,
Hørsholm, Denmark
Nominal value of DKK 69,000k

100% Nordana A/S,
Hørsholm, Denmark
Nominal value of DKK 6,333k

100% Borgship III ApS,
Hørsholm, Denmark
Nominal value of DKK 250k

100% Weco Management ApS,
Hørsholm, Denmark
Nominal value of DKK 50k

100% Weco Projects ApS,
Hørsholm, Denmark
Nominal value of DKK 50k

100% Weco RoRo ApS,
Hørsholm, Denmark
Nominal value of DKK 50k

56% Weco Bulk A/S,
Hørsholm, Denmark
Nominal value of DKK 2,000k

Financial Highlights

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

	Group
	2015
	TUSD
Key figures	
Profit/loss	
Revenue	200.413
Operating profit/loss	(17.683)
Profit/loss before financial income and expenses	(15.159)
Net financials	35.492
Net profit/loss for the year	19.662
Balance sheet	
Balance sheet total	234.386
Equity	120.561
Investment in property, plant and equipment	1.295
Number of employees	197
Ratios	
Gross margin	7,8 %
Profit margin	(7,6)%
Return on assets	(6,5)%
Solvency ratio	51,4 %
Return on equity	17,7 %

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

The primary activity of the Group is shipping operations.

Development in the year

The income statement of the Group for 2015 shows a profit of TUSD 19,662, and at 31 December 2015 the balance sheet of the Group shows equity of TUSD 120,561.

The year was characterized by a strong market for the Tankers and a by a tough market through the remaining parts of the shipping portfolio.

Despite this, the results for the year are overall considered satisfactory.

The past year and follow-up on development expectations from last year

Management expects a profit for 2016, although at somewhat lower level than in 2015. The reason for this is a continued challenging environment in all areas within Shipping throughout 2016.

The results for the year were as expected. The profit from operating activities was as expected.

The liner activities continued to experience difficult challenges in a volatile market with overall revenue despite a 3 ship service. The liner activities have now been reduced and we expect stable earnings for 2016.

The tramp section experienced a good start to the year but ended in a very difficult market and overall performed below expectations. We expect 2016 to be a 'turnaround' year with a lot lower activity on the Multi Purpose Segment wherefore results will continue to be negative but stabilized towards the end of the year.

The tank activities and investments did very well throughout the year and have taken full advantage of a stronger market. We expect tank activities to continue to generate good results although in lesser pace than 2015.

Management's Review

Special risks - operating risks and financial risks

Market risks

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

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

Fluctuations in the price of bunkers affect the operating profit. Price agreements are entered into concerning future purchases of bunkers when the market conditions are estimated to lead to increasing bunkers prices. It is the Company's objective that the expected bunkers consumption of all contracts should be covered at the conclusion of the contract.

Foreign exchange risks

Most of the income from shipping activities is in USD and EUR. To a minor extent, foreign exchange required in connection with operating expenses is subject to forward cover if earnings do not counterbalance these at currency level.

The financing of vessels is mainly in USD and therefore most of the currency risk relating to the assets is hedged.

The Group has one loan in EUR. The loan is not hedged and therefore the Group has a currency risk.

Interest rate risks

The interest rate risk on floating-rate loans is to a limited extent hedged by interest rate swaps converting the floating interest rate to a fixed interest rate.

Research and development

The Group is not involved in research and development activities.

Management's Review

Intellectual capital resources

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

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

Annual performance reviews are held with all employees. During the reviews, the employees' goals, plans for the future and career opportunities are discussed and planned.

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

The Group has no formalized policies on climate change and human rights.

The Group is focused on maintaining and currently developing a high level of quality, safety and environmental protection as an important element of the operation of the vessels. Also in 2015 officers, crew and land-based staff were continuously educated and trained to maintain focus on safety and environment.

New, more rigorous requirements in terms of construction of the vessels, inspections, age, as well as updating of rules within safety and environment demand continuous focus on operating the fleet in accordance with national and international conventions and regulations and on initiating new measures and requirements in good time.

The Group's offshore senior officers are continually attending special courses and seminars at which they are taught and updated on new requirements and rules.

All vessels are as a minimum equipped and certified in accordance with the classification societies' and flag states' recommendations. The day-to-day operation includes verification that own as well as chartered tonnage observes applicable rules and requirements.

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

Target for the underrepresented gender on the Board of Directors

The Weco Shipping Group has due to regulation set a new target for having a minimum of 40% of each gender on the Board of Directors in 2018. Despite the continuous efforts to improve the gender equality among the members of the Board of Directors, the Group has been unable to attract qualified persons of the underrepresented gender. Therefore, the current status of the underrepresented gender is 0%. The

Management's Review

target was set in 2014.

Policy for increasing the number of women on other management levels

At other management levels in the Group, the representation is approximately 35% women and 65% men.

The Weco Shipping Group has an overall policy of recruiting the best suited employees for any given position, irrespective of gender. In order to ensure the broadest possible recruitment basis, continuous efforts also in 2015 were made to create working conditions and a corporate culture that attract and retain qualified employees across gender, nationality and other criteria without importance to the performance.

In 2015, The Weco Shipping Group continued to try to optimize the use of its employee resources by giving everybody equal opportunities of developing professionally and career-wise at all levels.

Uncertainty relating to recognition and measurement

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

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	<u>Group</u> 2015 TUSD	<u>Parent Company</u> 2015 TUSD
Revenue	1	200.413	0
Other operating income		2.524	0
Vessel operating costs		(180.943)	0
Other external expenses		(6.418)	(123)
Gross profit/loss		15.576	(123)
Staff expenses	2	(16.331)	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	(14.404)	0
Profit/loss before financial income and expenses		(15.159)	(123)
Income from investments in subsidiaries	4	0	19.814
Income from investments in associates	5	34.979	0
Financial income	6	5.024	218
Financial expenses	7	(4.511)	(252)
Profit/loss before tax		20.333	19.657
Tax on profit/loss for the year	8	4	5
Profit/loss before minority interests		20.337	19.662
Minority interests' share of net profit/loss of subsidiaries		(675)	0
Net profit/loss for the year		19.662	19.662

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	8.170
Reserve for net revaluation under the equity method	17.914
Retained earnings	(6.422)
	19.662

Balance Sheet 31 December

Assets

		<u>Group</u>	<u>Parent Company</u>
	<u>Note</u>	2015	2015
		TUSD	TUSD
Goodwill		1.048	0
Intangible assets	9	1.048	0
Land and buildings		3.592	0
Other fixtures and fittings, tools and equipment		1.420	0
Vessels		135.328	0
Property, plant and equipment	10	140.340	0
Investments in subsidiaries	11	0	120.434
Investments in associates	12	40.836	0
Receivables from group enterprises	13	0	0
Other investments	13	932	0
Other receivables	13	0	0
Fixed asset investments		41.768	120.434
Fixed assets		183.156	120.434
Inventories		3.225	0
Trade receivables		8.802	0
Receivables from group enterprises		1.962	33.030
Receivables from associates		5.658	0
Other receivables		11.475	0
Corporation tax		32	0
Prepayments		3.041	164
Receivables		30.970	33.194
Cash at bank and in hand		17.035	0
Currents assets		51.230	33.194
Assets		234.386	153.628

Balance Sheet 31 December

Liabilities and equity

		<u>Group</u>	<u>Parent Company</u>
	<u>Note</u>	2015	2015
		TUSD	TUSD
Share capital		5.718	5.718
Reserve for net revaluation under the equity method		26.384	93.320
Retained earnings		80.289	13.353
Proposed dividend for the year		8.170	8.170
Equity	14	<u>120.561</u>	<u>120.561</u>
Minority interests		<u>1.669</u>	<u>0</u>
Provisions relating to investments in associates		7	0
Provisions		<u>7</u>	<u>0</u>
Credit institutions		26.950	26.950
Lease obligations		39.801	0
Long-term debt	15	<u>66.751</u>	<u>26.950</u>
Credit institutions	15	5.280	5.280
Lease obligations	15	2.408	0
Prepayments received from customers		2.713	0
Trade payables		13.789	0
Payables to group enterprises		73	837
Payables to associates		2.129	0
Other payables		19.006	0
Short-term debt		<u>45.398</u>	<u>6.117</u>
Debt		<u>112.149</u>	<u>33.067</u>
Liabilities and equity		<u>234.386</u>	<u>153.628</u>
Contingent assets, liabilities and other financial obligations	16		
Related parties and ownership	17		

Statement of Changes in Equity

Group

	Share capital	Share premium account	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
Equity at 1 January	5.718	0	12.589	83.693	0	102.000
Exchange adjustments relating to foreign entities	0	0	(676)	0	0	(676)
Other equity movements	0	0	563	(988)	0	(425)
Net profit/loss for the year	0	0	13.908	(2.416)	8.170	19.662
Equity at 31 December	5.718	0	26.384	80.289	8.170	120.561

Parent Company

Equity at 1 January	5.718	96.282	0	0	0	102.000
Exchange adjustments relating to foreign entities	0	0	(101)	0	0	(101)
Other equity movements	0	0	(1.011)	11	0	(1.000)
Net profit/loss for the year	0	0	17.914	(6.422)	8.170	19.662
Transfer from share premium account	0	(96.282)	76.518	19.764	0	0
Equity at 31 December	5.718	0	93.320	13.353	8.170	120.561

Notes to the Financial Statements

	Group	Parent Company
	2015	2015
	TUSD	TUSD
1 Revenue		
Geographical segments		
Globally	200.413	0
	200.413	0
Business segments		
Freight income	9.108	0
Time charter	64.293	0
Line service	127.012	0
	200.413	0
2 Staff expenses		
Wages and salaries	13.917	0
Pensions	1.675	0
Other social security expenses	158	0
Other staff expenses	581	0
	16.331	0
Average number of employees	197	0
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	322	0
Depreciation of property, plant and equipment	8.133	0
Impairment of property, plant and equipment	6.000	0
Gain and loss on disposal	(51)	0
	14.404	0

Notes to the Financial Statements

	Parent Company	
	<u>2015</u>	
	TUSD	
4 Income from investments in subsidiaries		
Share of profits of subsidiaries		19.814
		<u>19.814</u>
	Group	Parent Company
	<u>2015</u>	<u>2015</u>
	TUSD	TUSD
5 Income from investments in associates		
Share of profits of associates	34.979	0
	<u>34.979</u>	<u>0</u>
6 Financial income		
Income from fixed asset investments	89	0
Interest received from group enterprises	471	218
Other financial income	309	0
Exchange adjustments	4.155	0
	<u>5.024</u>	<u>218</u>
7 Financial expenses		
Impairment losses on financial assets	129	0
Interest paid to group enterprises	542	0
Other financial expenses	3.840	239
Exchange loss	0	13
	<u>4.511</u>	<u>252</u>

Notes to the Financial Statements

	Group	Parent Company
	2015	2015
	TUSD	TUSD
8 Tax on profit/loss for the year		
Current tax for the year	16	(5)
Adjustment of tax concerning previous years	(20)	0
	<u>(4)</u>	<u>(5)</u>

9 Intangible assets

Group

	Goodwill
	TUSD
Cost at 1 January	3.238
Cost at 31 December	<u>3.238</u>
Impairment losses and amortisation at 1 January	1.868
Amortisation for the year	322
Impairment losses and amortisation at 31 December	<u>2.190</u>
Carrying amount at 31 December	<u>1.048</u>
Amortised over	<u>5 years</u>

Notes to the Financial Statements

10 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Vessels
	TUSD	TUSD	TUSD
Cost at 1 January	12.750	4.787	180.090
Additions for the year	0	401	894
Disposals for the year	0	(183)	(1.685)
Cost at 31 December	<u>12.750</u>	<u>5.005</u>	<u>179.299</u>
Impairment losses and depreciation at 1 January	2.858	3.148	36.722
Exchange adjustment	0	(48)	0
Impairment losses for the year	6.000	0	0
Depreciation for the year	300	584	7.249
Reversal of impairment and depreciation of sold assets	0	(99)	0
Impairment losses and depreciation at 31 December	<u>9.158</u>	<u>3.585</u>	<u>43.971</u>
Carrying amount at 31 December	<u>3.592</u>	<u>1.420</u>	<u>135.328</u>
Depreciated over	<u>20-100 years</u>	<u>3-10 years</u>	<u>2-25 years</u>
Including assets under finance leases amounting to	<u>0</u>	<u>0</u>	<u>56.187</u>

Notes to the Financial Statements

	Group	Parent Company
	2015	2015
	TUSD	TUSD
11 Investments in subsidiaries		
Cost at 1 January	0	25.482
Additions for the year	0	1.632
Cost at 31 December	<u>0</u>	<u>27.114</u>
Value adjustments at 1 January	0	76.518
Exchange adjustment	0	(101)
Net profit/loss for the year	0	19.814
Dividend to the Parent Company	0	(1.900)
Other equity movements, net	0	(1.011)
Value adjustments at 31 December	<u>0</u>	<u>93.320</u>
Carrying amount at 31 December	<u>0</u>	<u>120.434</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Dannebrog Rederi A/S	Hørsholm, Denmark	DKK 69,000k	100 %
Nordana A/S	Hørsholm, Denmark	DKK 6,333k	100 %
Borgship III ApS	Hørsholm, Denmark	DKK 250k	100 %
Weco Managemet ApS	Hørsholm, Denmark	DKK 50k	100 %
Weco Projects ApS	Hørsholm, Denmark	DKK 50k	100 %
Weco RoRo ApS	Hørsholm, Denmark	DKK 50k	100 %
Weco Bulk A/S	Hørsholm, Denmark	DKK 2,000k	56 %
Weco Agencia	Spain		90 %

Notes to the Financial Statements

	Group	Parent Company
	2015	2015
	TUSD	TUSD
12 Investments in associates		
Cost at 1 January	14.546	0
Disposals for the year	(101)	0
Cost at 31 December	<u>14.445</u>	<u>0</u>
Value adjustments at 1 January	12.589	0
Disposals for the year	17	0
Exchange adjustment	(676)	0
Net profit/loss for the year	34.979	0
Dividends received	(21.088)	0
Other equity movements, net	563	0
Value adjustments at 31 December	<u>26.384</u>	<u>0</u>
Equity investments with negative net asset value transferred to provisions	<u>7</u>	<u>0</u>
Carrying amount at 31 December	<u>40.836</u>	<u>0</u>

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Stena Weco A/S	Hørsholm, Denmark	DKK 2,000k	50 %
Kronborg Shipping K/S	Hørsholm, Denmark	DKK 40,000k	72 %
Kronborg Management ApS	Hørsholm, Denmark	DKK 1,000k	72 %
N S Line ApS	Hørsholm, Denmark	DKK 125k	50 %
Nord Scan SRM Ltd.	England		50 %
The Agent Pte. Ltd.	Singapore		50 %
Thaiden Maritime Ltd.	Thailand		49 %
Medusa Denmark A/S	Hørsholm, Denmark	EUR 1,100k	50 %

Kronborg Shipping K/S and Kronborg Management ApS are regarded as associates as Weco Shipping Group due to shareholders' agreements is not able to exercise control over the companies..

Notes to the Financial Statements

13 Other fixed asset investments

	Group		
	Receivables from group enterprises	Other investments	Other receiv- ables
	TUSD	TUSD	TUSD
Cost at 1 January	14.500	833	641
Disposals for the year	(14.500)	0	(641)
Cost at 31 December	<u>0</u>	<u>833</u>	<u>0</u>
Revaluations at 1 January	0	206	0
Exchange adjustment	<u>0</u>	<u>(107)</u>	<u>0</u>
Revaluations at 31 December	<u>0</u>	<u>99</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>932</u>	<u>0</u>

14 Equity

The share capital consists of 35,000,000 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital since formation of the Company in 2015.

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>Group</u>	<u>Parent Company</u>
	2015	2015
	TUSD	TUSD
Credit institutions		
Between 1 and 5 years	26.950	26.950
Long-term part	26.950	26.950
Within 1 year	5.280	5.280
	32.230	32.230
Lease obligations		
Between 1 and 5 years	39.801	0
Long-term part	39.801	0
Within 1 year	2.408	0
	42.209	0

16 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

The Group has entered into operating lease agreements with a total future lease payment of TUSD 320.

Security

The Group has provided security for vessel-related debt totalling TUSD 32,229 by way of mortgages on the Group's vessels. The total carrying amount of the vessels concerned is TUSD 132,395.

The Group has placed a total cash deposit of TUSD 2,500 as security for the Group's vessel-related debt and SWAP agreements.

The Company has placed an security for associated debt of USD 9.5 million.

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations (continued)

Contractual obligations

The Group's contractual obligations relating to short-term chartering of vessels total TUSD 18,780.

The Group has entered agreements on acquisition of vessels as well as shares of vessels for a total amount of TUSD 29,760.

Contingent liabilities

There is a residual liability corresponding to the Group's share of the non-paid capital totalling USD 3.3 million tied to the Group's investment in associate.

As part of the ordinary shipping liner operations, the Group regularly receives loading claims from customers. The individual claims are provided for in the Financial Statements based on an individual assessment.

The Danish Group companies are jointly and severally liable for the tax on the Group's jointly taxed income.

At the withdrawal from the tonnage tax regime, a tax liability totalling USD 7.9 million is incumbent on the Group.

17 Related parties and ownership

Basis

Controlling interest

Weco Group A/S

Sole shareholder

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company Weco Group A/S.

Accounting Policies

Basis of Preparation

The Annual Report of Weco Shipping A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

This is the first accounting year.

Consolidated and Parent Company Financial Statements for 2015 are presented in TUSD.

With reference to section 96(3) of the Danish Financial Statements Act the fee to the auditors appointed at the general meeting has not been disclosed.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Weco Group A/S, the Company and the Group have not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Accounting Policies

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

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

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

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Income Statement

Revenue

Revenue is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Vessel operating costs

Vessel operating costs comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Accounting Policies

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment together with gains and losses on the sale of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

The Group is comprised by the tonnage tax regime. No provision is made for deferred tax since no deferred tax is expected to arise under the tonnage tax regime.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Accounting Policies

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	2-100 years
Other fixtures and fittings, tools and equipment	3-10 years
Vessels	2-25 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

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

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at USD 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Accounting Policies

Fixed asset investments

Other investments, recognised as fixed asset investments, consist of shares that are measured at their fair value at the balance sheet date.

Inventories

Inventories consists of bunkers and lube oil and are measured at the lower of cost under the FIFO method and net realisable value.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Current asset investments

Current asset investments, which consist of bonds and shares, are measured at their fair values at the balance sheet date.

Prepayments

Prepayments comprise prepaid expenses concerning charter, insurance premiums, etc.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Accounting Policies

Current tax receivables and liabilities

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

Financial debts

Loans, such as ,loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Accounting Policies

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year}}{\text{Average equity}}$