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# ***Weco Shipping A/S***

Rungsted Strandvej 113, DK-2960 Rungsted Kyst

## **Annual Report for 1 January - 31 December 2016**

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CVR No 36 95 90 96

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
17/5 2017

Rasmus Lund-Jacobsen  
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 2016.

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 2016 of the Company and the Group and of the results of the Company and Group operations for 2016.

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, 17 May 2017

## Executive Board

Johnny Schmølker

## Board of Directors

Johan Wedell-Wedellsborg  
Chairman

Oluf Myhrmann

Lars Kalstad Vedfelt

Johnny Schmølker

Jakob Vissing

Rasmus Lund-Jacobsen

# Independent Auditor's Report

To the Shareholder of Weco Shipping A/S

## Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Weco Shipping A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the Financial Statements").

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

# Independent Auditor's Report

## Management's responsibilities for the Financial Statements

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

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

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 17 May 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Flemming Eghoff  
State Authorised Public Accountant

Mark Philip Beer  
State Authorised Public Accountant

## 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  
Jakob Vissing  
Rasmus Lund-Jacobsen

### **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% Borgship IV 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

55% Weco Bulk A/S,  
Hørsholm, Denmark  
Nominal value of DKK 2,000k



# Financial Highlights

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

	Group	
	2016	2015
	TUSD	TUSD
<b>Key figures</b>		
<b>Profit/loss</b>		
Revenue	142.165	200.413
Operating profit/loss	-19.748	-17.683
Profit/loss before financial income and expenses	-12.691	-15.159
Net financials	-700	35.492
Net profit/loss for the year	-13.421	20.337
<b>Balance sheet</b>		
Balance sheet total	188.151	234.386
Equity	107.758	122.230
Investment in property, plant and equipment	2.671	1.295
Number of employees	107	197
<b>Ratios</b>		
Gross margin	9,4%	7,8%
Profit margin	-8,9%	-7,6%
Return on assets	-6,7%	-6,5%
Solvency ratio	57,3%	52,1%
Return on equity	-11,7%	18,1%

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

## Key activities

The primary activity of the Group is shipping operations.

## Development in the year

The income statement of the Group for 2016 shows a loss of TUSD 13,421, and at 31 December 2016 the balance sheet of the Group shows equity of TUSD 107,758.

The year was characterized by a market for the Tankers which deteriorated during the year, a Bulk market which improved during the year, and by tough RoRo- and Projects markets throughout the year.

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

Results for the year were below the expectations expressed in the Annual Report for 2015.

The liner activities experienced challenges filling up the two vessels east bound as US exports were reduced. In addition, the continued political instability in Venezuela, Libya and Turkey also influenced the results negatively. The tramp section continued to experience challenges, and Nordana Projects & Chartering was in June 2016 sold to Rickmers-Line. Nordana's multipurpose vessels will in the future operate in the time charter market, where more stable earnings are expected.

## 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.

# Management's Review

## *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.

## **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 2016 officers, crew and land-based staff were continuously educated and trained to maintain focus on safety and environment.

## Management's Review

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 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 2016 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 2016, 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.

## **Management's Review**

### **Subsequent events**

Due to challenging market conditions, the Board of Directors in March 2017 decided to close the transatlantic RoRo service, and the Nordana Ro/Ro vessels will in the future operate in the timecharter market where more stable earnings are expected.

Weco Shipping's 50% shares in Stena Weco were in March 2017 sold to Stena Bulk. The Tanker vessels owned and chartered by Weco Shipping will continue to be commercially managed by Stena Weco.

## Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2016	2015	2016	2015
		TUSD	TUSD	TUSD	TUSD
<b>Revenue</b>	1	<b>142.165</b>	<b>200.413</b>	<b>0</b>	<b>0</b>
Other operating income		7.057	2.524	0	0
Vessel operating costs		-130.405	-180.943	0	0
Other external expenses		-5.452	-6.418	-1.044	-123
<b>Gross profit/loss</b>		<b>13.365</b>	<b>15.576</b>	<b>-1.044</b>	<b>-123</b>
Staff expenses	2	-10.182	-16.331	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-15.874	-14.404	-44	0
<b>Profit/loss before financial income and expenses</b>		<b>-12.691</b>	<b>-15.159</b>	<b>-1.088</b>	<b>-123</b>
Income from investments in subsidiaries	4	0	0	-18.068	19.814
Income from investments in associates	5	2.088	34.979	6.144	0
Financial income	6	3.887	5.024	987	218
Financial expenses	7	-6.675	-4.511	-2.079	-252
<b>Profit/loss before tax</b>		<b>-13.391</b>	<b>20.333</b>	<b>-14.104</b>	<b>19.657</b>
Tax on profit/loss for the year	8	-30	4	73	5
<b>Net profit/loss for the year</b>		<b>-13.421</b>	<b>20.337</b>	<b>-14.031</b>	<b>19.662</b>

# Balance Sheet 31 December

## Assets

	Note	Group		Parent Company	
		2016 TUSD	2015 TUSD	2016 TUSD	2015 TUSD
Goodwill		0	1.048	0	0
<b>Intangible assets</b>	9	<b>0</b>	<b>1.048</b>	<b>0</b>	<b>0</b>
Land and buildings		0	3.592	0	0
Other fixtures and fittings, tools and equipment		1.657	1.420	1.008	0
Vessels		102.567	135.328	0	0
<b>Property, plant and equipment</b>	10	<b>104.224</b>	<b>140.340</b>	<b>1.008</b>	<b>0</b>
Investments in subsidiaries	11	0	0	104.414	120.434
Investments in associates	12	40.647	40.836	33.426	0
Other investments	13	772	932	0	0
<b>Fixed asset investments</b>		<b>41.419</b>	<b>41.768</b>	<b>137.840</b>	<b>120.434</b>
<b>Fixed assets</b>		<b>145.643</b>	<b>183.156</b>	<b>138.848</b>	<b>120.434</b>
<b>Inventories</b>		<b>1.548</b>	<b>3.225</b>	<b>0</b>	<b>0</b>
Trade receivables		5.334	8.802	0	0
Receivables from group enterprises		0	1.962	36.570	33.030
Receivables from associates		2.322	5.658	2.247	0
Other receivables		14.933	11.475	99	0
Corporation tax		0	32	0	0
Prepayments		1.916	3.041	157	164
<b>Receivables</b>		<b>24.505</b>	<b>30.970</b>	<b>39.073</b>	<b>33.194</b>
<b>Cash at bank and in hand</b>		<b>16.455</b>	<b>17.035</b>	<b>4.197</b>	<b>0</b>
<b>Currents assets</b>		<b>42.508</b>	<b>51.230</b>	<b>43.270</b>	<b>33.194</b>
<b>Assets</b>		<b>188.151</b>	<b>234.386</b>	<b>182.118</b>	<b>153.628</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	Group		Parent Company	
		2016 TUSD	2015 TUSD	2016 TUSD	2015 TUSD
Share capital		5.718	5.718	5.718	5.718
Reserve for net revaluation under the equity method		0	26.384	1.019	93.320
Retained earnings		99.971	80.289	98.952	13.353
Proposed dividend for the year		0	8.170	0	8.170
<b>Equity attributable to shareholders of the Parent Company</b>		<b>105.689</b>	<b>120.561</b>	<b>105.689</b>	<b>120.561</b>
Minority interests		2.069	1.669	0	0
<b>Equity</b>		<b>107.758</b>	<b>122.230</b>	<b>105.689</b>	<b>120.561</b>
Provisions relating to investments in associates		8	7	0	0
<b>Provisions</b>		<b>8</b>	<b>7</b>	<b>0</b>	<b>0</b>
Credit institutions		0	26.950	0	26.950
Lease obligations		35.745	39.801	0	0
Other payables		2.741	0	2.741	0
<b>Long-term debt</b>	15	<b>38.486</b>	<b>66.751</b>	<b>2.741</b>	<b>26.950</b>



## Balance 31. december

### Liabilities and equity

	Note	Group		Parent Company	
		2016	2015	2016	2015
		TUSD	TUSD	TUSD	TUSD
Credit institutions	15	20.980	5.280	20.980	5.280
Lease obligations	15	2.654	2.408	0	0
Prepayments received from customers		1.798	2.713	0	0
Trade payables		7.185	13.789	0	0
Payables to group enterprises		3.115	73	49.910	837
Payables to associates		0	2.129	0	0
Corporation tax		17	0	0	0
Other payables	15	6.150	19.006	2.798	0
<b>Short-term debt</b>		<b>41.899</b>	<b>45.398</b>	<b>73.688</b>	<b>6.117</b>
<b>Debt</b>		<b>80.385</b>	<b>112.149</b>	<b>76.429</b>	<b>33.067</b>
<b>Liabilities and equity</b>		<b>188.151</b>	<b>234.386</b>	<b>182.118</b>	<b>153.628</b>
Distribution of profit	14				
Contingent assets, liabilities and other financial obligations	16				
Related parties	17				

## Statement of Changes in Equity

### Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
Equity at 1 January	5.718	26.384	80.289	8.170	120.561	1.669	122.230
Ordinary dividend paid	0	0	0	-8.170	-8.170	0	-8.170
Exchange adjustments relating to foreign entities	0	-201	32	0	-169	0	-169
Other equity movements	0	-29.054	7.297	0	-21.757	-210	-21.967
Net profit/loss for the year	0	2.871	12.353	0	15.224	610	15.834
<b>Equity at 31 December</b>	<b>5.718</b>	<b>0</b>	<b>99.971</b>	<b>0</b>	<b>105.689</b>	<b>2.069</b>	<b>107.758</b>

### Parent Company

Equity at 1 January	5.718	93.320	13.353	8.170	120.561	0	120.561
Ordinary dividend paid	0	0	0	-8.170	-8.170	0	-8.170
Exchange adjustments relating to foreign entities	0	-313	32	0	-281	0	-281
Other equity movements	0	-83.706	7.297	0	-76.409	0	-76.409
Net profit/loss for the year	0	-8.282	78.270	0	69.988	0	69.988
<b>Equity at 31 December</b>	<b>5.718</b>	<b>1.019</b>	<b>98.952</b>	<b>0</b>	<b>105.689</b>	<b>0</b>	<b>105.689</b>

# Notes to the Financial Statements

	Group		Parent Company	
	2016 TUSD	2015 TUSD	2016 TUSD	2015 TUSD
<b>1 Revenue</b>				
<b>Geographical segments</b>				
Globally	142.165	200.413	0	0
	<b>142.165</b>	<b>200.413</b>	<b>0</b>	<b>0</b>
<b>Business segments</b>				
Freight income	31.464	9.108	0	0
Time charter	66.380	64.293	0	0
Line service	44.321	127.012	0	0
	<b>142.165</b>	<b>200.413</b>	<b>0</b>	<b>0</b>
<b>2 Staff expenses</b>				
Wages and salaries	8.710	13.917	0	0
Pensions	718	1.675	0	0
Other social security expenses	146	158	0	0
Other staff expenses	608	581	0	0
	<b>10.182</b>	<b>16.331</b>	<b>0</b>	<b>0</b>
<b>Average number of employees</b>	<b>107</b>	<b>197</b>	<b>0</b>	<b>0</b>
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>				
Amortisation of intangible assets	1.047	322	0	0
Depreciation of property, plant and equipment	10.925	8.133	44	0
Impairment of property, plant and equipment	0	6.000	0	0
Gain and loss on disposal	3.902	-51	0	0
	<b>15.874</b>	<b>14.404</b>	<b>44</b>	<b>0</b>

## Notes to the Financial Statements

	<b>Parent Company</b>	
	2016	2015
	TUSD	TUSD
<b>4 Income from investments in subsidiaries</b>		
Income from investments in group enterprises	-12.531	19.814
Depreciation, Good-/badwill	-5.537	0
	<b>-18.068</b>	<b>19.814</b>

	<b>Group</b>		<b>Parent Company</b>	
	2016	2015	2016	2015
	TUSD	TUSD	TUSD	TUSD
<b>5 Income from investments in associates</b>				
Share of profits of associates	2.870	34.979	7.084	0
Amortisation of goodwill	1.795	0	-1.285	0
Loss from sale of associates	-2.565	0	357	0
Profit from sale of associates	-12	0	-12	0
	<b>2.088</b>	<b>34.979</b>	<b>6.144</b>	<b>0</b>

<b>6 Financial income</b>				
Income from fixed asset investments	110	89	0	0
Interest received from group enterprises	2.853	471	939	218
Other financial income	331	309	48	0
Exchange adjustments	593	4.155	0	0
	<b>3.887</b>	<b>5.024</b>	<b>987</b>	<b>218</b>

<b>7 Financial expenses</b>				
Impairment losses on financial assets	499	129	0	0
Interest paid to group enterprises	2.868	542	980	0
Other financial expenses	3.308	3.840	974	239
Exchange loss	0	0	125	13
	<b>6.675</b>	<b>4.511</b>	<b>2.079</b>	<b>252</b>

## Notes to the Financial Statements

	<b>Group</b>		<b>Parent Company</b>	
	2016	2015	2016	2015
	TUSD	TUSD	TUSD	TUSD
<b>8 Tax on profit/loss for the year</b>				
Current tax for the year	-40	16	-67	-5
Adjustment of tax concerning previous years	70	-20	-6	0
	<b>30</b>	<b>-4</b>	<b>-73</b>	<b>-5</b>

## 9 Intangible assets

### Group

	<u>Goodwill</u> TUSD
Cost at 1 January	3.238
Disposals for the year	<u>-3.238</u>
Impairment losses and amortisation at 1 January	2.190
Amortisation for the year	1.047
Reversal of amortisation of disposals for the year	<u>-3.237</u>
Impairment losses and amortisation at 31 December	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>
Amortised over	<u>5 years</u>

# Notes to the Financial Statements

## 10 Property, plant and equipment

### Group

	Land and buildings TUSD	Other fixtures and fittings, tools and equipment TUSD	Vessels TUSD
Cost at 1 January	12.750	5.005	179.299
Additions for the year	0	1.755	916
Disposals for the year	-12.750	-3.755	-46.331
Cost at 31 December	<u>0</u>	<u>3.005</u>	<u>133.884</u>
Impairment losses and depreciation at 1 January	9.158	3.585	43.971
Exchange adjustment	0	-78	0
Depreciation for the year	0	410	10.515
Reversal of impairment and depreciation of sold assets	-9.158	-2.569	-23.169
Impairment losses and depreciation at 31 December	<u>0</u>	<u>1.348</u>	<u>31.317</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>	<b><u>1.657</u></b>	<b><u>102.567</u></b>
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>53.937</u>

### Parent Company

	Other fixtures and fittings, tools and equipment TUSD	Total TUSD
Additions for the year	<u>1.052</u>	<u>1.052</u>
Kostpris at 31 December	<u>1.052</u>	<u>1.052</u>
Depreciation for the year	<u>44</u>	<u>44</u>
Impairment losses and depreciation at 31 December	<u>44</u>	<u>44</u>
<b>Carrying amount at 31 December</b>	<b><u>1.008</u></b>	<b><u>1.008</u></b>
Depreciated over	<u>3-10 years</u>	

# Notes to the Financial Statements

	<b>Parent Company</b>	
	2016	2015
	TUSD	TUSD
<b>11 Investments in subsidiaries</b>		
Cost at 1 January	27.114	25.482
Additions for the year	77.701	1.632
Disposals for the year	-242	0
Cost at 31 December	<u>104.573</u>	<u>27.114</u>
Value adjustments at 1 January	93.320	76.518
Disposals for the year	-77.416	0
Exchange adjustment	0	-101
Net profit/loss for the year	-12.531	19.814
Dividend to the Parent Company	0	-1.900
Other equity movements, net	-9.290	-1.011
Amortisation of goodwill	5.537	0
Value adjustments at 31 December	<u>-380</u>	<u>93.320</u>
Equity investments with negative net asset value amortised over receivables	<u>221</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>104.414</u></b>	<b><u>120.434</u></b>

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 Management			
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	55%
Borgship IV ApS	Hørsholm, Denmark	DKK 250k	100%

## Notes to the Financial Statements

	Group		Parent Company	
	2016 TUSD	2015 TUSD	2016 TUSD	2015 TUSD
<b>12 Investments in associates</b>				
Cost at 1 January	14.445	14.546	0	0
Additions for the year	32.407	0	32.407	0
Disposals for the year	-5.895	-101	0	0
Cost at 31 December	40.957	14.445	32.407	0
Value adjustments at 1 January	26.384	12.589	0	0
Disposals for the year	-26.419	17	0	0
Exchange adjustment	-201	-676	-313	0
Net profit/loss for the year	2.871	34.979	7.084	0
Dividends received	-10.390	-21.088	-10.000	0
Other equity movements, net	7.225	563	4.248	0
Value adjustments at 31 December	-530	26.384	1.019	0
Equity investments with negative net asset value amortised over receivables	212	0	0	0
Equity investments with negative net asset value transferred to provisions	8	7	0	0
<b>Carrying amount at 31 December</b>	<b>40.647</b>	<b>40.836</b>	<b>33.426</b>	<b>0</b>



## Notes to the Financial Statements

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 Managemet ApS	Hørsholm, Denmark	DKK 1,000k	72%
N S Line ApS	Hørsholm, Denmark	DKK 125k	50%
Nord Scan Line K/S	Hørsholm, Denmark		50%
The Agent Pte. Ltd.	Singapore		50%
Thaiden Maritime Ltd.	Thailand		49%
Medusa Denmark A/S	Hørsholm, Denmark	EUR 1,100k	50%

All foreign associates are recognised and measured as separate entities.

### 13 Other fixed asset investments

	<b>Group</b>
	Other investments
	TUSD
Cost at 1 January	833
Cost at 31 December	833
Revaluations at 1 January	99
Exchange adjustment	-99
Revaluations at 31 December	0
Exchange adjustment	61
Impairment losses at 31 December	61
<b>Carrying amount at 31 December</b>	<b>772</b>

## Notes to the Financial Statements

	Group		Parent Company	
	2016	2015	2016	2015
	TUSD	TUSD	TUSD	TUSD
<b>14 Distribution of profit</b>				
Proposed dividend for the year	0	8.170	0	8.170
Reserve for net revaluation under the equity method	-26.384	13.908	-92.301	17.914
Minority interests' share of net profit/loss of subsidiaries	610	675	0	0
Retained earnings	12.353	-2.416	78.270	-6.422
	<b>-13.421</b>	<b>20.337</b>	<b>-14.031</b>	<b>19.662</b>

### 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:

#### Credit institutions

Between 1 and 5 years	0	26.950	0	26.950
Long-term part	0	26.950	0	26.950
Within 1 year	20.980	5.280	20.980	5.280
	<b>20.980</b>	<b>32.230</b>	<b>20.980</b>	<b>32.230</b>

#### Lease obligations

Between 1 and 5 years	35.745	39.801	0	0
Long-term part	35.745	39.801	0	0
Within 1 year	2.654	2.408	0	0
	<b>38.399</b>	<b>42.209</b>	<b>0</b>	<b>0</b>

#### Other payables

After 5 years	1.929	0	1.929	0
Between 1 and 5 years	812	0	812	0
Long-term part	2.741	0	2.741	0
Other short-term payables	6.150	19.006	2.798	0
	<b>8.891</b>	<b>19.006</b>	<b>5.539</b>	<b>0</b>

# Notes to the Financial Statements

## 16 Contingent assets, liabilities and other financial obligations

### Charges and security

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

### Contractual obligations

The Group's contractual obligations relating to short-term chartering of vessels total TUSD 111,442.

The Group has entered agreements on acquisition of vessels as well as shares of vessels for a total amount of TUSD 49,078.

### Other contingent liabilities

There is a residual liability corresponding to the Group's share of the non-paid capital totalling USD 3.6 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 Group have received a claim regarding a cancellation of a newbuilding in 2015, due to delayed delivery of a vessel. No significant expenses are expected to be imposed on the Group as a result of the claim.

The Group has provided security for vessel-related debt totalling TUSD 20,980 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 1,500 as security for the Group's vessel-related debt.

The Company has placed an security for associated debt of USD 8.7 million.

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

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

# Notes to the Financial Statements

## 17 Related parties

### 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

Name

Place of registered office

Weco A/S

Hørsholm

## **Notes, Accounting Policies**

### **Basis of Preparation**

The Annual Report of Weco Shipping A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2016 are presented in TUSD. Applied US Dollar exchange rate on the 31st of December 2016 : 705,280 (2015 : 683,000).

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 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.

### **Basis of consolidation**

The Consolidated Financial Statements comprise the Parent Company, Weco Shipping A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

## **Notes, Accounting Policies**

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

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

### **Minority interests**

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

### **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.

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.

## **Notes, Accounting Policies**

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.

### **Revenue**

Information on business segments and geographical segments based on the Group's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

## **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.

### **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.

## Notes, Accounting Policies

### 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.

### 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
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## Notes, Accounting Policies

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 the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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.

### 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.

## **Notes, Accounting Policies**

### **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.

### **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.

## Notes, Accounting Policies

### 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.

## 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	$\frac{\text{Net profit for the year}}{\text{Average equity}}$