
Dannebrog Rederi A/S

Rungsted Strandvej 113, DK-2960 Rungsted Kyst

Annual Report for 1 January - 31 December 2016

CVR No 67 78 40 14

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

Rasmus Lund-Jacobsen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Dannebrog Rederi A/S for the financial year 1 January - 31 December 2016.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

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

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

Rungsted, 17 May 2017

Executive Board

Johnny Schmølker

Board of Directors

Johan Ernst Wedell-Wedellsborg
Chairman

Johnny Schmølker

Oluf Myhrmann

Lars Kalstad Vedfelt

Independent Auditor's Report

To the Shareholder of Dannebrog Rederi A/S

Opinion

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

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

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 17 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Flemming Eghoff
State Authorised Public Accountant

Mark Philip Beer
State Authorised Public Accountant

Company Information

The Company

Dannebrog Rederi A/S
Rungsted Strandvej 113
DK-2960 Rungsted Kyst

Telephone: + 45 45 17 77 77
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CVR No: 67 78 40 14
Financial period: 1 January - 31 December
Municipality of reg. office: Hørsholm

Board of Directors

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

Executive Board

Johnny Schmølker

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2016 USD '000	2015 USD '000	2014 USD '000	2013 USD '000	2012 USD '000
Key figures					
Profit/loss					
Revenue	33.912	26.271	10.854	10.362	9.980
Gross profit/loss	64	8.616	4.373	3.893	6.267
Profit/loss before financial income and expenses	-7.630	2.633	-739	-918	939
Net financials	449	36.064	6.719	6.195	5.878
Net profit/loss for the year	-7.227	38.780	5.949	5.277	6.817
Balance sheet					
Balance sheet total	90.335	103.726	68.272	66.968	67.576
Equity	84.447	91.537	53.868	52.888	49.263
Investment in property, plant and equipment	0	0	-1.721	4.446	321
Number of employees	0	15	14	35	44
Ratios					
Profit margin	-22,5%	10,0%	-6,8%	-8,9%	9,4%
Solvency ratio	93,5%	88,2%	78,9%	79,0%	72,9%
Return on equity	-8,2%	53,3%	11,1%	10,3%	15,0%

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

Management's Review

Financial Statements of Dannebrog Rederi A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The primary activity of Dannebrog Rederi A/S is to transport vegetable oils, chemical and other oil products.

Development in the year

The income statement of the Company for 2016 shows a loss of t.USD 7,227, and at 31 December 2016 the balance sheet of the Company shows equity of t.USD 84,447.

The year was characterized by a market for the Tankers which deteriorated during the year

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

No Management review or expectations were included in the 2015 annual report.

Management expects a challenging year in 2017 with market rates impacted by excess supply of MR tanker vessels.

Market risks

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

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

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

Management's Review

Foreign exchange risks

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

Research and development

The shipping company is not involved in research and development activities.

Intellectual capital resources

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

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

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

Uncertainty relating to recognition and measurement

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

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2016 USD '000	2015 USD '000
Revenue		33.912	26.271
Other operating income		517	976
Vessel operating costs		-33.684	-18.139
Other external expenses		-681	-492
Gross profit/loss		64	8.616
Staff expenses	1	-5	-3.983
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-7.689	-2.000
Profit/loss before financial income and expenses		-7.630	2.633
Income from investments in group enterprises		932	2.407
Income from investments in associates		-1.250	34.004
Financial income	3	1.917	484
Financial expenses	4	-1.150	-831
Profit/loss before tax		-7.181	38.697
Tax on profit/loss for the year	5	-46	83
Net profit/loss for the year		-7.227	38.780

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	70.000	0
Retained earnings	-77.227	38.780
	-7.227	38.780

Balance Sheet 31 December

Assets

	Note	2016 USD '000	2015 USD '000
Other fixtures and fittings, tools and equipment		20	37
Vessels		0	23.698
Property, plant and equipment	6	20	23.735
Investments in group enterprises	7	4.488	4.082
Investments in associates	8	4.427	32.704
Fixed asset investments		8.915	36.786
Fixed assets		8.935	60.521
Lube oil		0	72
Inventories		0	72
Receivables from group enterprises		69.942	29.241
Receivables from associates		50	14
Other receivables		8.551	8.112
Corporation tax		31	32
Prepayments		394	661
Receivables		78.968	38.060
Cash at bank and in hand		2.432	5.073
Currents assets		81.400	43.205
Assets		90.335	103.726

Balance Sheet 31 December

Liabilities and equity

	Note	2016 USD '000	2015 USD '000
Share capital		12.675	12.675
Retained earnings		1.772	78.862
Proposed dividend for the year		70.000	0
Equity		84.447	91.537
Prepayments received from customers		263	297
Trade payables		1.451	2.282
Payables to group enterprises		1.943	7.326
Payables to associates		0	2
Other payables		2.231	2.282
Short-term debt		5.888	12.189
Debt		5.888	12.189
Liabilities and equity		90.335	103.726
Contingent assets, liabilities and other financial obligations	9		
Related parties	10		

Statement of Changes in Equity

	Share capital USD '000	Retained earnings USD '000	Proposed dividend for the year USD '000	Total USD '000
Equity at 1 January	12.675	78.862	0	91.537
Equity movements in subsidiaries and associates	0	137	0	137
Net profit/loss for the year	0	-77.227	70.000	-7.227
Equity at 31 December	12.675	1.772	70.000	84.447

Notes to the Financial Statements

	2016 USD '000	2015 USD '000
1 Staff expenses		
Wages and salaries	0	3.720
Pensions	0	227
Other staff expenses	5	36
	5	3.983
Average number of employees	0	15
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	1.007	2.000
Gain and loss on disposal	6.682	0
	7.689	2.000
3 Financial income		
Income from fixed asset investments	110	42
Interest received from group enterprises	1.585	252
Other financial income	222	190
	1.917	484
4 Financial expenses		
Impairment losses on financial assets	369	129
Interest paid to group enterprises	38	64
Other financial expenses	148	411
Exchange adjustments, expenses	595	227
	1.150	831

Notes to the Financial Statements

	2016 USD '000	2015 USD '000
5 Tax on profit/loss for the year		
Current tax for the year	3	-81
Adjustment of tax previous years	43	-2
	46	-83
6 Property, plant and equipment		
	Other fixtures and fittings, tools and equipment USD '000	Vessels USD '000
Cost at 1 January	570	45.887
Disposals for the year	0	-45.887
Cost at 31 December	570	0
Impairment losses and depreciation at 1 January	533	22.179
Depreciation for the year	17	990
Reversal of impairment and depreciation of sold assets	0	-23.169
Impairment losses and depreciation at 31 December	550	0
Carrying amount at 31 December	20	0
Depreciated over	3 - 10 years	2 - 25 years

Notes to the Financial Statements

	2016 USD '000	2015 USD '000
7 Investments in group enterprises		
Cost at 1 January	26.678	26.244
Additions for the year	0	714
Disposals for the year	0	-280
Cost at 31 December	26.678	26.678
Value adjustments at 1 January	-22.596	-24.484
Disposals for the year	0	-494
Exchange adjustment	-8	-25
Net profit/loss for the year	932	2.407
Dividend to the Parent Company	-518	0
Value adjustments at 31 December	-22.190	-22.596
Carrying amount at 31 December	4.488	4.082

Investments in group enterprises are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Borgship I ApS	Hørsholm (Danmark)	DKK 250.000	100%
Borgship II ApS	Hørsholm (Danmark)	DKK 250.000	100%
Borgship V	Hørsholm (Danmark)	DKK 6.885.000	69%
Borgship Tankers Inc.	Houston (USA)	USD 1,000	100%
Weco Marine Services Ltd.	Polen	PLN 50.000	100%

Notes to the Financial Statements

	2016 USD '000	2015 USD '000
8 Investments in associates		
Cost at 1 January	7.814	7.915
Disposals for the year	-500	-101
Cost at 31 December	7.314	7.814
Value adjustments at 1 January	24.890	11.396
Disposals for the year	-26.136	17
Net profit/loss for the year	-1.250	34.004
Dividends received	-391	-21.000
Fair value adjustment of hedging instruments for the year	0	563
Other equity movements, net	0	-90
Value adjustments at 31 December	-2.887	24.890
Carrying amount at 31 December	4.427	32.704

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
		DKK	
Kronborg Shipping K/S	Hørsholm (Danmark)	40.000.000	72%
Kronborg Management ApS	Hørsholm (Danmark)	DKK 1.000.000	72%
Vicruz Ltd.	Thailand	THB 1.000.000	49%
Trivec Ltd.	Thailand	THB 1.000.000	49%

All foreign associates are recognised and measured as separate entities.

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

Notes to the Financial Statements

	2016 USD '000	2015 USD '000
9 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	30	31
Between 1 and 5 years	18	50
	48	81

Other contingent liabilities

There is a residual liability corresponding to the Company's share of the non-paid capital totalling USD 3.6 million tied to the investment in Kronborg Shipping K/S.

The Company's contractual obligations relating to short-term chartering of vessels total tUSD 28,014

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

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

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

10 Related parties

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

Name	Place of registered office
Weco A/S	Hørsholm

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Dannebrog Rederi A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in TUSD. Applied US Dollar exchange rate on the 31st of December 2016 : 705,28 (2015 : 683,00).

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of , the Company has not prepared consolidated financial statements.

Cash flow statement

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

Recognition and measurement

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

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

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

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

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

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

Notes, Accounting Policies

Translation policies

USD is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

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

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

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Vessel operating costs

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

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Notes, Accounting Policies

Other operating income and expenses

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

Income from investments in subsidiaries and associates

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

Financial income and expenses

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

Tax on profit/loss for the year

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

In foreign subsidiaries, tax is provided for in accordance with local tax rules.

Balance Sheet

Property, plant and equipment

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

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

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

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

Depreciation period and residual value are reassessed annually.

Notes, Accounting Policies

Impairment of fixed assets

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

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

Investments in subsidiaries and associates

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

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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

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

Inventories

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

Receivables

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

Current asset investments

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

Prepayments

Prepayments comprise prepaid expenses concerning future financial years.

Notes, Accounting Policies

Equity

Dividend

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

Current tax receivables and liabilities

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

Financial debts

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

Financial Highlights

Explanation of financial ratios

Profit margin

$$\frac{\text{Profit before financials}}{\text{Revenue}}$$

Solvency ratio

$$\frac{\text{Equity at year end}}{\text{Total assets at year end}}$$

Return on equity

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