ANNUAL REPORT 2017

Herning Shipping A/S

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2900 Hellerup

Registration no. 40 53 35 16

The Annual General Meeting adopted the annual report on 23/3 2018

Chairman of the General Meeting

Name: Carl Willem Henrik Moltke

Contents

Key figures

USD '000	2017	2016	2015	2014	2013
INCOME STATEMENT					
Revenue	92.715	101.044	117.188	150.364	166.316
Time charter equivalent earnings	63.552	74.168	80.358	84.740	90.451
Operating profit bef. depreciations etc. (EBITDA)	-3.770	1.345	7.868	5.328	7.601
Depreciations and write-downs	-63.467	-72.263	-17.299	-22.831	-13.230
Operating profit (EBIT)	-67.237	-70.918	-9.564	-18.107	-5.504
Net financials	-6.675	-6.463	-5.220	38.621	-11.634
Result for the year	-74.006	-77.402	-14.421	20.648	-17.205
Total comprehensive income	-73.973	-77.315	-14.259	20.828	-17.245
BALANCE SHEET					
Non-current assets	39.500	106.825	185.729	203.553	216.768
Total Assets	64.488	134.323	210.490	224.982	238.288
Equity	-144.982	-71.009	6.406	-7.450	-27.362
Invested capital	36.120	102.815	185.583	198.363	213.031
Net working capital	-3.346	-3.800	-146	-5.190	-3.737
Net investments in tangible assets	9.848	-4.736	2.888	-9.458	415
Net interest-bearing debt	186.469	185.169	192.928	191.521	246.069
Cash and securities	8.054	7.904	13.085	2.287	3.527
CASH FLOW					
Cash flow from operating activities	-6.109	520	1.059	886	N/A
Cash flow from investing activities	9.848	-4.736	717	-9.422	N/A
Cash flow from financing activites	-3.879	-818	9.023	7.296	N/A
Cash flow of the year	-140	-5.034	10.799	-1.240	N/A
EMPLOYEES					
Seafarers	268	289	284	276	345
Land based employees	9	10	19	42	57
FINANCIAL AND ACCOUNTING RATIOS					
TCE-margin (%)	68,5%	73,4%	68,6%	56,4%	54,4%
EBITDA-margin (%)	-4,1%	1,3%	6,7%	3,5%	4,6%
EBIT-margin (%)	-72,5%	-70,2%	-8,2%	-12,0%	-3,3%
Return of Invested Capital (%) *	85,9%	51,0%	13,1%	13,7%	N/A
Return on Equity (%) *	68,5%	239,6%	2764,8%	-118,6%	N/A
Equity ratio	-1,3	-2,6	30,1	-25,7	-9,0
OTHER					
Total number of vessel days for the Group	7.639	9.074	9.956	10.727	N/A
USD/EUR rate at year-end	0,83	0,95	0,92	0,82	0,73
Average USD/EUR rate	0,89	0,90	0,90	0,75	0,75
USD/DKK rate at year-end	6,21	7,05	6,83	6,12	5,41
Average USD/DKK rate	6,60	6,73	6,73	5,62	5,62

* Positive RoIC and RoE is a result of both Net year result and equity is negative.

Management review

Herning Shipping business review

Herning Shipping is a chemical tanker operator established in 1972.

The core competence of Herning Shipping is to own and charter sophisticated chemical tankers between 1,500-11,400 dwt. with highest focus on safety and quality.

In 2011, the Group was acquired by the equity fund Triton. At the end of 2017, the ultimate owner of Herning Shipping consists of funds managed by Triton.

In January 2015, Herning Shipping outsourced its commercial, technical and administrative functions to Nordic Tankers under a Service Level Agreement. The organization based in Herning was relocated to Nordic Tankers in Copenhagen and the office in Herning was closed down mid-2015. Hence, at the end of 2017, onshore staff employed by Herning Shipping consisted of 7 employees located in foreign subsidiaries.

In 2017, Herning Shipping, was set for sale by Triton. On the 29 January 2018, Herning shipping was sold to ANE shipping AS, a newly established Norwegian partnership between Camillo Eitzen & co AS, Castel AS, and Seahorse ANE Invest AS. The intention is to rename Herning Shipping A/S to Christiania Shipping A/S which will be located in Copenhagen, Denmark.

On 31 December 2017, Herning Shipping owned 13 vessels and chartered in 7 vessels. 2 out of the 13 owned vessels were time-chartered out.

Herning Shipping operates regionally, providing freight services with the vast majority of the voyages being in Europe and West Africa. The strong regional presence has positioned Herning Shipping as a leading regional chemical tanker owner and operator.

During 2017, the vessels under direct commercial management (i.e. excluding the 2 vessels time-chartered out) performed 579 voyages and carried 2.1 million metric tons of cargo composed of vegetable oils and acids (54%), hydrocarbon mixtures (25%), industrial chemicals (14%) and other chemicals (7%). 26% of these volumes were carried under contracts of affreightments. Main trading areas were North West Europe (75% of volumes), Europe-West Africa (13%), the Mediterranean (5%) and other areas (7%).

Strategic focus

Safety is Herning Shipping's first and foremost priority and it is an integral part of Herning Shipping's vision, mission, strategy and values. The Group's overall strategic focus is three-fold:

- Develop best in class safety culture with a target of zero accidents
- Optimize the existing business platform
- Continue the consolidation within the chemical tanker segment and generate profitable growth

Management

Board of Directors

The Board of Directors of Herning Shipping A/S consists of three members with solid management experience. The Board has a reasonable size, composition, diversity plus the competences necessary to ensure that they at any given time are qualified to attend to the managerial tasks as the upper management body of the Group.

Executive Management

Axel C. Eitzen is the CEO.

Key developments in 2017

On 23 December 2016, the Board of Directors of the parent company of Herning Shipping A/S, HS Shipholding AB, called for an extraordinary general meeting. At the extraordinary general meeting, the Board of Directors proposed that the share capital in HS Shipholding AB should be reestablished by way of completion of the sale of the company, including Herning Shipping A/S and its subsidiaries, during 2017. The shareholders approved the proposal.

The Board of Directors assessed that the company had sufficient liquidity throughout the sales process, which was completed on 29 January 2018 (see "Subsequent events").

From an operating perspective, 2017 was impacted by less trading days than 2016, primarily stemming from the disposal of three vessels: Rikke Theresa (February 2017), Serra Theresa (June 2017) and Sara Theresa (December 2017). Furthermore, the sale of Hanne Theresa was closed in December 2017 and the vessel is expected to be delivered to the new owners during first quarter of 2018.

As a result of the sale of vessels, the Group's fleet of owned and chartered vessels was reduced from 24 to 20 controlled vessels, spanning from 1,500 dwt to 11,400 dwt in size, all vessels but one being coated vessels. The current fleet consists of high quality flexible chemical tanker vessels with an average age of 10 years.

2017 was an atypical year, with a soft activity in 1st half year, a surprising high activity in the summer and a very challenging fourth quarter. All-in-all, average Time-Charter Equivalent (TCE) rates in 2017 were roughly at same level as previous year.

Subsequent events

On 29 January 2018 HS Shipholding AB signed and closed an agreement to sell Herning Shipping A/S to ANE Shipping AS. Before closing of the sale, the main lender wrote off a loan of a nominal value of USD 144.9 million. As a part of the sale transaction the Group has been refinanced. The share capital has been fully re-established at completion of the sale. See pro forma balance on page 15 and 16 and note 1 in the consolidated financial statements.

Financial highlights of the Group in 2017

Comparative figures for 2016 are displayed in brackets.

The Group reported a net result of USD -74 million for 2017 (USD -77 million) and a pre-tax profit of USD -74 million (USD -77 million).

The net result is primarily caused by write-downs related to the Group's vessels by USD 55 million, mainly due to impairment of the fleet at the end of the year.

EBITDA was USD -4 million (USD 1 million) as a result of continued challenging market conditions, combined with a reduction in the size of the fleet as three vessels were sold during the year and one chartered vessel was redelivered to the owner.

TCE revenue

TCE revenue amounted to USD 64 million (USD 74 million). TCE rates was roughly on the same level compared to 2016, but the number of vessel days was reduced by approx. 16% due to sale and redelivery of vessels.

Operating expenses and charter hire

Total operating expenses amounted to USD 39 million (USD 41 million). Hereof, seafarer related expenses amounted to USD 20 million (USD 20 million) while the remaining part related to maintenance and other operating expenses incurred in the operation of the owned fleet (including vessels chartered on bareboat agreements). Charter hire expenses amounted to USD 15 million (USD 22 million) as the average number of time-chartered vessels was 7 in 2017 versus 10 in 2016.

Depreciation and write-downs

Depreciation on the Group's owned vessels amounted to USD 8 million (USD 14 million).

Write-downs for 2017 amounted to USD 55 million (USD 56 million).

Financial income and expenses

Net financial expenses amounted to USD 7 million (USD 6 million). Interest expenses amounted to USD 7 million (USD 6 million).

Tax

The Group's tax expense for 2017 amounted to USD 0.1 million. Herning Shipping is subject to the rules and regulations of the Danish Tonnage Tax Act. For further information, please refer to note 11 in the consolidated financial statements.

Assets, equity and liabilities

On 31 December 2017, the Group's total assets amounted to USD 63 million (USD 133 million). Non-current assets (predominantly vessels) was USD 40 million (USD 107 million), while cash amounted to to USD 8 million (USD 8 million).

The Group's equity amounted to USD -145 million (USD -71 million). After the sale transaction completed on 29 January 2018 (described in "Subsequent events"), equity amounts to USD 7.5 million. See pro forma balance on page 15 and 16.

Total liabilities amounted to USD 208 million (USD 204 million). Hereof was debt USD 194 million (USD 193 million). Prior to the sale of the Group on 29 January 2018, the main lender wrote off debt amounting to USD 144.9 million. After this, the debt amounts to USD 49 million. See pro forma balance on page 15 and 16.

Cash flow

Cash flow for the year was USD -0.1 million (USD -5.0 million), resulting in a cash balance at year-end at USD 8 million (USD 8 million).

Cash flow from operating activities was USD -6 million (USD -2 million). The decrease of USD 4 million was primarily related to lower EBITDA.

Cash flow from investing activities amounted to USD 10 million (USD -2 million). The cash inflow was related to the disposal of the Rikke Theresa, Serra Theresa and Sara Theresa. Investments in dockings during the year amounted to USD 1 million (USD 6 million).

Cash flow from financing activities amounted to USD -4 million (USD -1 million), mainly due to the repayment of a loan related to Rikke Theresa in connection with the sale of the vessel.

Outlook for 2018

The Group expects market conditions to remain challenging in 2018 given the current macro-economic climate in Western Europe and expected development in oil prices. However, Management believes that the likelihood of a somewhat improved market is higher than the likelihood that the market will deteriorate further.

Risk Management

Being an international player in the chemical tankers segment, Herning Shipping is exposed to a variety of risks.

The Group pursues a finance policy that operates with a low risk profile, ensuring the foreign exchange, interest and credit risks arise only on the basis of commercial factors.

The Executive Management continuously monitors the potential risks considered to have the most significant effect on the Group's financial position and business performance. Measures deemed relevant to limit the Group's sensitivity to such risks are evaluated on an on-going basis. Risks and measures are reviewed at least annually with the Board of Directors.

Financial risks

Financing and Liquidity

Access to liquidity is an important factor in the execution of the strategy of the Group. Cash flow developments are monitored closely, including monthly updates and 12 months rolling forecasts to the Executive Management. Furthermore, the Group aims at having sufficient cash reserves in order to overcome a prolonged adverse market situation. In connection with the refinancing of the debt early 2018, Herning Shipping obtains a USD 0.5 million credit facility from its main Bank.

Current loan agreements includes customary financial covenants, which are expected to be met in 2018.

In 2018, Herning Shipping expects to have sufficient liquidity for meeting its payment obligations for conducting the normal course of its operations without needing the support from its shareholder.

Interest rates

Herning Shipping's gross interest bearing debt amounts to USD 45 million after the refinancing in January 2018. This debt is denominated in USD and carries floating interest rate.

Foreign exchange risks

Most of the revenues earned by Herning Shipping are in the reporting currency USD as well as EUR, whilst a significant portion of the operating expenses as well as administrative expenses are incurred in primarily EUR and DKK.

In order to reduce foreign currency exchange risk on EUR, Herning Shipping strives to match cash inflows and cash outflows as much as possible.

Credit risk

It is Group policy only to grant credit to oil majors and other first class customers in order to minimize credit risks. As such, the Group's credit risk relates to receivables from these first class customers and oil majors in the chemical tanker segment. The credit risk is deemed to be minimal and consequently receivables are not hedged. The Group's maximum credit risk associated with receivables corresponds to their carrying amounts.

For smaller customers and newer customers, it is Group policy to perform a credit assessment based on credit reports retrieved out of the database of one of the world's largest vendors. In most cases, such credit reports include a credit rating and information on potential payment delinquency. Furthermore, it is custom to require freight to be paid before cargo release. For customers with whom Herning Shipping has a long lasting relationship, freight is typically paid after cargo release.

In 2017, Herning Shipping did not suffer any significant losses from defaulting customers.

Price risks

Freight rates

Herning Shipping's revenues are exclusively generated from activities in the oil and chemical tankers industry. The oil and chemical tanker industry is cyclical and volatile, which can lead to reductions in freight rates, volumes and ship values.

Fluctuations in freight rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the large variety of products that we carry.

Herning Shipping mitigates the risk of fluctuation in freight rates by managing the mix between Contracts of Affreightment and spot market business. Contracts tend to reduce volatility in freight rates. Spot market business, on the other hand, provide flexibility but exacerbate the impact of a downturn in the market.

Bunkers

Bunker fuel constitutes the major cost component affecting time charter equivalent (TCE) earnings, and increasing prices can have a material impact on Herning Shipping's results.

The Group is striving to reduce the impact of bunker price fluctuations by passing bunker fuel costs on to customers. Hence, in 2017 approximately 40% of freight earnings were derived from Contracts of Affreightment, the large majority of which include a bunker price clause that indexes freight rates with bunker prices.

Other risks

The Group aims at minimizing its exposure to accidents on the vessels, pollution, damages to hull and machinery etc. by investing in modern vessels, managing the maintenance of the vessels as well as continuing education in its staff.

Furthermore, risks in connection with the operation of the vessels, transport of cargo, personal injuries, environmental damages and war are being covered by insurances in internationally recognized insurance companies. The Group aims at minimizing its exposure by using multiple insurance companies.

The Group has established duplication of business critical IT systems and contingency plans in case of break-downs. Back-up of data is made in an external IT environment outside the Group's offices.

To cope with the rising threat of cyber crime, in 2017, the Group initiated an online cyber security training program targeted all employees. The training program included 12 modules concerning various cyber risks such as ransomware, fraud and phishing e-mails. The goal is to have as many employees as possible to complete and pass all modules before February 2018.

Corporate Social Responsibility

Herning Shipping will actively initiate and participate in activities related to CSR and will incorporate CSR initiatives in its strategy at any given time. The key focus points of Herning Shipping are areas related to health & safety, environment & climate and general welfare and training. Herning Shipping will strive to continuously improve itself in these fields and communicate transparently with stakeholders about results and initiatives.

All of Herning Shipping's CSR activities emerge from the Group's core business and strategy. The Group is committed to progress in business-driven CSR initiatives in order to deliver high quality and 'best in class' services while meeting own and customers' expectations in respect of responsible business practice. Management sees the business-driven approach as the only way forward when building a long-term sustainable business, where both the Group and society benefit.

Herning Shipping's CSR policy is based on the ten guiding principles of the United Nations Global Compact (UNGC) that cover the areas of human & labor rights, environment & climate and anti-corruption as well as the principle of continuous improvement.

Safety Culture

Safety is Herning Shipping's license to operate and embedded in the Group's DNA. All employees regardless of title and work responsibilities must at all times comply with Herning Shipping's safety policy and regulations. A key focus area during 2017 was the continuation of the Safety Culture drive. The ambition of this initiative is to prevent all accidents, injuries and occupational illnesses through the active participation of each employee. Therefore, Herning Shipping's safety initiatives are embedded, carried out and measured within the various business area. All employees regardless of title and work responsibilities must at all times comply with Herning Shipping's safety policy and regulations. Results of the Safety Culture drive include increased knowledge sharing and fewer incidents. The Group continues to invest resources in this area to reach the goal of zero incidents.

Introduction of the safety culture program has had the positive result of decreasing the number of accidents on board the Group's vessels. 5 lost time incidents (LTIs) happened on the Group's vessels in 2017 versus a target of 0. None of the incidents involved serious injuries. The goal for 2018 is to reach 0 LTIs on vessels and in offices owned by Herning Shipping.

Environment and Climate

Responsibility at sea

Herning Shipping has formulated a Health, Safety and Environment (HSE) policy, which includes working towards a *"zero oil spill to sea"* by coordination of efforts of those ashore and on board vessels plus working towards a long-term goal of *"zero accidents and incidents"* by using KPIs to monitor performance. Generally, Herning Shipping will comply with industry legislation that refers to health, safety and environment protection while focusing on global activities and ensuring continual environmental improvements through open dialogue with clients/customers. Their feedback will be used to revise existing procedures related to health, safety and environment issues.

The Group together with its technical manager, Dania Ship Management, actively collaborate with the Danish Ministry for Energy, Utilities and the Climate plus the Danish Technological Institute to develop a method for remote determination of Sulphur content in fuel oil on board ships. The project is named "Remote sensing of Sulphur and particle emission from ships" and was commenced in 2016.

A permanent sniffer has been installed on the Great Belt Bridge, which will be able to check the sulphur content in the exhaust gas emissions from the ships passing underneath and thereby, monitor the sulphur content in the fuel oil used onboard. The requirement for sulphur content in board fuel oil in the North Sea, Baltic Sea and US territory is a maximum 0.1%.

The role of Herning Shipping in this regard is during the trial period to report whenever one of the Group's vessels will pass the Great Belt Bridge in order to monitor the exhaust gas fan and eventually be able to do the sulphur measuring from the bridge.

On an annual basis, the Group reports its fuel oil consumption on vessels to Danish Shipping. The fuel oil consumption can easily be converted to actual CO2 emissions, which, together with information about cargo intake and sailing distance, can be converted to CO2 emissions per transport work. From January 1 2018, the new EU legislation, Monitoring, Reporting and Verification (MRV), regarding CO2 emissions from ships will enter into force and replace the reporting to Danish Shipping. In 2017, Herning Shipping has implemented systems to ensure reporting is done in full compliance with the new legislation.

For 2017, it was the target to have 0 groundings and 0 oil spills, both of which targets were achieved. Furthermore, it was the target to reduce the vessels' garbage volumes. The volumes have been reduced by 5% during 2017.

General purchasing terms and conditions

In addition to the HSE policy, the General Purchasing Terms and Conditions of Herning Shipping specify that all suppliers and subsuppliers are required to live up to the rules and regulations applicable for Herning Shipping.

Responsible tank cleaning

Herning Shipping has initiated a new tank cleaning method, by using spectrometers. Applying spectrometers, the Group openly shares particulate contents of tank washing analysis with customers, surveyors and terminals. The new system ensures:

- A decrease of the number of man entries in tanks for wall wash, inspections etc., the occurrence of solvent handling used for wall wash medium and the number of third party, surveyor personnel, required to be on board the vessel.
- A reduction of the amount of excessive cleaning chemicals need and the disposal hereof and the cleaning time and unnecessary ship Co2 emissions.
- A goal for 2018 is to keep developing on tank cleaning safety and optimization.

Recycling

Herning Shipping operates a modern fleet, which means that the Group does not have a need to recycle ships in the near future. However, in 2017, the Group introduced a policy for recycling of vessels in case of relevant in the long term. Should recycling of a vessel be considered, Herning Shipping will through a comprehensive investigation and screening process ensure that any recycling is completed in full compliance with the Hong Kong convention. Herning Shipping will ensure that before any agreement on recycling a vessel, the nominated yard must at minimum meet following requirements:

- Comply with the Hong Kong convention
- Produce an Inventory Hazardous Material certificate issued by Class (IACS)
- Issue a Ship Recycling Plan
- Issue a Green Recycling certificate

Social responsibilities and employee conditions

Operating in an international and cost-competitive environment, ensuring acceptable working conditions is an important goal for Herning Shipping. The Group's HSE policy ensures that all employees work in a safe work environment both on the vessels and in the offices. It is the Group's ambition to operate in accordance with all applicable laws and regulations and to treat its employees with dignity and respect. The Group expects its suppliers to operate their businesses in the same way, and in order to ensure to this, it is explicitly stated in the Group's general purchasing terms and conditions that suppliers may not in any way be involved in or related to any form of slavery or forced labor, human trafficking or similar actively. Furthermore, suppliers shall treat all personnel with dignity and respect and shall not tolerate mental or physical abuse or coercion of employees. Nor may suppliers be engaged in or benefit from child labor. The management finds that the requirements are contributing positively to the employee conditions in the suppliers' companies.

It is not the goal to draw up a policy on human rights in 2018, as the Group believes the General Purchasing Terms and Conditions combined with their Code of Conduct to be adequate.

Anti-corruption

As a global Group in the maritime industry, Herning Shipping is firmly committed to adherence to high ethical standards in addition to applicable laws hereunder anti-corruption. Herning Shipping has an anti-corruption policy, which states that no employee of Herning Shipping may be involved in corruption.

Herning Shipping applies international rules and standards regarding facilitation payments. The Group wants to avoid making facilitation payments, and procedures are in place to resist paying in such.

All Herning Shipping employees must on a regular basis complete the Herning Shipping Anti-Corruption e-learning program developed in cooperation with MACN. A goal for 2018 is that the Group's anti-corruption e-learning program will become an integrated part of the onboarding process to ensure that all employees are informed of the policy.

Anti-money laundry

Herning Shipping has implemented an Anti-Money Laundering (AML) Policy and Guidelines that further elaborated on the policy statement set out in the Group's CoC. This states that Herning Shipping will not participate in any form of money laundering, and no member of management or any employee may facilitate, support, directly or indirectly, any payment or transfer of money, which is likely to constitute money laundering.

The responsibility to avoid Herning Shipping getting involved in any money laundering or dubious transaction applies to all employees and involves all departments and throughout the entire activity chain from the choice of customer or business partner all the way to the execution of payments.

The policy and guidelines include a financial background check of customers/vendors plus a sanctions background check. It was the goal for 2017 that all employees were acquainted with the new policy and guidelines. All employees have received a copy of the policy plus the training necessary to identify the warning signs of money laundering and financial crime.

Whistleblowing

Herning Shipping has implemented this whistleblowing policy and whistleblowing system (the "WBS") which applies worldwide. The purpose of the WSB is:

- A means of reporting information anonymously.
- To enable Herning Shipping to take timely and appropriate action.

Herning Shipping's WBS is visible and accessible through the Group's website.

Gender representation

Currently, the Board of Directors is made up by men. Based on the industry in which the Group acts and the way the Board of Directors is elected, it is the Group's goal to have one woman on the board by 2025. It is, however, the Group's policy at all times to select the candidate with the strongest qualifications no matter their gender, nationality, religion and political conviction.

In 2017, there has not been changes to the members of the Board. Hence, the gender composition is unchanged compared to last year.

The executive management of Herning Shipping consists of one male. There has not been set up a policy regarding the gender composition of the executive management.

Consolidated financial statements

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Consolidated income statement

1 January - 31 December

USD '000	Note	2017	2016
Revenue	4	92.715	101.044
Voyage related expenses		-29.163	-26.876
Time charter equivalent earnings		**63.552**	**74.168**
Other operating income		22	13
Charter hire		-14.602	-21.788
Operating expenses	5	-38.570	-40.991
Administrative expenses	5,6	-14.172	-10.057
Operating profit before depreciation etc. (EBITDA)		**-3.770**	**1.345**
Depreciation	7	-8.958	-13.722
Impairment losses	7	-54.026	-56.235
Gains/losses from sale of fixed assets	7	-483	-2.306
Operating profit (EBIT)		**-67.237**	**-70.918**
Financial income	8	901	976
Financial expenses	9	-7.576	-7.439
Result before tax		**-73.912**	**-77.380**
Taxation	10	-94	-22
Net result		**-74.006**	**-77.402**
OTHER COMPREHENSIVE INCOME			
Items which will be reclassified to the income statement:			
Exchange rate adjustments arising from translation of entities using another functional currency than USD		2	-5
Fair value adjustment of financial instruments		31	130
Other adjustments		-	-38
Other comprehensive income		**33**	**87**
Total comprehensive income		**-73.973**	**-77.315**
Attributable to:			
Shareholders of Herning Shipping		-73.973	-77.315
		-73.973	**-77.315**

Consolidated balance sheet

at 31 December

USD '000	Note	2017 (Pro forma)*	2017	2016	2016 (1 January)**
ASSETS					
Software	11	-	-	27	364
Intangible assets		**-**	**-**	**27**	**364**
Vessels	12	39.495	39.495	106.793	184.309
Property, plant and equipment	12	5	5	5	5
Prepayments on vessels and dockings under construction	12	-	-	-	19
Tangible assets		**39.500**	**39.500**	**106.798**	**184.333**
Other financial fixed assets			-	-	301
Financial assets			**-**	**-**	**301**
Non-current assets		**39.500**	**39.500**	**106.825**	**184.998**
Inventories		1.791	1.791	1.178	1.043
Trade receivables	13	5.873	5.873	3.660	6.994
Other receivables	14	1.748	1.748	1.310	3.040
Prepayments	15	2.108	2.108	2.043	2.204
Other securities and investments		-	-	-	214
Cash and cash equivalents	16	10.896	8.054	7.904	13.085
		22.416	**19.574**	**16.095**	**26.580**
Assets held for sale	17	5.414	5.414	11.403	1.167
Current assets		**27.830**	**24.988**	**27.498**	**27.747**
Assets		**67.330**	**64.488**	**134.323**	**212.745**

* See description in Note 1 - Going Concern and in the management report. Pro forma balance is not audited.

** 1January balance according to IFRS 1

Consolidated balance sheet

at 31 December

USD '000	Note	2017 (Pro forma)*	2017	2016	2016 (1 January)**
EQUITY AND LIABILITIES					
Share capital	18	250	250	250	250
Reserves	19	-	-	-31	-161
Retained earnings		7.232	-145.232	-71.228	6.216
Equity		**7.483**	**-144.982**	**-71.009**	**6.305**
Provisions	20	34	34	210	-
Loans	21	39.500	-	29.112	192.383
Non-current liabilities		**39.534**	**34**	**29.322**	**192.383**
Loans	21	-	194.523	163.961	545
Trade payables	22	6.952	6.952	7.309	9.812
Current tax liabilities		47	47	58	129
Other payables	23	7.914	7.914	4.682	3.571
		14.913	**209.436**	**176.010**	**14.057**
Liabilities related to assets held for sale		5.400	-	-	-
Current liabilities		**20.313**	**209.436**	**176.010**	**14.057**
Liabilities		**59.847**	**209.470**	**205.332**	**206.440**
Equity and liabilities		**67.330**	**64.488**	**134.323**	**212.745**

* See description in Note 1 - Going Concern and in the management report. Pro forma balance is not audited.
** 1January balance according to IFRS 1

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Consolidated statement of changes in equity

1 January - 31 December 2017

USD '000	Share capital	Reserves	Retained earnings	Total
Equity at 1 January 2017	**250**	**-31**	**-71.228**	**-71.009**
Comprehensive income for the year				
Profit for the year	-	-	-74.006	-74.006
Other comprehensive income for the year, net of income tax		31	2	33
Total comprehensive income for the year	**-**	**31**	**-74.004**	**-73.973**
Changes in equity	**-**	**31**	**-74.004**	**-73.973**
Equity at 31 December 2017	**250**	**-**	**-145.232**	**-144.982**

1 January - 31 December 2016

USD '000	Share capital	Reserves	Retained earnings	Total
Equity at 1 January 2016 *	**250**	**-161**	**6.216**	**6.305**
Comprehensive income for the year				
Profit for the year	-	-	-77.402	-77.402
Other comprehensive income for the year, net of income tax	-	130	-5	125
Other adjustments	-	-	-37	-37
Total comprehensive income for the year	**-**	**130**	**-77.444**	**-77.314**
Changes in equity	**-**	**130**	**-77.444**	**-77.314**
Equity at 31 December 2016	**250**	**-31**	**-71.228**	**-71.009**

* There is no changes to opening equity regarding transition to IFRS.

Consolidated statement of cash flow

1 January - 31 December

USD '000	Note	2017	2016
Operating profit (EBIT)		-67.237	-70.918
Adjustment for provisions		-176	210
Adjustment for depreciation		8.226	13.722
Adjustment for impairment losses		54.758	56.235
Adjustment for gains/losses from sale of fixed assets		483	2.306
Adjustment for other non-cash items		-289	-712
Change in working capital excl. accrued interest and tax liabilities	24	-455	4.801
Interest etc. received		60	11
Interest etc. paid		-1.470	-5.094
Tax paid		-8	-41
Cash flow from operating activities		**-6.109**	**520**
Investments in tangible assets		-	-3.164
Additions in prepayments on vessels, dockings etc.		-664	-2.823
Proceeds from the sale of tangible assets		10.512	1.251
Cash flow from investing activities		**9.848**	**-4.736**
Instalments/repayments on loans		-3.879	-818
Cash flow from financing activities	25	**-3.879**	**-818**
Net cash flow		**-140**	**-5.034**
Cash and cash equivalents at beginning of the year		7.904	13.085
Exchange rate adjustments		290	-147
Net cash flow		-140	-5.034
Cash and cash equivalents at end of the year		**8.054**	**7.904**

Notes to the consolidated financial statements

Note 1. Going Concern

The Group has in the financial year realized a consolidated loss of USD 74.0 million, and the Group's consolidated equity is negative with USD 145.0 million. The management has made arrangements to reestablish the share capital of the Group and 29 January 2018 HS Shipholding AB signed and closed an agreement to sell Herning Shipping A/S to ANE Shipping AS. Before closing of the sale, the main lender wrote off a loan of a nominal value USD 144.9 million. As a part of the sale transaction, the company was refinanced. Following these transactions, the share capital is fully re-established. A pro forma balance has been incorporated in the consolidated financial statements at page 15 and 16, showing the balance sheet on 31 December 2017 as if below transactions related to the refinancing had taken place on 31 December 2017:

- Write-off of bank debt
- Repayment of remaining bank loan and shareholder loan
- New bank loan and equity injection

Based on the subsequent events, it is the management's assessment that the annual report can be reported as going concern.

Note 2. Changes to accounting policies and significant accounting policies

The annual report for the period 1 January - 31 December 2017 with comparative figures comprises the consolidated financial statements of Herning Shipping A/S and its subsidiaries (the "Group" or "Herning Shipping").

The consolidated financial statements of Herning Shipping A/S for 2017 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements from the Danish Financial Statements Act. Herning Shipping A/S is a Limited Liability Company with its registered office in Denmark.

The consolidated financial statements are presented in United States Dollars (USD), which is the presentation currency of the Group activities and the functional currency of the parent company.

The consolidated financial statements are presented on the basis of historical cost prices. However, a few tangible assets are measured at fair value and classified as "assets held for sale".

The most important elements of accounting policies and changes are compared to last year as a result of new and amended standards which are described below. Applied accounting policies are also included in note 32.

Changes from Danish GAAP to IFRS

The financial statements of Herning Shipping A/S has previously been reported under the Danish Financial Statements Act, but the management has decided to fully implement the International Financial Reporting Standards. As part of the process of fully implementing the IFRS standards, management has assessed the consequences regarding comparative figures in the consolidated financial statements. The review regarding changes between Danish GAAP and IFRS has resulted in the following changes to the comparative figures in the consolidated financial statement:

- IFRS 5 – Non-current asset held for sale and discontinued operations
- IAS 24 – Related party disclosures.

The change from Danish GAAP to IFRS has not resulted in any changes in recognition or measurement.

IFRS 5 is implemented in the annual report, having an effect on comparative figures. On the balance sheet, USD 11 million is transferred to assets held for sale in 2016. No further adjustments is made.

IAS 24 – Related party disclosures is implemented in the annual report and have no effect on comparative figures. A disclosure regarding related party

IAS 24 – Related party disclosures is implemented in the annual report and have no effect on comparative figures. A disclosure regarding related party transactions is reported in note 29.

The implementation of new or amended IFRS standards

Herning Shipping has adopted all new, amended standards, revised accounting standards and interpretations (IFRIC) as endorsed by the EU which are effective for the financial year 1 January 2017 - 31 December 2017.

With effect from 1 January 2017, Annual improvements to IFRS 2014-2016 cycle, the amended IAS 7, Changes in liabilities from financing activities, and the amended IAS 12, Recognition of Deferred Tax assets for Unrealized losses, with relevance for the Group was implemented.

Herning Shipping has implemented these standards, which had no material impact on the financial statements for the current or future years.

Accounting standards and interpretations not yet adopted

The IASB has issued a number of new or amended financial reporting standards and interpretations, which have been adopted by the EU, and which potentially could have an effect on Herning Shipping:

- IFRS 9 on financial instruments – New standard on recognition measurement of financial assets and liabilities, impairment, and hedge account-ing, replacing the current standard IAS 39, effective on the 1 January 2018.
- IFRS 15 on revenue recognition – New standard on revenue recognition that replaces the current standards IAS 11 and IAS 18, effective on the 1 January 2018.
- IFRS 16 on Leases – New standard on the recognition of lease contracts that replaces the current standard IAS 17, effective on the 1 January 2019.

IFRS 9, financial instruments

IFRS 9 replaces the current IAS 39, and specifies the accounting treatment of financial assets and liabilities in relation to classification and measurement, impairment and hedge accounting.

Changes to accounting treatment of classification and measurements of financial assets and liabilities are not expected to affect the Group, as historical the Groups financial assets and liabilities is held-to-maturity, and therefore treated as amortized costs.

Changes to accounting treatment of impairment will change the method of calculating the provisions on all receivables and liabilities and are estimated to not have a significant impact the income statement or balance sheet.

Changes to accounting treatment of hedge accounting eases the requirements of documented efficiency on hedge accounting. Changes to hedge accounting does not impact the Group as the Group does not currently apply hedge accounting. The Group's policies on risk management is described in the management review.

IFRS 9 will be implemented on the 1 January 2018 without adjustments of comparative figures in accordance with the transitional provisions of the Standard.

IFRS 15, revenue recognition

IFRS 15 emphasizes that revenue must be recognized as the customer receives the service agreed upon (control principle). According to current practice, recognition of freight income is commenced earlier according to the discharge-to-discharge method. It is the Group's interpretation that the freight income according to IFRS 15 must be recognized over the period of time when the cargo is being transported. At the same, costs will be recognized and according to the matching principle, and will be capitalized and amortized over the course of the transportation period. The transition to IFRS 15 is expected to have an impact on the Group, and it is expected that the comparative figures in the 2018 annual report will be adjusted with -522 tUSD on Revenue, -217 tUSD on Voyage related expenses -522 tUSD on Trade Receivables, -217 tUSD on Trade Payables and -305 tUSD on Equity.

The Group is implementing the standard on the 1 January 2018, and due to the impact, it is expected that the transitions will result in an adjustment to comparative figures, and the result of the adjustment will be adjusted under equity.

IFRS 16, leasing

IFRS 16 implies that virtually all leases are to be recognized in the balance sheet in the leaseholder's accounts in the form of a lease obligation and an asset representing the lessee's right to use the underlying asset.

The Group will implement IFRS 16 the 1 January 2019 by applying the smoother transitional provision. This provision does not require that comparative figures are adapted and allows the effect of the implementation to be recognized in retained earnings the 1 January 2019. In addition, it is expected that the Group will use the other available easements as far as possible, regarding leased assets with low value and leases with a residual maturity of less than 12 months.

The impact of IFRS 16 for the consolidated financial statements has been analyzed and it is the management's expectations that the implementation will not have a impact on both the balance sheet, income statement and related key figures. The estimated effect as of the 31 December 2017 on the Groups balance sheet is 0 mUSD, based on the current portfolio of time charter vessels and bareboat charter vessels, as well as other lease agreements.

As of 31 December 2017, the Group has entered into leases which, according to IAS 17, are categorized as operating leases with total future minimum lease payments under non-cancellable leases of 11 mUSD (see note 26), which are not recognized in the balance sheet. A preliminary analysis indicates that these will either expire prior to 1 January 2019 or will comply with the definition of short-term leases in accordance with IFRS 16. The Group will therefore not recognize an asset and an associated liability for these on 1 January 2019.

The measurement and recognition of vessel that is currently leased out on time charter or bareboat contracts will not undergo any changes under IFRS 16.

Note 3. Significant accounting estimates, assumptions and uncertainties

In applying the Group's accounting policies described in Note 2 and Note 32, management is required to make estimates, as well as assumptions for the carrying amount of assets and liabilities that cannot be directly derived from other sources. These estimates and assumptions are based on historical experience and other relevant factors. The actual outcome may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the accounting period in which the change takes place and in future accounting periods if the change affects both the period during which the change takes place and subsequent accounting periods.

Significant accounting estimates associated with accounting policies

In connection with the application of the accounting policies described in note 32, the management has made the following accounting estimates, with a significant effect on the amounts recognized:

- Voyage revenues and costs
- Measurement of tangible assets
- Depreciation periods
- Taxation

Voyage revenues and costs

Voyage revenues and costs are recognized in accordance with the percentage of completion method with operating revenues and expenses recognized for each voyage. This recognition is based on estimated voyage that are reviewed and updated at each period end.

Measurements of tangible assets

The Group evaluates the carrying amount of vessels and other net assets to determine whether events have occurred that would require an adjustment to the recognized value of the net assets. The impairment tests are based on discounted future cash flow models, which are compared to the carrying amount of the assets within the cash generating units. The impairment tests are prepared based on assumptions including future freight rates, earnings from vessels and management activities as well as discount rates. All of these factors have been historically volatile.

Depreciation periods

Depreciation on vessels is material for the Group. Vessels are depreciated over their useful life, which management estimates to be 25 years, to a residual value. The estimates of useful life and residual values are reassessed regularly based on available information. Changes to estimates of useful lives and residual values may affect the annual depreciation expenses.

Taxation

The Group has entered the Danish tonnage tax regime for a binding 10-year period from 2012.

The tax rules are complicated when a company activities is partly covered by the tonnage tax regime and partly by regular taxation. In calculation of the taxable income, estimates are made which in later assessment by the Danish tax authorities may result in correction to previous estimates of recognized tax assets and liabilities in the statement of financial position.

Note 4. Revenue

USD '000	2017	2016
Freight revenue	73.517	73.990
Time charter revenue	12.487	20.512
Other voyage related revenue	6.711	6.542
Revenue	**92.715**	**101.044**

Note 5. Staff costs

USD '000	2017	2016
Land based employees (included in administrative expenses)		
Wages and salaries	843	718
Pensions, defined contribution plans	81	70
Other social security expenses	186	196
Other staff expenses	6	24
	1.116	**1.008**
Seafarers (included in operating expenses)		
Wages and salaries	14.326	14.479
Pensions, defined contribution plans	656	470
Other social security expenses	0	6
Other staff expenses	-19	1
	14.964	**14.956**
Total staff costs	**16.080**	**15.964**

Average employees	2017	2016
Land based employees	9	10
Seafarers	255	273
	263	**283**

Amounts and numbers related to seafarers only include vessels that are either owned or chartered on bareboat charter agreements. Seafarers on vessels chartered on time charter agreements are not included.

USD '000	2017	2016
Board of Directors		
Remuneration to the Board of Directors	99	-
CEO and key management personnel		
Salaries	-	-
Pensions, defined contribution plans	-	-
Other social security expenses	-	-
Total remuneration	**99**	**-**

Persons in the Board of Directors and key management	2017	2016
Board of Directors	3	5
CEO and key management personnel	1	1
	4	**6**

Note 6. Fees to the auditor appointed at the general meeting

USD '000	2017	2016
Audit	60	77
Other assurance services	-	1
Tax consultancy	13	36
Other services	75	-
Total	**148**	**114**

Note 7. Depreciations, impairments and gains/losses

USD '000	2017	2016
Depreciation of intangible assets, ref. note 11	27	337
Depreciation of tangible assets, ref. note 12	8.555	13.385
Depreciation of assets held for sale, ref. note 17	376	-
Depreciations	**8.958**	**13.722**
Impairment losses, tangible assets, ref. note 12	53.994	56.235
Impairment losses, assets held for sale, ref. note 17	32	-
Impairment losses	**54.026**	**56.235**
Gains/losses re. sale of tangible assets, ref. note 11	483	2.306
Gains/losses	**483**	**2.306**

Note 8. Financial income

USD '000	2017	2016
Interest income	60	4
Exchange rate gains	841	896
Other financial income	-	77
Financial income	**901**	**976**

Note 9. Financial expenses

USD '000	2017	2016
Interest expenses on mortgage debt	5.903	5.052
Other interest expenses	844	819
Exchange rate losses	746	1.204
Other financial expenses	83	364
Financial expenses	**7.576**	**7.439**

Note 10. Tax

USD '000	2017	2016
Tax on the results for the year	98	27
Adjustments of tax regarding previous years	-4	-5
Tax for the year recognized in the income statement	**94**	**22**

The majority of the Group's income tax base is located in Denmark, and therefore subject to the Danish tonnage tax scheme. The Group's has entered the tonnage tax scheme the 1 January 2011, with a binding period of 10 years, and it's the Group's expectation to continue to participate in the tonnage tax scheme after the binding periode expires, with an equivalent or higher activity level as at the time where the Group entered the tonnage tax scheme.

The Group did not own any vessels upon entering the tonnage tax scheme; consequently, the Group has no deferred, or contingent, taxes from the transitional period.

Under the tonnage tax scheme, income and expenses from shipping activities are not subject to direct taxation and accordingly an effective rate reconciliation has not been provided as it would not provide any meaningful information. Instead, the taxable income is calculated from:

- The net tonnage of the vessels used to generate the income from shipping activities
- A rate applicable to the specific net tonnage of the vessel based on a sliding scale

Due to the provisions of the tonnage tax scheme, the effective tax rate of the group is -0,1 % (2016: -0,2 %).

No deferred tax assets or liabilities are recognized 31 December 2017. The tax asset of non-recognized tax losses and tax credits carried forward, with certain limitations in subsidiaries and time, amounts to 0 tUSD (2016: 0 tUSD) for the Group, There are no unrecognized tax liabilities associated with investments in foreign subsidiaries and jointly controlled companies.

Note 11. Intangible assets

USD '000	Software
Cost at 1 January 2016	1.300
Cost at 31 December 2016	**1.300**
Accumulated depreciations at 1 January 2016	-936
Depreciations for the year	-337
Depreciations at 31 December 2016	**-1.273**
Carrying amount at 31 December 2016	**27**
Cost at 1 January 2017	1.300
Cost at 31 December 2017	**1.300**
Accumulated depreciations at 1 January 2017	-1.273
Depreciations for the year	-27
Depreciations at 31 December 2017	**-1.300**
Carrying amount at 31 December 2017	**-**

Note 12. Tangible assets

USD '000	Vessels	Property and equipment	Prepay-ments on vessels and dockings	Total
Cost at 1 January 2016	303.436	178	19	303.633
Additions during the year	3.163	-	2.823	5.986
Disposals during the year	-5.349	-29	-	-5.378
Transfers to/from other items	2.825	-	-2.825	-
Transfers to assets held for sale	-33.948	-	-17	-33.965
Cost at 31 December 2016	**270.127**	**149**	**-**	**270.276**
Accumulated depreciations at 1 January 2016	-113.561	-173	-	-113.734
Depreciations for the year	-13.385	-	-	-13.385
Disposals during the year	2.620	29	-	2.649
Transfers to assets held for sale	17.259	-	-	17.259
Depreciations at 31 December 2016	**-107.067**	**-144**	**-**	**-107.211**
Write-downs at 1 January 2016	-5.584	-	-	-5.584
Write-downs for the year	-55.986	-	-	-55.986
Transfers to assets held for sale	5.303	-	-	5.303
Write-downs at 31 December 2016	**-56.267**	**-**	**-**	**-56.267**
Carrying amount at 31 December 2016	**106.793**	**5**	**-**	**106.798**
Cost at 1 January 2017	270.128	149	-	270.276
Additions during the year	-1	-	664	663
Transfers to/from other items	664	-	-664	-
Transfers to assets held for sale	-17.595	-	-	-17.595
Cost at 31 December 2017	**253.196**	**149**	**-**	**253.344**
Accumulated depreciations at 1 January 2017	-107.067	-144	-	-107.211
Depreciations for the year	-8.555	-	-	-8.555
Transfers to assets held for sale	8.715	-	-	8.715
Depreciations at 31 December 2017	**-106.907**	**-144**	**-**	**-107.050**
Write-downs at 1 January 2017	-56.267	-	-	-56.267
Write-downs for the year	-53.994	-	-	-53.994
Transfers to assets held for sale	3.467	-	-	3.467
Write-downs at 31 December 2017	**-106.794**	**-**	**-**	**-106.794**
Carrying amount at 31 December 2017	**39.495**	**5**	**-**	**39.500**

As of 31 December 2017, Management has made an impairment test of the recoverable amount of the Group's fleet.

The fleet, including vessels chartered on time charter and bareboat charter agreements, is seen as one cash-generating unit (CGU). Vessels classified as assets held for sale are not included in the impairment test.

According to the Group's accounting policy, a write-down is made to the higher of the sales price (less costs to sell) and the value in use.

The value in use is estimated based on the net present value of the future cash flows generated by the fleet. The cash flows for the period 2018-2022 are based on the Group's budget for 2018 and the 5 years plan approved by Management. After the 5 years period, TCE rates, operating and administrative costs are expected to increase by a constant inflation rate over the respective vessels' remaining economic life times. It was expected that in 2017 the technical performance of the fleet would improve towards the long-term target. As the improvements have not materialized the assumptions applied with respect to operating expenses, off-hire days and useful life of the vessels have been aligned with the current technical performance. The key assumptions of the value in use calculation are disclosed below:

	2017	2016
Average annual growth in TCE rates in the 5 years period, percent p.a.	8,2%	7,6%
Average annual growth in TCE rates after the 5 years period, percent p.a.	1,5%	1,5%
Weighted average cost of capital (WACC) after tax, percent p.a.	9,6%	10,0%
Calculated value in use, USD million	39,4	108,8

The estimated sales price less costs to sell was based on the transaction price realized at the sale of Herning Shipping A/S in January 2018. This was in line with the calculated value in use.

Based on the impairment test, Management has concluded that there was a need to write down the carrying amount of the fleet. Consequently, an impairment loss of USD 52.4 million has been posted.

The sensitivity analysis indicates the following adverse consequences:

- If the average annual growth in TCE rates in the period 2018-2022 was to be reduced by 3.0 percentage points, this would reduce the value in use by USD 9.5 million.
- If the weighted cost of capital after tax was to be increased by 1.0 percentage point, this would reduce the value in use by USD 2.9 million.

Please refer to note 32 for further information.

Note 13. Trade receivables

USD '000	2017	2016
Receivables from freight and management services, incl. accrued income	5.911	3.798
Provisions for bad debt	-38	-138
Trade receivables	**5.873**	**3.660**
Hereof:		
Accrued income	511	959

A provisioning account is used to reduce the carrying amount of receivables from sales and services whose value is impaired due to loss risk.

Direct provision is made for loss of receivables if the value is impaired, based on an individual assessment of the individual debtors, e.g. by suspension of payments, bankruptcy etc. Write-downs are made at the estimated net realizable value.

Based on historical experience, amounts on the provision account are impaired with 50 % when receivables has been due for six months and fully impaired when receivables has been due for more than twelve months.

Note 14. Other receivables

USD '000	2017	2016
Deposits	643	76
Insurance claims and other claims	-	889
Miscellaneous receivables	1.105	345
Other receivables	**1.748**	**1.310**

Note 15. Prepayments

USD '000	2017	2016
Prepayments regarding time charter and bareboat charter agreements	635	711
Insurance prepayments	181	723
Other prepayments to suppliers etc.	1.292	609
Prepayments	**2.108**	**2.043**

Note 16. Cash and cash equivalents

USD '000	2017	2016
USD	6.491	5.032
EUR	886	2.750
DKK	446	47
Other currencies	231	75
Cash and cash equivalents	**8.054**	**7.904**
Hereof:		
Unrestricted	4.678	6.404
Restricted	3.376	1.500
	8.054	**7.904**

Note 17. Assets held for sale

USD '000	2017	2016
Carrying amount at 1 January	11.403	1.167
Transfers from tangible assets for the year	5.414	11.403
Disposals for the year	-10.995	-937
Revaluations for the year	-408	-229
Other movements	-	-
Carrying amount at 31 December	**5.414**	**11.403**

The asset held for sale consists of the vessel Hanne Theresa, and is valued at the expected selling price.

Note 18. Share capital

	2017			2016		
	Number of shares	Nominal value USD	Share capital USD	Number of shares	Nominal value USD	Share capital USD
Shares	1.700	146,78	249.527	1.700	146,78	249.527
Share capital 31 December	**1.700**	**146,78**	**249.527**	**1.700**	**146,78**	**249.527**

The company's share capital was reduced in 2015 with 2.788 tUSD.

Note 19. Reserves

USD '000	2017	2016
Reserve for fair value of financial instruments	-	-31
Reserves	**-**	**-31**

Note 20. Provisions

USD '000	2017	2016
Provisions for loss-making time-charter contracts	34	210
Provisions	**34**	**210**

Note 21. Loans

USD '000	2017	2016
Current portion of non-current debt with maturities within 1 year	194.523	-
Non-current debt with maturities between 1 and 5 years	-	193.073
Non-current debt with maturities over 5 years	-	-
Total	**194.523**	**193.073**
Hereof:		
Loans denominated in USD with floating interest rate	194.523	193.073
Total	**194.523**	**193.073**

The loan agreements include minimum requirements (financial covenants) for liquidity. The requirements were met throughout 2016 and 2017.

Note 22. Trade payables

USD '000	2017	2016
Trade payables	6.952	7.309
Trade payables	**6.952**	**7.309**
Hereof:		
Accrued costs	5.020	3.215

Note 23. Other payables

USD '000	2017	2016
Employees' withheld income taxes, pensions, social contributions etc.	1.739	1.258
Deposits received	-	522
Accrued interest	-	32
Financial instruments with negative market value	-	31
Miscellaneous payables	6.175	3.361
Other payables	**7.914**	**4.682**

Note 24. Changes in working capital

USD '000	2017	2016
Change in inventories	611	136
Change in trade receivables	2.213	-3.334
Change in other receivables	438	-1.730
Change in prepayments	65	-160
Change in trade payables	358	2.503
Change in other payables excl. accrued interest and tax liabilities	-3.230	-2.216
Change in working capital excl. accrued interest and tax liabilities	**455**	**-4.801**

Note 25. Reconciliation of liabilities arising from financing activities

USD '000	01-01-2017	Financing cash flow (i)	Non-cash changes: Aquisition or disposals of subsidiaries	Non-cash changes: Fair value adjust-ments	Other changes (ii)	31-12-2017
Bank loans	181.353	-3.879	-	-	4.549	182.023
Loans from related parties	11.720	-	-	-	780	12.500
	193.073	**-3.879**	-	-	**5.329**	**194.523**

(i) The cash flows from bank loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes include amortization, interest accruals and payments.

Note 26. Operating lease liabilities

The company has entered into operational lease agreements, charter contracts, whose maturity can be calculated accordingly:

USD '000	2017	2016
Bareboat and time charter agreements		
The Group has entered into bareboat agreements falling due until 2019.		
Bareboat and time charter obligations with maturities within 1 year	9.385	7.466
Bareboat and time charter obligations with maturities between 1 and 5 years	1.504	3.027
Bareboat and time charter obligations with maturities over 5 years	-	-
Total	**10.889**	**10.493**
Other contractual obligations		
The Group has contractual obligations to IT service partners.		
Contractual obligations with maturities within 1 year	-	7.897
Contractual obligations with maturities between 1 and 5 years	-	-
Contractual obligations with maturities over 5 years	-	-
Total	**-**	**7.897**

Note 27. Unrecognized contingent assets and liabilities

The Group is not involved in any lawsuits involving claims against the Group. However, claims have been made against the Group regarding demurrage etc. It is Management's opinion that the outcome of these disputes will not have any material impact on the Group's financial position, result or cash flow.

The Group is not involved in any lawsuits, disputes etc. involving claims from the Group against third parties.

The Group has not issued any guarantees.

Note 28. Mortgages and security

USD '000.000	2017	2016
Loans secured by mortgages in vessels	183	164
Carrying amount of vessels being mortgaged	40	111
Value of mortgages	246	276

Note 29. Related party disclosures and transactions with related parties

Related parties with controlling influence

Related parties with controlling influence consist of the boards in Triton, based in St. Helier, Jersey that ultimately controls the Group with 100% ownership.

Triton owns the Groups sister company, Nordic Tankers S.C.A. with 100% ownership, and transactions between Herning Shipping A/S and Nordic Tankers LuxCo S.C.A. is considered controlled by Triton.

Transactions with related parties

The related parties comprise the Executive Board, members of the Board of Directors, as well as their close relatives. Related parties also include companies in which the above-mentioned persons have significant interests as well as companies and foundations, which have direct or indirect considerable influence through shareholding.

Remuneration of the Board of Directors and the Executive Management are disclosed in note 4.

In the financial year, in addition to paying dividends, the Group had the following transactions with related parties:

USD '000	Key Persons in manag-ment	Parent companies	Other related parties*	Total
2017				
TCE income	-	-	2.922	2.922
Charterhire	-	-	-6	-6
Operating expenses	-	-	-387	-387
Remunerations for management	99	-	-	99
Administive services (expense)	-	-	7.962	7.962
Financial results, net	-	-	0	0
Trade receiveables	-	-	-202	-202
Other receivables	-	-	58	58
Shareholder loans	-	12.500	-	12.500
Trade payables	-	-	-498	-498
2016				
TCE income	-	-	2.131	2.131
Management Fee	-	-	-9	-9
Operating expenses	-	-	-466	-466
Remunerations for management	-	-	-	-
Administive services (expense)	-	-	8.377	8.377
Financial results, net	-	-	9	9
Trade receiveables	-	-	34	34
Other receivables	-	-	2	2
Shareholder loans	-	11.720	-	11.720
Trade payables	-	-	-483	-483

*Other related parties consists of Triton controlled entities.

Transactions with subsidiaries have been eliminated in the consolidated financial statements in accordance with the accounting policies applied.

Note 30. Companies in the Group

Company	Country	Registration number	Owner-ship	Voting rights
Herning Shipping A/S	Denmark	40533516	100%	100%
Herning Shipping Asia Pte. Ltd.	Singapore	200414464N	100%	100%
Herning Shipping France SARL	France	FR82429303076	100%	100%

Herning Shipping Asia Pte. Ltd. has entered into liquidation on 14 February 2018.

Note 31. Subsequent events

There has been no other subsequent events than the events mentioned in Note 1 – Going Concern.

Note 32. Accounting policies

Accounting policies in addition to those described in note 2, is as described below.

Consolidated financial statements

The consolidated financial statements include Herning Shipping A/S (parent company) and the enterprises (subsidiaries) which are controlled by the parent company. Control is achieved when the company:

- has the power of the investee
- is exposed or has the right to variable returns from involvement with the investee
- has the ability to use its power to affect its returns

The Group's joint control or significant influence over an entity or activity is subject to an assessment of power and exposure to variability in returns. When assessing joint control, an analysis is carried out to determine which decisions require unanimity and whether these concern the activities that significantly affects return. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, which is typically relevant for the pool arrangements in which some of the Group's vessels operate. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Basis of consolidation

The consolidated financial statements have been prepared on the basis of the accounts of Herning Shipping A/S and its subsidiaries and joint arrangements. The consolidated financial statements have been prepared by adding together items of a uniform nature. The accounts used for consolidation purposes have been prepared in accordance with the Group's accounting policies. Intercompany income and expenses, intercompany balances and dividends as well as profit and loss from intercompany transactions have been eliminated on consolidation. Subsidiaries' items are recognized in full in the consolidated financial statements. Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. Investments in joint arrangements are recognized and measured in the consolidated financial statements pro rata with the Group's ownership interest and presented on a line-by-line basis in the consolidated financial statements. The proportionate share of the results of the entities after tax and elimination of unrealized proportionate intercompany profits and losses is recognized in the income statement.

Business combinations

Newly acquired or formed entities are recognized in the consolidated financial statements from the date of acquisition or formation. The date of acquisition is the date on which control over the entity is effectively transferred.

When purchasing new entities where the Group has a controlling influence over the acquired business, the acquisition method is used, after which the entities' assets, liabilities, contingent liabilities are measured at fair value at acquisition date. Non-current assets, which are acquired with intention to sale, are measured at fair value withdrawn expected sales costs. Restructuring costs are recognized in the acquisition balance, only if they constitute a liability for the acquired entity. The tax effect of the revaluations is taken into account.

The consideration for a company consists of the fair value of the consideration paid for the acquired entity. If the final determination of the consideration is conditional on one or more future events, these are recognized at their fair value at the acquisition date. Costs relating to the acquisition are recognized in the income statement at the time of the event.

Positive difference (goodwill) between the acquisition cost of the acquired entity, the value of minority interests in the acquiree and the fair value of previously acquired interests and the fair value of the acquired assets, liabilities and contingent liabilities is recognized as an asset in intangible assets and tested at least once a year for impairment. If the carrying amount of the asset exceeds its recoverable amount, it is depreciated to the lower recoverable amount.

In the case of negative differences (negative good-will), the estimated fair values are recalculated purchase consideration for the enterprise, the value of minority interests in the acquired company and the fair value of previously acquired shareholdings. If the difference is still negative, the difference is recognized as an extraordinary income in the income statement.

If, at the time of acquisition, uncertainty exists regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration, first recognition is based on preliminary values. The provisionally calculated values can be adjusted or additional assets or liabilities are recognized up to 12 months after the acquisition, if new information has been obtained regarding circumstances existing at the acquisition date that would have affected the valuation of the acquisition date if the information was known.

Subsequent changes in estimates of conditional purchase remuneration are generally recognized directly in profit or loss.

Profits or losses on the sale or settlement of subsidiaries and associates

Profits or losses of sale or settlement of subsidiaries and associates that result in termination of control and significant influence are calculated as the difference between the fair value of the sales proceeds or the settlement amount and the fair value of any remaining equity interests and, on the other hand, the carrying amount of the net assets at the disposal or settlement date, including goodwill, withdrawn any minority interests. The realized profit or loss is recognized in the income statement as well as accumulated exchange rate adjustments previously recognized in other comprehensive income.

Foreign currency translation

The functional and presentation currency of the Group is USD. On initial recognition, transactions in currencies other than the functional currency of each entity are translated using the exchange rate at the date of the transaction. Receivables, payables and other monetary items in foreign currencies, which have not been settled at the balance sheet date, are translated using the rate of exchange at the balance sheet date. Any exchange differences arising between the rate of exchange at the date of the transaction and the rate of exchange at the date of payment and the balance sheet date, respectively, are recognized in the income statement as financial income and expenses. Property, plant and equipment, intangibles, inventories and other non-monetary assets purchased in foreign currencies and measured using historical costs are translated using the rate of exchange at the date of the transaction.

Income statement

Revenue

Income, including revenue, is recognized in the income statement when:

- The income generating activities have been carried out on the basis of a binding agreement
- The income can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Group
- Costs relating to the transaction can be measured reliably

Revenue comprises freight, demurrage and management fees. Revenue is recognized when it meets the general criteria mentioned above and the stage of completion can be measured reliably. The stage of completion is based on the number of onhire days completed divided by the expected total voyage days for the individual voyage. Accordingly, freight revenue is recognized at selling price multiplied by stage of completion for voyages in progress at year-end.

The Group generates part of its revenue through pool or joint venture arrangements. Total pool revenue is generated from each vessel participating in the pool. The pool measures revenue based on the contractual rates and the duration of each voyage, and revenue is recognized in the pools income statement upon delivery of service in accordance with the Groups definition on recognizing income. The pools are regarded as joint arrangements, and the Group's share of items in the income statement and balance sheet in the respective pools is accounted for by recognizing a proportional share, based on participation in the pool. The Group's share of pool revenue is primarily dependent on the number of days the Group's vessels have been available for the pools in relation to the total available pool earning days during the period.

Voyage related expenses

These are expenses related to voyages performed by the Groups vessels. Voyage related expenses consist mainly of bunkers, port expenses and commissions. Voyage related expenses are recognized as incurred.

Charter hire

Lease payments relating to charter hire (operating leases) are recognized using the straight-line method in the income statement over the term of the leases.

Operating expenses

Operating expenses include costs relating to the operation and maintenance of vessels, including costs relating to crew. Operating expenses are recognized as incurred.

Administrative expenses

Administrative expenses include the cost of offices, personnel costs and administrative costs. Staff costs comprise wages and salaries, social security and pension costs, etc. and are recognized as incurred.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation of tangible fixed assets for the period as well as the impairment of the value of assets by the amount by which the carrying amount of the asset exceeds its recoverable amount. In the event of indications of impairment, the carrying amount is assessed, and the value of the asset is impaired to its recoverable amount equal to the higher of value in use based on net present value of future earnings from the assets and its net selling price.

Financial items

Financial items comprise interest income and expenses, realized and unrealized gains and losses on securities, liabilities and foreign currency transactions, dividends, estimated interest expenses relating to amortization allowances or deductions relating to mortgage debt etc. as well as surcharges and allowances under the Danish Corporate Tax Scheme.

Interest income and expenses are accrued on the basis of the principal and the effective interest rate. The effective interest rate is the discount rate that will be used to discount the expected future payments that are linked to the financial asset or financial liability so that their present value corresponds to the carrying amount of the asset and liability.

Dividends from investments in equity interests are recognized when a final right has been acquired for the dividend. This will typically be stated at the time of the general meeting's approval of the distribution from the company in question. However, in the consolidated financial statements this does not apply to investments in associates that are measured using the equity method.

Tax

The Groups current tax of the year consist of estimated tax according to the Danish Tonnage Tax Act for all shipping activities, and according to general tax regulations for net financial income and other activities. Other activities consist of the Groups management fee income. Shipping activities are taxed based on the net tonnage (vessels) which the Group has at its disposal.

Based on the Group's planned use of vessels and recovery of reversed depreciation, the tonnage tax regime does not result in a deferred tax liability, but is merely incorporated as a contingent liability. Other activities of the Group are not subject to deferred tax either.

Balance sheet

Intangible assets

Intangible assets pertain to developed software which is measured at cost less amortizations. The cost comprises the cost of acquisition and any expenses directly related to the acquisition until the time when the asset is ready for use. Developed software is amortized over a period of 3 years (36 month) in a straight-line.

Property, plant and equipment, vessels and dry-docking

Property, plant and equipment, vessels, upgrade costs, dockings and office and IT equipment, and are measured at cost less accumulated depreciation and impairment losses. The cost comprises the cost of acquisition and any expenses directly related to the acquisition until the time when the asset is ready for use, including interest expenses incurred during the period of construction. Other borrowing costs are taken to the income statement. Depreciation is charged over the expected economic lives of the assets, and the depreciation methods, expected lives and residual values are reassessed individually for the assets at the end of each financial year.

Vessels

Vessels are measured at cost less accumulated depreciation and write-downs. All major components of vessels except for dry-docking assets are depreciated on a straightline basis to the estimated residual value over their estimated useful lives, which the Group estimates to be 25 years. Depreciation is based on cost less the estimated residual value. Residual value is estimated as the light weight tonnage of each vessel multiplied by scrap value per ton. The useful life and residual value of the vessels are reviewed at least at each financial year-end based on market conditions, regulatory requirements and the Group's business plans. Moreover, the Group evaluates the carrying amount of the vessels to determine whether events have occurred that indicate impairment and would require an adjustment of the carrying amounts. Prepayments on vessels under construction are recognized as instalments paid.

Dry-dockings

The fleet of own vessels is required to undergo planned dry dockings for major repairs and maintenance, which cannot be carried out while the vessels are operating. Dry-dockings are generally required every 30-60 months depending on the nature of the work, and the age of the vessel. Costs relating to dry-dockings are capitalized and depreciated on a straight-line basis over a period of 60 months or to the next dock if within 30 months. The residual value is estimated at zero. A portion of the cost of acquiring a new vessel is allocated to the components which are expected to be replaced or refurbished at the next dry-docking. For new buildings, the initial dry-docking asset is estimated on the basis of the expected costs related to the first-coming docking, which is based on experience with similar vessels. At subsequent dry-dockings, the asset comprises the actual docking costs incurred.

Office and IT equipment: Office and IT equipment is depreciated on a straight-line basis over the estimated useful lives, which does not exceed 5 years.

Impairment tests

The carrying amounts of property, plant and equipment with finite useful lives are evaluated at the balance sheet date to determine whether there are indications of impairment. If an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the need for recognizing an impairment loss and the extent hereof. If an asset does not generate cash flows that are independent from other assets, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. The Group is considered as one cash generating unit. The recoverable amount is defined as the higher of the fair value of the asset or the cash generating unit less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money, the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For vessels, the fair value is usually determined based on the estimated selling price less costs to sell. If the recoverable amount of the asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount.

An impairment loss for cash-generating units is allocated to the assets of the unit, but no asset will be reduced to a lower value than its fair value deducted expected costs to sell. Impairment losses are recognized in the statement of comprehensive income. If an impairment loss subsequently is reversed as a result of changes in the assumptions used to determine the recoverable amount, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit.

Other financial fixed assets

Other financial fixed assets consists of loans with maturities longer than 12 months after the reporting period. Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are initially measured at fair value and subsequently at amortized cost, which usually equals the nominal value less provisions for bad debts. Impairment is assessed individually using a provisions account.

Deposits are considered a non-current asset, when the lease agreements is interminable within 12 months from the balance sheet date.

Other investments are presented as non-current, unless Management intends to dispose of the investments within 12 months from the balance sheet date.

Inventories

Inventories are measured at cost according to the FIFO method, or net realizable value if lower. Inventories consist of bunkers and lubricants etc. The cost of bunkers and lubricants includes the purchase price and delivery costs.

Receivables

Receivables comprise trade receivables (including accrued income) and other receivables. Receivables are classified as receivables that are financial assets, with fixed or determinable payments, which are not quoted in an active market and which are not derivative financial instruments. Receivables are initially measured at fair value and subsequently at amortized cost, which usually equals the nominal value less provisions for bad debts. Impairments is assessed at an individual level, as well as at a portfolio level using an accrued account.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Assets held for sale

Assets held for sale and related liabilities are presented separately from other assets and liabilities and measured at the lower value of its carrying amount and fair value less cost to sell.

Dividends

Dividend are recognized as a liability at the time of approval by the General Meeting. Dividends proposed by Management in respect of the year are stated under equity.

Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions with an expected maturity of more than one year from the balance sheet date are measured at present value.

Non-current and current financial liabilities (interest bearing debt)

Finance loans are initially measured at fair value less any transaction costs. Finance loans are subsequently measured at amortized cost. This means that the difference between the amount on initial recognition and the redemption value is recognized in the income statement as a financial expense over the term of the loan using the effective interest method.

Other liabilities

Other liabilities comprise trade payables (including accrued costs) and other payables to public authorities, etc. Other liabilities are initially measured at fair value less any transaction costs. Liabilities are subsequently measured at amortized cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement as a financial expense over the term of the liability.

Cash flow statement

The consolidated cash flow statements are presented using the indirect method and show cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are stated as the operating profit or loss, adjusted for non-cash operating items and changes in working capital, less corporation tax paid attributable to operating activities.

Cash flows from investing activities include payments in connection with the acquisition and divestment of enterprises and financial assets and the acquisition, development, improvement and sale, etc. of intangibles and property, plant and equipment.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows from acquired enterprises are recognized in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognized up to the time of sale. Cash flows from financing activities comprise changes in the parent company's share capital and related costs as well as raising and repayment of loans, instalments on interest bearing debt, acquisition of treasury shares and payment of dividend. Cash flows in other currencies than the functional currency are recognized in the cash flow statement using average exchange rates for the respective months, unless these deviate materially from the actual exchange rates ruling at the dates of the transactions. If so, the actual exchange rates are used.

Parent company financial statements

Page

Parent company income statement

1 January – 31 December

USD '000	Note	2017	2016
Revenue	4	89.307	95.012
Voyage related expenses		-29.073	-26.429
Time charter equivalent earnings		**60.234**	**68.583**
Other operating income		53	2.229
Charter hire		-14.599	-21.781
Operating expenses	5	-37.171	-40.768
Administrative expenses	5,6	-14.009	-9.191
Operating profit before depreciation etc. (EBITDA)		**-5.492**	**-928**
Depreciation	7	-8.582	-13.000
Impairment losses	7	-54.026	-54.263
Gains/losses from sale of fixed assets	7	203	-2.729
Share of results of subsidiary companies	8	466	-222
Operating profit (EBIT)		**-67.431**	**-71.143**
Financial income	9	783	637
Financial expenses	10	-7.353	-6.903
Result before tax		**-74.001**	**-77.409**
Taxation	11	-5	-11
Net result		**-74.006**	**-77.420**

OTHER COMPREHENSIVE INCOME

Items which will be reclassified to the income statement:		
Fair value adjustment of financial instruments	31	130
Other adjustments	-	-23
Other comprehensive income	**31**	**107**
Total comprehensive income	**-73.975**	**-77.313**

Parent company balance sheet

at 31 December

USD '000	Note	2017 (Pro forma)*	2017	2016	2016 (1 January)**
ASSETS					
Software	12	-	-	27	364
Intangible assets		**-**	**-**	**27**	**364**
Vessels	13	39.495	39.495	106.793	174.846
Tangible assets		**39.495**	**39.495**	**106.793**	**174.846**
Investments in Subsidiary Companies	14	1.954	1.954	1.486	2.336
Other financial fixed assets		164	164	-	5.591
Financial assets		**2.118**	**2.118**	**1.486**	**7.927**
Non-current assets		**41.613**	**41.613**	**108.306**	**183.137**
Inventories		1.765	1.765	1.143	999
Trade receivables	15	5.869	5.869	3.137	6.597
Receivables from subsidiaries		7	7	4	382
Other receivables	16	1.747	1.747	1.273	2.353
Prepayments	17	1.908	1.908	1.905	2.150
Other securities and investments		-	-	-	214
Cash and cash equivalents	18	8.682	5.840	3.992	10.492
		19.978	**17.136**	**11.455**	**23.187**
Assets held for sale	19	5.414	5.414	4.403	-
Current assets		**25.392**	**22.550**	**15.858**	**23.187**
Assets		**67.005**	**64.163**	**124.164**	**206.324**

* See description in Note 1 - Going Concern and in the management report. Pro forma balance is not audited.

** 1January balance according to IFRS 1

Parent company balance sheet

at 31 December

USD '000	Note	2017 (Pro forma)*	2017	2016	2016 (1 January)**
EQUITY AND LIABILITIES					
Share capital	19	250	250	250	250
Reserves	20	-	-	-31	-161
Retained earnings		7.232	-145.232	-71.226	6.216
Equity		**7.483**	**-144.982**	**-71.008**	**6.304**
Provisions	21	34	34	210	-
Loans	22	39.500	-	20.620	188.390
Non-current liabilities		**39.534**	**34**	**20.830**	**188.390**
Loans	23	0	194.523	163.960	545
Trade payables	24	6.977	6.977	6.450	5.206
Payables from subsidiaries		-	-	107	811
Current tax liabilities		-	-	-	42
Other payables	25	7.611	7.611	3.824	5.026
		14.588	**209.111**	**174.342**	**11.630**
Liabilities related to assets held for sale		5.400	-	-	-
Current liabilities		**19.988**	**209.111**	**174.342**	**11.630**
Liabilities		**59.522**	**209.145**	**195.171**	**200.020**
Equity and liabilities		**67.005**	**64.163**	**124.164**	**206.324**

* See description in Note 1- Going Concern and in the management report. Pro forma balance is not audited

** 1January balance according to IFRS 1

Going Concern	1
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Parent company statement of changes in equity

1 January - 31 December 2017

USD '000	Share capital	Reserves (Note 20)	Retained earnings	Total
Equity at 1 January 2017	**250**	**-31**	**-71.226**	**-71.008**
Comprehensive income for the year				
Profit for the year	-	-	-74.006	-74.006
Other comprehensive income for the year, net of income tax	-	31	-	31
Total comprehensive income for the year	-	31	-74.006	-73.975
Changes in equity	-	**31**	**-74.006**	**-73.975**
Equity at 31 December 2017	**250**	**0**	**-145.232**	**-144.982**

1 January - 31 December 2016

USD '000	Share capital	Reserves (Note 20)	Retained earnings	Total
Equity at 1 January 2016 *	**250**	**-161**	**6.217**	**6.305**
Comprehensive income for the year				
Profit for the year	-	-	-77.420	-77.420
Other comprehensive income for the year, net of income tax	-	130	-	130
Other adjustments	-	-	-23	-23
Total comprehensive income for the year	-	**130**	**-77.443**	**-77.313**
Changes in equity	-	**130**	**-77.443**	**-77.313**
Equity at 31 December 2016	**250**	**-31**	**-71.226**	**-71.008**

* There is no changes to opening equity regarding transition to IFRS.

Parent company cash flow statement

1 January - 31 December

USD '000	Note	2017	2016
Operating profit (EBIT)		-67.431	-71.143
Adjustment for provisions		-176	210
Adjustment for depreciation		7.850	13.000
Adjustment for impairment losses		54.758	54.263
Adjustment for gains/losses from sale of fixed assets		-203	2.729
Adjustment for share of results of subsidiaries		-466	645
Adjustment for other non-cash items		-264	486
Change in working capital excl. accrued interest and tax liabilities	26	526	4.683
Interest etc. received		17	9
Interest etc. paid		-1.347	-4.798
Tax paid		-8	-41
Cash flow from operating activities		**-6.745**	**44**
Investments in tangible assets		-	-3.164
Additions in prepayments on vessels, dockings etc.		-664	-2.842
Proceeds from the sale of tangible assets		4.573	0
Cash flow from investing activities		**3.909**	**-6.005**
Proceeds from borrowing		8.197	1.000
Instalments/repayments on loans		-3.782	-558
Cash flow from financing activities	27	**4.415**	**442**
Net cash flow		**1.579**	**-5.519**
Cash and cash equivalents at beginning of the year		3.992	9.626
Exchange rate adjustments		269	-115
Net cash flow		1.579	-5.519
Cash and cash equivalents at end of the year		**5.840**	**3.992**

Notes to the parent company financial statements

Note 1. Going concern

See Note 1 in the consolidated financial report.

Note 2. Changes to accounting policies and significant accounting policies

The parent company's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements from the Danish Financial Statements Act. Herning Shipping A/S is a Limited Liability Company with its registered office in Denmark.

The Parent Company uses the same accounting policies for recognition and measurement as the Group. The cases where the Parent Company's accounting policies differ from the Group is described below. For a detailed description of the Parent Company's accounting policies, see Note 32 to the Consolidated Financial Statements.

Changes from Danish GAAP to IFRS

The financial statements of Herning Shipping A/S has previously been reported under the Danish Financial Statements Act, but the management has decided to fully implement the International Financial Reporting Standards. As part of the process of fully implementing the IFRS standards, management has assessed the consequences regarding comparative figures in the financial statements. The review regarding changes between Danish GAAP and IFRS has resulted in the following changes to the comparative figures in the consolidated financial statement:

- IFRS 5 – Non-current asset held for sale and discontinued operations
- IAS 24 – Related party disclosures.

The change from Danish GAAP to IFRS has not resulted in any changes in recognition or measurement.

IFRS 5 is implemented in the annual report, having an effect on comparative figures. On the balance sheet, USD 4 million is transferred to assets held for sale in 2016. No further adjustments is made.

IAS 24 is implemented in the annual report and has no effect on comparative figures. A disclosure regarding related party transactions is reported in the consolidated financial statements note 29.

The implementation of new or amended standards and interpretations that have entered into force has not resulted in changes in accounting policies in the parent company's financial statements.

At the time of publication of this annual report, there are a number of new or amended standards and interpretations that have not yet come into effect and are therefore not incorporated in the parent company's annual accounts. Management believes that these will not have a material impact on the financial statements for the coming financial years.

The new or amended standards and interpretations mainly consists of:

- IFRS 9 on Financial Instruments
- IFRS 15 on Revenue recognitions
- IFRS 16 on Leases

For detailed descriptions of the new or amended standards and interpretation, see note 2.

IFRS 9 is implemented using same method as described in note 2 in the consolidated financial report, and is expected to not have a material impact on the financial statements.

IFRS 15 is implemented using same method as described in note 2 in the consolidated financial report.

IFRS 16 is implemented using same method as described in note 2 in the consolidated financial report.

Cases where the parent company's accounting policies differ from the Group

Results from investments in subsidiaries

Results from investments in subsidiaries comprises the individual entities' earnings after full elimination of internal gains and losses.

Conversion of foreign currency

Exchange rate adjustments of receivables from or liabilities to subsidiaries, which are considered part of the parent company's investment in the subsidiary, are recognized in the income statement under financial items. In the consolidated financial statements, value adjustments are recognized in other comprehensive income.

Investments in subsidiaries

Investments in subsidiaries are recognized and measured according to the equity method.

In the balance sheet under the items "Investments in subsidiaries", the proportional ownership share of the companies' net asset value is recognized.

The total net revaluation of investments is subsidiaries is transferred through the distribution of profits to "Reserve for net revaluation according to equity method" under equity. The reserve is reduced by dividend payments to the parent company and is adjusted with other changes in equity in subsidiaries.

Subsidiaries with negative net asset value are recognized at 0 tUSD, and a provision to cover the negative balance is recognized if such a present obligation for this purpose exists.

Note 3. Significant accounting estimates, assumptions and uncertainties

For a description of significant accounting estimates, assumptions and uncertainties, see Note 2 of the consolidated financial statements.

Note 4. Revenue

USD '000	2017	2016
Freight revenue	73.517	72.456
Time charter revenue	9.046	16.980
Other voyage related revenue	6.744	5.576
Revenue	**89.307**	**95.012**

Note 5. Staff costs

USD '000	2017	2016
Land based employees (included in administrative expenses)		
Wages and salaries	99	-
	99	**-**
Seafarers (included in operating expenses)		
Wages and salaries	13.647	13.601
Pensions, defined contribution plans	656	470
Other social security expenses	0	6
Other staff expenses	-19	1
	14.285	**14.078**
Total staff costs	**14.384**	**14.078**

Average employees	2017	2016
Land based employees	-	-
Seafarers	255	273
	255	**273**

USD '000	2017	2016
Board of Directors		
Remuneration to the Board of Directors	99	-
Total remuneration	**99**	**-**

Persons in the Board of Directors and key management	2017	2016
Board of Directors	3	5
CEO and key management personnel	1	1
	4	**6**

Note 6. Fees to the auditor appointed at the general meeting

USD '000	2017	2016
Audit	42	40
Other assurance services	-	1
Tax consultancy	13	36
Other services	75	-
Total	**130**	**77**

Note 7. Depreciations, impairments and gains/losses

USD '000	2017	2016
Depreciation of intangible assets, ref. note 12	27	337
Depreciation of tangible assets, ref. note 13	8.555	12.664
Depreciations	**8.582**	**13.000**
Impairment losses, tangible assets, ref. note 13	53.994	54.263
Impairment losses, assets held for sale, ref. note 19	32	-
Impairment losses	**54.026**	**54.263**
Gains/losses re. sale of tangible assets, ref. note 13	-203	2.729
Gains/losses	**-203**	**2.729**

Note 8. Share of results in subsidiary companies and joint ventures

USD '000	2017	2016
Share of result in subsidiary companies	466	-222
Total	**466**	**-222**

Note 9. Financial Income

USD '000	2017	2016
Interest income	17	4
Exchange rate gains	766	559
Other financial income	-	74
Discountinued operations	-	-
Financial income	**783**	**637**

Note 10. Financial expenses

USD '000	2017	2016
Interest expenses on mortgage debt	5.516	4.756
Other interest expenses	1.054	1.003
Exchange rate losses	700	784
Other financial expenses	83	360
Financial expenses	**7.353**	**6.904**

Note 11. Taxation

USD '000	2017	2016
Tax on the results for the year	8	18
Adjustments of tax regarding previous years	-3	-7
Tax for the year recognized in the income statement	**5**	**11**

The majority of the company's income tax base is located in Denmark, and therefore subject to the Danish tonnage tax scheme. The company has entered the tonnage tax scheme the 1 January 2011, with a binding period of 10 years, and it is the company's expectation to continue to participate in the tonnage tax scheme after the binding periode expires, with an equivalent, or higher, activity level as at the time when the company entered the tonnage tax scheme.

The company did not own any vessels upon entering the tonnage tax scheme; consequently, the company has no deferred, or contingent, taxes from the transitional period.

Under the tonnage tax scheme, income and expenses from shipping activities are not subject to direct taxation and accordingly an effective rate reconciliation has not been provided as it would not provide any meaningful information. Instead, the taxable income is calculated from:

- The net tonnage of the vessels used to generate the income from shipping activities
- A rate applicable to the specific net tonnage of the vessel based on a sliding scale

Due to the provisions of the tonnage tax scheme, the effective tax rate of the company is -0,01 % (2016: -0,04%)

No deferred tax assets or liabilities are recognized 31 December 2017. The tax asset of non-recognized tax losses and tax credits carried forward, with certain limitations in subsidiaries and time, amounts to 0 tUSD (2016: 0 tUSD) for the company. There are no unrecognized tax liabilities associated with investments in foreign subsidiaries and jointly controlled companies.

Note 12. Intangible assets

USD '000	**Software**
Cost at 1 January 2016	1.300
Cost at 31 December 2016	**1.300**
Accumulated depreciations at 1 January 2016	-936
Depreciations for the year	-337
Depreciations at 31 December 2016	**-1.273**
Carrying amount at 31 December 2016	**27**
Cost at 1 January 2017	1.300
Cost at 31 December 2017	**1.300**
Accumulated depreciations at 1 January 2017	-1.273
Depreciations for the year	-27
Depreciations at 31 December 2017	**-1.300**
Carrying amount at 31 December 2017	**-**

Note 13. Tangible assets

USD '000	Vessels	Property and equipment	Prepay-ments on vessels and dockings	Total
Cost at 1 January 2016	285.914	29	-	285.943
Additions during the year	3.163	-	2.842	6.005
Disposals during the year	-8.092	-29	-	-8.121
Transfers to/from other items	2.825	-	-2.825	-
Transfers to assets held for sale	-13.683	-	-17	-13.700
Cost at 31 December 2016	**270.127**	**-**	**-**	**270.127**
Accumulated depreciations at 1 January 2016	-105.485	-29	-	-105.514
Depreciations for the year	-12.664	-	-	-12.664
Disposals during the year	5.117	29	-	5.146
Transfers to assets held for sale	5.965	-	-	5.965
Depreciations at 31 December 2016	**-107.067**	**-**	**-**	**-107.067**
Write-downs at 1 January 2016	-5.337	-	-	-5.337
Write-downs for the year	-54.263	-	-	-54.263
Transfers to assets held for sale	3.332	-	-	3.332
Write-downs at 31 December 2016	**-56.267**	**-**	**-**	**-56.267**
Carrying amount at 31 December 2016	**106.793**	**-**	**-**	**106.793**
Cost at 1 January 2017	270.128	-	-	270.128
Additions during the year	-	-	664	664
Transfers to/from other items	664	-	-664	-
Transfers to assets held for sale	-17.595	-	-	-17.595
Cost at 31 December 2017	**253.196**	**-**	**-**	**253.196**
Accumulated depreciations at 1 January 2017	-107.066	-	-	-107.066
Depreciations for the year	-8.555	-	-	-8.555
Transfers to assets held for sale	8.714	-	-	8.714
Depreciations at 31 December 2017	**-106.907**	**-**	**-**	**-106.907**
Write-downs at 1 January 2017	-56.267	-	-	-56.267
Write-downs for the year	-53.994	-	-	-53.994
Transfers to assets held for sale	3.467	-	-	3.467
Write-downs at 31 December 2017	**-106.794**	**-**	**-**	**-106.794**
Carrying amount at 31 December 2017	**39.495**	**-**	**-**	**39.495**

As of 31 December 2017, Management has made an impairment test of the recoverable amount of the Group's fleet.

The fleet, including vessels chartered on time charter and bareboat charter agreements, is seen as one cash-generating unit (CGU). Vessels classified as assets held for sale are not included in the impairment test.

According to the Group's accounting policy, a write-down is made to the higher of the sales price (less costs to sell) and the value in use.

The estimated sales price less costs to sell is based on indicative broker valuations.

The value in use is estimated based on the net present value of the future cash flows generated by the fleet. The cash flows for the period 2018-2022 are based on the Group's budget for 2018 and the 5 years plan approved by Management. After the 5 years period, TCE rates, operating and administrative costs are expected to increase by a constant inflation rate over the respective vessels' remaining economic life times. It was expected that in 2017 the technical performance of the fleet would improve towards the long-term target. As the improvements have not materialized the assumptions applied with respect to operating expenses, off-hire days and useful life of the vessels have been aligned with the current technical performance. The key assumptions of the value in use calculation are disclosed below:

	2017	2016
Average annual growth in TCE rates in the 5 years period, percent p.a.	8,2%	7,6%
Average annual growth in TCE rates after the 5 years period, percent p.a.	1,5%	1,5%
Weighted average cost of capital (WACC) after tax, percent p.a.	9,6%	10,0%
Calculated value in use, USD million	39,4	108,8

Based on the impairment test, Management has concluded that there is not a need to write down the carrying amount of the fleet.

The sensitivity analysis indicates the following adverse consequences:

- If the average annual growth in TCE rates in the period 2018-2022 was to be reduced by 3.0 percentage points, this would reduce the value in use by USD 9.5 million.
- If the weighted cost of capital after tax was to be increased by 1.0 percentage point, this would reduce the value in use by USD 2.9 million.

Note 14. Investments in subsidiaries

USD '000	2017	2016
Cost at 1 January 2017	3.428	3.428
Cost at 31 December 2017	**3.428**	**3.428**
Revaluation at 1 January 2017	-1.942	-1.721
Share of result for the year	466	-259
Other movements for the year	2	39
Revaluation at 31 December 2017	**-1.474**	**-1.942**
Carrying amount at 31 December 2017	**1.954**	**1.486**

Company	Nature of investment	2017		2016	
		Share of result USD '000	Carrying amount USD '000	Share of result USD '000	Carrying amount USD '000
Herning Shipping Asia Pte. Ltd.	100% owned	438	1.785	-369	1.347
Herning Shipping France S.à.r.l.	100% owned	28	170	110	139
		466	**1.954**	**-259**	**1.486**

Herning Shipping Asia Pte. Ltd. has entered into liquidation on 14 February 2018.

USD '000	Herning Shipping Asia		Herning Shipping France	
	2017	2016	2017	2016
KEY FIGURES FOR SIGNIFICANT SUBSIDIARY COMPANIES				
Revenue (incl. other income)	4.504	6.025	1.051	1.091
Operating profit before depreciation etc. (EBITDA)	1.694	2.712	1.079	112
Net result	438	-369	28	97
Non-current assets	-	-	5	9
Current assets excl. cash and cash equivalents	333	16.691	97	129
Cash and cash equivalents	1.925	3.730	289	182
Non-current liabilities	164	-	-	-
Current liabilities	212	19.074	223	198

Note 15. Trade receivables

USD '000	2017	2016
Receivables from freight and management services, incl. accrued income	5.907	3.274
Provisions for bad debt	-38	-138
Trade receivables	**5.869**	**3.137**
Hereof:		
Accrued income	511	959

A provisioning account is used to reduce the carrying amount of receivables from sales and services whose value is impaired due to loss risk.

Direct provision is made for loss of receivables if the value is impaired, based on an individual assessment of the individual debtors, e.g. by suspension of payments, bankruptcy etc. Write-downs are made at the estimated net realizable value.

Based on historical experience, amounts on the provision account are impaired with 50 % when receivables has been due for six months and fully impaired when receivables has been due for more than twelve months.

Note 16. Other receivables

USD '000	2017	2016
Deposits	627	72
Insurance claims and other claims	-	712
VAT, water and electricity charges etc.	103	81
Coporate tax	-	35
Miscellaneous receivables	1.017	373
Other receivables	**1.747**	**1.273**

Note 17. Prepayments

USD '000	2017	2016
Prepayments regarding time charter and bareboat charter agreements	635	711
Insurance prepayments	171	690
Other prepayments to suppliers etc.	1.102	505
Prepayments	**1.908**	**1.905**

Note 18. Cash and cash equivalents

USD '000	2017	2016
USD	4.657	1.750
EUR	517	2.200
DKK	445	42
Other currencies	221	0
Cash and cash equivalents	**5.840**	**3.992**
Hereof:		
Unrestricted	2.464	3.992
Restricted	3.376	-
	5.840	**3.992**

Note 19. Assets held for sale

USD '000	2017	2016
Carrying amount at 1 January	4.403	-
Transfers from tangible assets for the year	5.414	4.403
Disposals for the year	-4.371	-
Revaluations for the year	-32	-
Other movements	-	-
Carrying amount at 31 December	**5.414**	**4.403**

The asset held for sale consists of the vessel Hanne Theresa, and is valued at the expected selling price.

Note 20. Share capital

	2017			2016		
	Number of shares	Nominal value USD	Share capital USD	Number of shares	Nominal value USD	Share capital USD
Shares	1.700	146,78	249.527	1.700	146,78	249.527
Share capital 31 December	**1.700**	**146,78**	**249.527**	**1.700**	**146,78**	**249.527**

The company's share capital was reduced in 2015 with 2.788 tUSD.

Note 21. Reserves

USD '000	2017	2016
Reserve for currency adjustments	-	-
Reserve for fair value of financial instruments	-	-31
Reserves	**-**	**-31**

Note 22. Provisions

USD '000	2017	2016
Provisions for loss-making time-charter contracts	34	210
Provisions	**34**	**210**

Note 23. Loans

USD '000	2017	2016
Current portion of non-current debt with maturities within 1 year	194.523	163.960
Non-current debt with maturities between 1 and 5 years	-	20.620
Total	**194.523**	**184.580**
Hereof:		
Loans denominated in USD with floating interest rate	194.523	184.580
Loans denominated in USD with fixed interest rate	-	-
Total	**194.523**	**184.580**

Note 24. Trade payables

USD '000	2017	2016
Trade payables	6.977	6.450
Trade payables	**6.977**	**6.450**
Hereof:		
Accrued costs	5.068	2.593

Note 25. Other payables

USD '000	2017	2016
Employees' withheld income taxes, pensions, social contributions etc.	1.450	1.051
Accrued interest	-	32
Financial instruments with negative market value	-	31
Miscellaneous payables	6.161	2.711
Other payables	**7.611**	**3.825**

Note 26. Changes in working capital

USD '000	2017	2016
Change in inventories	620	144
Change in trade receivables	3.492	-3.460
Change in other receivables	431	-1.080
Change in prepayments	3	-244
Change in trade payables	-1.286	-1.245
Change in other payables excl. accrued interest and tax liabilities	-3.787	1.202
Change in working capital excl. accrued interest and tax liabilities	**-526**	**-4.683**

Note 27. Reconciliation of liabilities arising from financing activities

USD '000	01-01-2017	Financing cash flow (i)	Aquisition or disposals of subsidiaries (Note 8)	Fair value adjust-ments	Other changes (ii)	31-12-2017
Bank loans (Note 22)	163.961	-3.786	-	-	21.848	182.023
Loans from related parties	20.619	-	-	-	-8.119	12.500
	184.580	-3.786	-	-	13.730	194.523

(i) The cash flows from bank loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes include amortization, interest accruals, and remission of debt.

Note 28. Operating leases-liabilities

See Note 26 in the consolidated financial statements.

Note 29. Unrecognized contingent assets and liabilities

See Note 27 in the consolidated financial statements.

Note 30. Mortgages and securities

See Note 28 in the consolidated financial statements.

Note 31. Related party disclosures and transactions with related parties

See Note 29 in the consolidated financial statements.

Note 32. Companies in the Group

See Note 30 in the consolidated financial statements.

Note 33. Subsequent events

See Note 31 in the consolidated financial statements.

Statement by the Board of Directors and Executive Management

The Board of Directors and the Executive Management have today considered and approved the consolidated financial statement of Herning Shipping A/S for the financial year 1 January to 31 December 2017.

The consolidated financial statement is prepared in accordance with International Financial Reporting Standards as approved by the EU and additional requirements stated in the Danish Financial Statements Act. The financial statements of the parent company is prepared in accordance with International Financial Reporting Standards as approved by the EU and additional requirements stated in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the financial position at the 31 December 2017 of the Group and the parent company's operations and the Groups consolidated cash flow for the financial year 2017.

In our opinion the managements commentary provides a fair review of the development in the operations and financial circumstances of the Group and the parent company, of the results for the year and of the financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty which the Group and the parent company are facing.

We recommend that the annual report be adopted at the annual general meeting.

Hellerup, 28 February 2018

Executive management

Axel Camillo Eitzen

Chief executive officer

Board of Directors

Erik Bartnes

Chairman

Erik Nicolai Heidenreich

Board memeber

Axel Camillo Eitzen

Board member

Independent auditor's report

To the shareholders of Herning Shipping A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Herning Shipping A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Statement on the management review

Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated

financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the under-lying 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.

Copenhagen, 28 February 2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Henrik Hjort Kjelgaard	Bjarne Iver Jørgensen
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no. 29484	MNE no. 35659

Definitions and glossary

Key figures and key ratios are defined and calculated in accordance with the Danish Association of Financial Analyst's "Recommendations and Financial Ratios 2015".

Key ratios	Calculation formula	Comments
TCE-margin (%)	$\frac{\text{TCE earnings}}{\text{Revenue}}$	The key figure reflects the percentage of revenue, minus voayge related costs, that cover capacity costs, net financing costs, taxes and profit.
EBITDA-margin (%)	$\frac{\text{EBITDA}}{\text{Revenue}}$	The key figure reflects the entity's operational profitability
EBIT-margin (%)	$\frac{\text{EBIT}}{\text{Revenue}}$	The key figure reflects the entity's true business costs.
Return on Invested Capital (%)	$\frac{\text{EBITA}}{\text{Avg. invested capital}}$	The Key figure reflects the entity's ability to generate return on invested capital through operations.
Return on Equity (%)	$\frac{\text{Result of the year}}{\text{Avg. equity}}$	The key figure reflects an entity's ability to generate returns to shareholders when taking into account the entity's capital base.
Equity ratio	$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$	The key figure reflects the financial gearing of the entity, expressed as the sensitivity to fluctuations in interest rates, etc. A high financial gearing translates into a high financial risk.

B

Ballast Amount of unpaid cargo carried in order to provide sufficient weight to keep a vessel stable.

Ballast leg Voyage with no cargo on board, to position a ship for the next load port or dry-docking.

Ballast tank Tank that can be filled with ballast, to provide stability for the vessel.

Bareboat-charter (BB) An arrangement involving the hiring of a vessel, under which the party that hires the vessel covers crew costs and all other operating expenses, including docking and maintenance, in addition to all voyage-related costs. On its return, the ship shall be in the same condition as when delivered, normal wear and tear expected.

Broker An intermediary in the process of negotiating freight contracts between owners and charterers, the sale and purchase of ships and similar transactions.

Bunker Engine fuel, to power a vessel.

C

Charter party (C/P) Agreement between a ship owner and a charterer, outlining terms and conditions governing the trans-action. The agreement may be for one or several voyages, or for a certain period.

Charterer The party hiring and paying for vessels or vessel space. This may be the cargo owner, an intermediary or the receiver of the cargo.

Chemical tank Transport of Organic products, inorganic products, Vegetable oils and others.

CO_2 Carbon dioxide.

COA (Contract of Affreightment) Agreement to transport cargo for a predetermined period - 3 months, 5 years, 10 years etc. - and at a predetermined price per ton.

Coating Paint protecting the inside of a vessel's tanks. Usually epoxy- or zinc-based paints.

Commercial management Agreement to operate a vessel on the account and risk of the ship-owner.

CSR (Corporate Social Responsibility) Companies' responsible business practices.

D

Deep-sea trade Sea-borne trade along intercontinental trade routes.

Demurrage Compensation paid by the charterer, supplier or receiver of the cargo for time spent during port call in excess of the lay-time stipulated in the Charter Party for loading/discharging operations.

Dry-dock Putting a vessel into dry—dock for inspection and repairs of underwater parts, and painting of the vessel bottom. Usually carried out every 2½th or 5th year.

E

EBIT Earnings before Interest and Tax.

EBITA Earnings before Interest, Tax and Amortization

EBITDA Earnings before Interest, Tax, Depreciations and Amortization

I

IAS International Accounting Standards.

IFRS International Financial Reporting Standards.

IMO International Maritime Organization - Shipping organization under the UN.

IMOS Shipping system that supports chartering, operations and accounting related functions for the Group's fleet of chemical tanker vessels.

Inorganic chemicals Chemicals with molecular structure containing no carbon atoms (other than as part of a carbonate group) and which are derived from sources other than hydrocarbons, such as sulphuric acid, phosphoric acid and caustic soda.

L **LIBOR** London Interbank offered Rate. The average of interest rates estimated by each of the leading banks in London that it would be charged were it to borrow from other banks.

Long-Term charter Agreement to charter a vessel for more than 13 months.

LTIF (Lost time injury frequency) Number of work-related injuries that make employees unable to work the next workday times one million divided by total number of working hours.

M **MACN** Maritime Anti-Corruption Network.

N **Net Asset Value (NAV)** Booked equity adjusted for the market value of the fleet.

O **OECD** Organization for Economic Co-operation and Development.

Offhire The time a vessel is prevented from being gainfully employed for its owner or charterer, e.g. time used for repairs.

Onhire The time a vessel is gainfully employed for its owner or charterer, e.g. time used on voyages.

Operating expenses Expenses for crew as well as all other expenses directly connected with the running of the ship, including maintenance and insurance.

Organic chemicals Chemicals containing carbon-based molecules. Often referred to as petrochemicals when derived from hydrocarbon sources such as oil, gas and coal.

P **Petrochemicals** See organic chemicals.

Pool Group of vessels with different owners but commercially operated together.

Purchase option A right, but not obligation, to purchase a vessel at an agreed price.

R **RoE** Return on Equity.

RoIC Return on Invested Capital.

S **Segregation** Division of a vessel's cargo space to allow different cargoes being kept completely segregated during the entire voyage, including during loading and unloading.

Short-sea trade Sea-borne trade within a particular trading area (i.e. not intercontinental).

Short-term charter Agreement to charter a vessel for less than 13 months.

Solvents Liquids that can dissolve other substances.

SOx The Sulphur oxides SO and SO_2.

Spot Market Day-to-day market for cargo contracts.

Spot rate Cargo freight rate not governed by a contract of Affreightment, usually based on the current market level.

T **Time-charter (T/C)** Lease of a vessel whereby the vessel is hired for a short or long period.

TCE (time-charter earnings) Gross freight revenues minus voyage costs divided by number of trading days usually expressed in USD per day.

Technical management Agreement to manage a vessel's technical operations and crew at the account and risk of the ship-owner.

Tonne Gross registered tonne is a volume of 100 cubic feet (2,83 cubic meters). Gross registered tonnage is the volume of the vessels closed areas, excluding the bridge, the galley and a few other areas. Net registered tonnage is the gross tonnage less volumes needed for the operation of the vessel (deck, storage room, engine room etc.), i.e. the volume available for cargo.

Tonne-mile A measure of demand for capacity. Calculated as the freight amount times the transport distance in nautical miles.

Trade Geographical area where a vessel mainly trades.

Trading days Days a ship is not off-hire.

Triton Triton Managers III Limited, Triton III Funds, Triton III F&F Limited and Triton III F&F Funds.

U UN Global Compact The UN's corporate sustainability initiative.

USDA United States Department of Agriculture

V Vessel days Total number of days with available vessel capacity.

Vetting Collective term for the many kinds of inspections of chemical tankers – including SIRE inspections – which the oil companies carry out themselves or demand to have carried out.

Voyage charter Agreement for the transportation of cargo from the port(s) of loading to the port(s) of unloading. Payment is normally per tonne of cargo, and the ship owner pays for bunkers, port and canal charges and other voyage-related costs.

Voyage expenses Expenses dire-ctly relating to the voyage, such as bunkers, port charges, canal dues, etc.

Company information

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Registration no. 40 53 35 16
www.herning-shipping.com

Group structure

Please refer to note 30 in the consolidated financial statement.

Board of Directors and management

BOARD OF DIRECTORS – Herning Shipping A/S.

- Erik Bartnes
  Board member since January 2018, Chairman since January 2018
- Erik Nicolai Heidenreich
  Board member since January 2018
- Axel Camillo Eitzen
  Board member since January 2018

KEY MANAGEMENT PERSONEL

- Axel Camillo Eitzen – Chief Executive Officer
  Employed January 2018