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

Rungsted Strandvej 113, DK-2960 Rungsted Kyst

## **Annual Report for 1 January - 31 December 2018**

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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  
24/4 2019

Rasmus Lund-Jacobsen  
Chairman of the General  
Meeting



**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 2018.

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 2018 of the Company and the Group and of the results of the Company and Group operations for 2018.

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, 24 April 2019

## Executive Board

Rasmus Lund-Jacobsen

## Board of Directors

Johan Wedell-Wedellsborg  
Chairman

Oluf Myhrmann

Rasmus Lund-Jacobsen

Jakob Vissing

# 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 2018 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2018 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 2018, 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, 24 April 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Flemming Eghoff  
State Authorised Public Accountant  
mne30221

Mark Philip Beer  
State Authorised Public Accountant  
mne29472

## **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  
Rasmus Lund-Jacobsen  
Jakob Vissing

### **Executive Board**

Rasmus Lund-Jacobsen

### **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%	NOR 1957 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%	Borgship VI, Hørsholm, Denmark Nominal value of DKK 50k
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
53%	Weco Bulk A/S, Hørsholm, Denmark Nominal value of DKK 2,000k
100%	Borgship II ApS Hørsholm, Denmark Nominal value of DKK 250k
100%	Borgship VII Komplementar ApS Hørsholm, Denmark Nominal value of DKK 250k
76,5%	Borgship VII P/S Hørsholm, Denmark Nominal value of DKK 250k



## Financial Highlights

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

	<b>Group</b>			
	2018 TUSD	2017 TUSD	2016 TUSD	2015 TUSD
<b>Key figures</b>				
<b>Profit/loss</b>				
Revenue	162.100	124.633	142.165	200.413
Operating profit/loss	-7.329	-15.597	-19.748	-17.683
Profit/loss before financial income and expenses	-4.860	-13.760	-12.691	-15.159
Net financials	3.688	2.325	-700	35.492
Net profit/loss for the year	-1.131	-11.311	-13.421	20.337
<b>Balance sheet</b>				
Balance sheet total	153.291	161.341	188.151	234.386
Equity	89.787	96.946	107.758	122.230
Investment in property, plant and equipment	3.752	406	2.671	1.295
Number of employees	47	83	107	197
<b>Ratios</b>				
Gross margin	1,4%	3,2%	9,4%	7,8%
Profit margin	-3,0%	-11,0%	-8,9%	-7,6%
Return on assets	-3,2%	-8,5%	-6,7%	-6,5%
Solvency ratio	58,6%	60,1%	57,3%	52,1%
Return on equity	-1,2%	-11,1%	-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 2018 shows a loss of TUSD 1,131, and at 31 December 2018 the balance sheet of the Group shows equity of TUSD 89,787.

The year was characterized by stable earnings from the Group's Project and RoRo vessels through improved TC contracts, a poor tanker market with losses on the commercial management of the Groups tanker vessels, and a continued and profitable growth of the Group's dry bulk activities.

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

Results for the year are in line with the expectations expressed in the Annual Report for 2017.

After two years of transformation in 2016 and 2017 with losses to follow, management is pleased with the positive development in both revenue and result for 2018. The Group have secured improved TC earnings on the Project and RoRo vessels, and have been pleased with the profitable growth of the dry bulk activities.

The Group's tanker vessels incurred losses in 2018, and management decided mid-2018 to re-let four long-term chartered MR vessels to other tanker operators in the industry. The charter rates in these four re-let TC contracts, although better than the spot market, were below the original charter rates owed to owners. The Group have hence made a provision for loss giving MR vessel TC contracts in 2019 and 2020 – without which the Group's result for 2018 would have been positive.

## 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 vessels and fuel. Management continuously assesses the extent to which it is relevant to take measures against these market fluctuations, e.g. 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.

# Management's Review

## *Foreign exchange risks*

Most of the income from shipping activities is in USD and EUR with most operational expenses as well as financial expenses being in USD, and administrative expenses being in USD and DKK.

## *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

## **Targets and expectations for the year ahead**

Management expects stable earnings from the Group's Project and RoRo vessels, and improved earnings from the owned tanker vessels in commercial management. Management expects to continue the profitable growth of its dry bulk activities, while continuously managing exposure to market risks.

## **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**

Please refer to the Group's CSR description disclosed in the annual report for Weco A/S 2018 (Cvr. no.: 29622868).

# Management's Review

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

### *Target for the Board of WECO Shipping A/S*

In 2014 WECO Shipping A/S set a target to have 40% women on the Board of Directors by 2018. Being a company managed directly by the owners and given the development of the business, it has not been possible for WECO Shipping A/S to either add or occupy one of the five positions of the Board with a woman. In general, there are not many female candidates available, and further the general assembly and the owners have not seen the need to make adjustments to the current board leading to that there are still only men on the Board at the end of 2018.

For 2019 WECO Shipping A/S have set a new target of having one woman on the Board of Directors no later than at the end of 2024.

### *Policy for increasing the number of women on other management levels*

WECO Shipping A/S has less than 50 employees and are consequently not required to author and report upon a policy to increase the number of women on other management 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	Group		Parent Company	
		2018	2017	2018	2017
		TUSD	TUSD	TUSD	TUSD
<b>Revenue</b>	1	<b>162.100</b>	<b>124.633</b>	<b>0</b>	<b>0</b>
Other operating income		0	1.837	0	0
Vessel operating costs		-154.907	-118.150	0	0
Other external expenses		-4.924	-4.390	-1.406	-1.182
<b>Gross profit/loss</b>		<b>2.269</b>	<b>3.930</b>	<b>-1.406</b>	<b>-1.182</b>
Staff expenses	2	-5.878	-11.483	-94	-3.471
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-3.720	-6.207	-105	-105
Other operating expenses		2.469	0	0	0
<b>Profit/loss before financial income and expenses</b>		<b>-4.860</b>	<b>-13.760</b>	<b>-1.605</b>	<b>-4.758</b>
Income from investments in subsidiaries	4	36	0	-3.111	-19.103
Income from investments in associates	5	4.967	10.584	449	10.781
Financial income	6	2.554	194	2.506	2.107
Financial expenses	7	-3.869	-8.453	-162	-1.115
<b>Profit/loss before tax</b>		<b>-1.172</b>	<b>-11.435</b>	<b>-1.923</b>	<b>-12.088</b>
Tax on profit/loss for the year	8	41	124	0	148
<b>Net profit/loss for the year</b>		<b>-1.131</b>	<b>-11.311</b>	<b>-1.923</b>	<b>-11.940</b>

# Balance Sheet 31 December

## Assets

	Note	Group		Parent Company	
		2018 TUSD	2017 TUSD	2018 TUSD	2017 TUSD
Other fixtures and fittings, tools and equipment		1.413	1.417	798	903
Vessels		95.435	97.749	0	0
<b>Property, plant and equipment</b>	9	<b>96.848</b>	<b>99.166</b>	<b>798</b>	<b>903</b>
Investments in subsidiaries	10	0	0	19.312	22.551
Investments in associates	11	19.201	15.473	1.052	598
Other investments	12	155	303	0	0
<b>Fixed asset investments</b>		<b>19.356</b>	<b>15.776</b>	<b>20.364</b>	<b>23.149</b>
<b>Fixed assets</b>		<b>116.204</b>	<b>114.942</b>	<b>21.162</b>	<b>24.052</b>
<b>Inventories</b>		<b>3.212</b>	<b>1.471</b>	<b>0</b>	<b>0</b>
Trade receivables		3.684	7.032	14	0
Receivables from group enterprises		0	0	68.562	63.137
Receivables from associates		4.646	3.860	0	0
Other receivables		4.293	7.755	500	485
Corporation tax		157	104	0	0
Prepayments	13	5.045	3.884	0	0
<b>Receivables</b>		<b>17.825</b>	<b>22.635</b>	<b>69.076</b>	<b>63.622</b>
<b>Cash at bank and in hand</b>		<b>16.050</b>	<b>22.293</b>	<b>759</b>	<b>10.370</b>
<b>Currents assets</b>		<b>37.087</b>	<b>46.399</b>	<b>69.835</b>	<b>73.992</b>
<b>Assets</b>		<b>153.291</b>	<b>161.341</b>	<b>90.997</b>	<b>98.044</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	Group		Parent Company	
		2018 TUSD	2017 TUSD	2018 TUSD	2017 TUSD
Share capital		5.718	5.718	5.718	5.718
Retained earnings		80.943	82.944	80.943	82.944
Proposed dividend for the year		0	6.000	0	6.000
<b>Equity attributable to shareholders of the Parent Company</b>		<b>86.661</b>	<b>94.662</b>	<b>86.661</b>	<b>94.662</b>
Minority interests		3.126	2.284	0	0
<b>Equity</b>		<b>89.787</b>	<b>96.946</b>	<b>86.661</b>	<b>94.662</b>
Provisions relating to investments in group enterprises		0	0	1.712	591
<b>Provisions</b>		<b>0</b>	<b>0</b>	<b>1.712</b>	<b>591</b>
Lease obligations		40.878	46.982	0	0
Other payables		2.335	2.541	2.335	2.538
<b>Long-term debt</b>	15	<b>43.213</b>	<b>49.523</b>	<b>2.335</b>	<b>2.538</b>
Lease obligations	15	4.084	3.520	0	0
Prepayments received from customers		675	1.846	0	0
Trade payables		2.048	2.100	36	51
Payables to group enterprises		1.409	1.584	0	0
Payables to associates		1.266	64	0	0
Other payables	15	2.356	5.758	253	202
Deferred income	16	8.453	0	0	0
<b>Short-term debt</b>		<b>20.291</b>	<b>14.872</b>	<b>289</b>	<b>253</b>
<b>Debt</b>		<b>63.504</b>	<b>64.395</b>	<b>2.624</b>	<b>2.791</b>
<b>Liabilities and equity</b>		<b>153.291</b>	<b>161.341</b>	<b>90.997</b>	<b>98.044</b>
Distribution of profit	14				
Contingent assets, liabilities and other financial obligations	17				
Related parties	18				
Accounting Policies	19				

## Statement of Changes in Equity

### Group

	Share capital	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD
Equity at 1 January	5.718	82.944	6.000	94.662	2.284	96.946
Ordinary dividend paid	0	0	-6.000	-6.000	0	-6.000
Exchange adjustments relating to foreign entities	0	-78	0	-78	-4	-82
Other equity movements	0	0	0	0	54	54
Net profit/loss for the year	0	-1.923	0	-1.923	792	-1.131
<b>Equity at 31 December</b>	<b>5.718</b>	<b>80.943</b>	<b>0</b>	<b>86.661</b>	<b>3.126</b>	<b>89.787</b>

### Parent Company

Equity at 1 January	5.718	82.944	6.000	94.662	0	94.662
Ordinary dividend paid	0	0	-6.000	-6.000	0	-6.000
Exchange adjustments relating to foreign entities	0	-78	0	-78	0	-78
Net profit/loss for the year	0	-1.923	0	-1.923	0	-1.923
<b>Equity at 31 December</b>	<b>5.718</b>	<b>80.943</b>	<b>0</b>	<b>86.661</b>	<b>0</b>	<b>86.661</b>



# Notes to the Financial Statements

	Group		Parent Company	
	2018 TUSD	2017 TUSD	2018 TUSD	2017 TUSD
<b>1 Revenue</b>				
<b>Geographical segments</b>				
Globally	162.100	124.633	0	0
	<b>162.100</b>	<b>124.633</b>	<b>0</b>	<b>0</b>
<b>Business segments</b>				
Freight income	93.039	50.826	0	0
Time charter	69.061	73.375	0	0
Line service	0	432	0	0
	<b>162.100</b>	<b>124.633</b>	<b>0</b>	<b>0</b>
<b>2 Staff expenses</b>				
Wages and salaries	4.954	10.410	94	3.471
Pensions	415	292	0	0
Other social security expenses	72	196	0	0
Other staff expenses	437	585	0	0
	<b>5.878</b>	<b>11.483</b>	<b>94</b>	<b>3.471</b>
<b>Including remuneration to the Executive Board and Board of Directors</b>	<b>1.945</b>	<b>1.667</b>	<b>1.945</b>	<b>1.667</b>
<b>Average number of employees</b>	<b>47</b>	<b>83</b>	<b>1</b>	<b>1</b>

## Notes to the Financial Statements

	Group		Parent Company	
	2018 TUSD	2017 TUSD	2018 TUSD	2017 TUSD
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>				
Depreciation of property, plant and equipment	5.083	5.355	105	105
Gain and loss on disposal	-1.363	852	0	0
	<b>3.720</b>	<b>6.207</b>	<b>105</b>	<b>105</b>
<b>4 Income from investments in subsidiaries</b>				
Results from investments in group enterprises	0	0	-3.320	-20.107
Depreciation, Good-/badwill	0	0	173	1.004
Profit from sale of group enterprises	36	0	36	0
	<b>36</b>	<b>0</b>	<b>-3.111</b>	<b>-19.103</b>
<b>5 Income from investments in associates</b>				
Results from associates	4.678	-4.422	449	-4.924
Amortisation of goodwill	289	265	0	0
Loss from sale of associates	0	-969	0	0
Profit from sale of associates	0	15.710	0	15.705
	<b>4.967</b>	<b>10.584</b>	<b>449</b>	<b>10.781</b>

## Notes to the Financial Statements

	Group		Parent Company	
	2018 TUSD	2017 TUSD	2018 TUSD	2017 TUSD
<b>6 Financial income</b>				
Interest received from group enterprises	0	0	1.937	1.651
Other financial income	174	194	75	105
Exchange gains	2.380	0	494	351
	<b>2.554</b>	<b>194</b>	<b>2.506</b>	<b>2.107</b>
<b>7 Financial expenses</b>				
Impairment losses on financial assets	66	575	0	0
Interest paid to group enterprises	0	0	0	432
Other financial expenses	2.945	3.230	162	683
Exchange loss	858	4.648	0	0
	<b>3.869</b>	<b>8.453</b>	<b>162</b>	<b>1.115</b>
<b>8 Tax on profit/loss for the year</b>				
Current tax for the year	-76	-124	0	-148
Adjustment of tax concerning previous years	35	0	0	0
	<b>-41</b>	<b>-124</b>	<b>0</b>	<b>-148</b>

# Notes to the Financial Statements

## 9 Property, plant and equipment

### Group

	Other fixtures and fittings, tools and equipment TUSD	Vessels TUSD
Cost at 1 January	2.950	134.028
Additions for the year	420	3.332
Disposals for the year	-309	-769
Cost at 31 December	<u>3.061</u>	<u>136.591</u>
Impairment losses and depreciation at 1 January	1.533	36.279
Depreciation for the year	206	4.877
Impairment and depreciation of sold assets for the year	-91	0
Impairment losses and depreciation at 31 December	<u>1.648</u>	<u>41.156</u>
<b>Carrying amount at 31 December</b>	<b><u>1.413</u></b>	<b><u>95.435</u></b>
Depreciated over	<u>3-10 years</u>	<u>2-25 years</u>
Including assets under finance leases amounting to	<u>0</u>	<u>67.218</u>

### Parent Company

	Other fixtures and fittings, tools and equipment TUSD
Cost at 1 January	<u>1.052</u>
Kostpris at 31 December	<u>1.052</u>
Impairment losses and depreciation at 1 January	149
Depreciation for the year	<u>105</u>
Impairment losses and depreciation at 31 December	<u>254</u>
<b>Carrying amount at 31 December</b>	<b><u>798</u></b>
Depreciated over	<u>3-10 years</u>

# Notes to the Financial Statements

	<b>Parent Company</b>	
	2018	2017
	TUSD	TUSD
<b>10 Investments in subsidiaries</b>		
Cost at 1 January	104.580	104.573
Additions for the year	55	7
Disposals for the year	-42	0
Cost at 31 December	<u>104.593</u>	<u>104.580</u>
Value adjustments at 1 January	-89.778	-380
Exchange adjustment	-29	0
Net profit/loss for the year	-3.320	-20.106
Dividend to the Parent Company	0	-70.545
Other equity movements, net	0	249
Amortisation of goodwill/badwill	173	1.004
Reversals for the year of revaluations in previous years	-16	0
Value adjustments at 31 December	<u>-92.970</u>	<u>-89.778</u>
Equity investments with negative net asset value amortised over receivables	<u>5.977</u>	<u>7.158</u>
Equity investments with negative net asset value transferred to provisions	<u>1.712</u>	<u>591</u>
<b>Carrying amount at 31 December</b>	<b><u>19.312</u></b>	<b><u>22.551</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%
NOR 1957 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	53%
Borgship IV ApS	Hørsholm, Denmark	DKK 250k	100%
Borgship VI ApS	Hørsholm, Denmark	DKK 50k	100%
Borgship VII Komplementar ApS	Hørsholm, Denmark	DKK 50k	100%
Borgship II ApS	Hørsholm, Denmark	DKK 250k	100%

## Notes to the Financial Statements

### 10 Investments in subsidiaries (continued)

Name	Place of registered office	Share capital	Votes and ownership
Borgship VII P/S	Hørsholm, Denmark	DKK 500k	77%

	Group		Parent Company	
	2018 TUSD	2017 TUSD	2018 TUSD	2017 TUSD
<b>11 Investments in associates</b>				
Cost at 1 January	22.393	40.957	5.769	32.407
Additions for the year	3.098	8.074	40	0
Disposals for the year	0	-26.638	0	-26.638
Cost at 31 December	25.491	22.393	5.809	5.769
Value adjustments at 1 January	-6.920	-530	-5.171	1.019
Disposals for the year	0	-2.903	0	-1.935
Exchange adjustment	-37	654	-35	669
Net profit/loss for the year	4.678	-4.422	449	-4.924
Dividends received	-4.300	0	0	0
Other equity movements, net	0	16	0	0
Amortisation of goodwill	289	265	0	0
Value adjustments at 31 December	-6.290	-6.920	-4.757	-5.171
<b>Carrying amount at 31 December</b>	<b>19.201</b>	<b>15.473</b>	<b>1.052</b>	<b>598</b>

## Notes to the Financial Statements

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Stenwec I P/S	Hørsholm, Denmark	DKK 500k	50%
Komplementarselskabet Stenwec ApS	Hørsholm, Denmark	DKK 50k	50%
Kronborg Managemet ApS	Hørsholm, Denmark	DKK 1,000k	72%
Kronborg Shipping K/S	Hørsholm, Denmark	DKK 40,000K	72%
Areto Holding Inc	Liberia	USD 0k	50%
Golden Weco Bulk	Liberia	USD 0k	50%
Thaiden Maritime Ltd.	Thailand	USD 7,139K	49%
Golden Weco Dry	Liberia	USD 0k	50%
Medusa Denmark A/S	Hørsholm, Denmark	EUR 1,100k	50%

All foreign associates are recognised and measured as separate entities.

### 12 Other fixed asset investments

	<b>Group</b>
	Other
	investments
	TUSD
Cost at 1 January	833
Cost at 31 December	833
Impairment losses at 1 January	530
Impairment losses for the year	148
Impairment losses at 31 December	678
<b>Carrying amount at 31 December</b>	<b>155</b>

### 13 Prepayments

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

## Notes to the Financial Statements

	Group		Parent Company	
	2018	2017	2018	2017
	TUSD	TUSD	TUSD	TUSD
<b>14 Distribution of profit</b>				
Proposed dividend for the year	0	6.000	0	6.000
Reserve for net revaluation under the equity method	0	0	0	-1.019
Minority interests' share of net profit/loss of subsidiaries	792	629	0	0
Retained earnings	-1.923	-17.940	-1.923	-16.921
	<b>-1.131</b>	<b>-11.311</b>	<b>-1.923</b>	<b>-11.940</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:

#### Lease obligations

After 5 years	6.833	7.333	0	0
Between 1 and 5 years	34.045	39.649	0	0
Long-term part	40.878	46.982	0	0
Within 1 year	4.084	3.520	0	0
	<b>44.962</b>	<b>50.502</b>	<b>0</b>	<b>0</b>

#### Other payables

After 5 years	1.523	1.726	1.523	1.726
Between 1 and 5 years	812	815	812	812
Long-term part	2.335	2.541	2.335	2.538
Other short-term payables	2.356	5.758	253	202
	<b>4.691</b>	<b>8.299</b>	<b>2.588</b>	<b>2.740</b>

### 16 Deferred income

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



# Notes to the Financial Statements

## 17 Contingent assets, liabilities and other financial obligations

### Security

The Group has placed security for associated companies' debt of tUSD 8,400 (2017: tUSD 10,500).

### Rental agreements and leases

The Group has entered into operating lease agreements with a total future lease payment of tUSD 220 (2017: tUSD 265)

### Contigent liabilities

The Group's contractual obligations relating to short-term chartering of vessels total tUSD 108,084 (2017: tUSD 141,176).

The Group has entered agreements on acquisition of vessels as well as shares of vessels for a total amount of tUSD 7,392 (2017: tUSD 42,000).

### Contigent assets

The Group has a insurance claim of tUSD 1,458 regarding one of the group's vessel. At the time of the group financial statements, it is uncertain how much the compensation will amount to.

### Other contingent liabilities

There is a residual liability corresponding to the Group's share of the non-paid capital totalling tUSD 1,935 (2017: tUSD 2,200k) tied to the Group's investment in an 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.

At the withdrawal from the tonnage tax regime, a tax liability totalling tUSD 7,900 is incumbent on the Group.

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

The Parent Company has given notice of support on going concern to some of the subsidiaries.

# Notes to the Financial Statements

## 18 Related parties

### Basis

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#### Controlling interest

Weco A/S

Sole shareholder

#### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

#### 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, Denmark

# Notes to the Financial Statements

## 19 Accounting Policies

The Annual Report of Weco Shipping A/S for 2018 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 2018 are presented in TUSD. Applied US Dollar exchange rate on the 31 December 2018 : 651,94 (2017: 620,77).

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 to the Financial Statements

## 19 Accounting Policies (continued)

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.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

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.

### 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 property, plant and equipment together with gains and losses on the sale of 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.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### 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 Danish 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

### 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:

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

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### Impairment of fixed assets

The carrying amounts of 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.

### Receivables

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

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### **Prepayments**

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

### **Equity**

#### ***Dividend***

### **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.

### **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.

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.



# Notes to the Financial Statements

## 19 Accounting Policies (continued)

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