



NORDIC SHIPHOLDING

NORDIC SHIPHOLDING A/S ANNUAL REPORT 2018

CVR-no.: 76351716

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Registered office: Copenhagen

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Name of conductor

Louise Celia Korpela

Signature of conductor

Contents

Management's Review	
2018 in brief	1
Group Key Figures 2014-2018	3
Management's Review	4
Outlook for 2019	6
Financial Review 2018	7
Vision & Strategy	10
Statutory Corporate Governance Statement	11
Internal Control	13
Risk Management	14
Corporate Social Responsibility (CSR)	16
Shareholders Information	17
Board of Directors and Executive Management	19
Management Statement	24
Independent Auditor's Report	25
Financial Statements	29
List of Notes	34
Definitions and calculation formulas	61

2018 in brief

- The Group, with its six vessels, continued to be a tonnage provider in the product tanker segment in 2018. The five handysize tankers remained commercially managed by the UPT Handy Pool (Nordic Agnetha, Nordic Amy and Nordic Ruth) and Hafnia Handy Pool (Nordic Pia and Nordic Hanne) while the LR1 tanker (Nordic Anne) remained commercially managed by Straits Tankers Pool.
- Gross revenue earned by the six vessels reached USD 32.8 million, which resulted in a Time Charter Equivalent ("TCE") revenue of USD 19.2 million and an EBITDA of USD 2.0 million. The Group also took an impairment loss of USD 13.2 million on the vessels.
- The softening of the tanker market from March to October 2018, compounded by the higher bunker prices, contributed to the weak performance of the Group. As a result, the average daily TCE rates earned by the six vessels deployed in the three pools came in below their forecasted daily rate.
- After accounting for depreciation, impairment loss and financial income and expenses, the Group incurred a loss of USD 23.8 million. Equity totalled USD 11.8 million and equity ratio reached 11.4%.
- The cash sweep mechanism under the loan agreement was not activated in 2018. In 2018, the Group utilised USD 5.0 million of the previously swept excess cash to offset the scheduled loan amortisation from January 2018 to September 2018.
- Arising from the agreement with the lending banks in Q1 2018 to amend certain loan covenants, in particular, the Minimum Value Covenant, a USD 3.85 million Banker's Guarantee was provided by the majority shareholder of the Group as additional security to the lenders.
- The Group breached certain loan covenants in Q3 2018. Following successful negotiations among management, the major shareholder and the lenders, an agreement has been reached which resulted in an improved balance sheet structure for the Group. Elements of the re-negotiated financing agreements include but are not limited to (i) the major shareholder providing additional liquidity in the form of loans, (ii) increase in interest margin, and (iii) covenants and undertakings modified/relieved in order to secure that the Company will have more time - up to September 2020 to finalise the implementation of its various strategies.
- The legal dispute with a total value of about USD 1.5 million, disclosed in 2017 Annual Report, was resolved at the end of September 2018. That dispute was related to a sizeable demurrage and deviation claim. The Group had received the full amount of about USD 1.5 million in early-November 2018.
- The actual EBITDA earned in 2018 was in line with the revised expectations of the Board and the actual results before tax was USD 1.2 million better than the forecast indicated in the Q3 2018 Interim Report.

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- Management has decided to sell the 19-year old (2000-built) Nordic Ruth, the Group's oldest handysize vessel, in Q4 2018. Hence, Nordic Ruth has been reclassified as an asset-held for sale. As announced on 26 February 2019, Nordic Ruth Pte. Ltd., a wholly-owned subsidiary of Nordic Shipholding A/S ('NSH A/S'), has entered into a Sale and Purchase Memorandum of Agreement on 26 February 2019 to sell Nordic Ruth at a gross sale price of USD 6.1 million.
 - Based on current estimates and barring unforeseen circumstances, the Group is forecasting to post a loss in 2019 (not taking into account any reversal or write-down of impairment), however, it is a substantial improvement compared to 2018.

Group Key Figures 2014-2018

Amounts in USD thousand	2018	2017	2016	2015	2014
Income statement					
Revenue	32,787	32,841	35,693	46,777	50,104
Time charter equivalent revenue (TCE revenue)	19,173	23,232	27,703	35,067	27,089
EBITDA	2,036	6,651	10,753	18,238	6,818
Operating result (EBIT)	(17,801)	(180)	(1,392)	17,323	5,815
Net financials	(5,971)	(3,384)	(3,386)	(3,719)	(3,400)
Result after tax	(23,772)	(3,564)	(4,778)	13,610	2,348
Comprehensive income	(23,772)	(3,564)	(4,778)	13,610	2,348
Balance sheet and cashflow data					
Invested capital	80,313	107,612	112,972	123,926	125,909
Net working capital (NWC)	5,509	4,687	4,358	3,190	6,075
Equity	11,808	35,819	39,383	44,161	30,551
Balance sheet total	103,887	114,400	120,451	136,937	136,505
Investments in plant and equipment	974	1,168	115	1,875	2,525
Net interest bearing debt	68,505	71,793	73,589	79,765	95,358
Cash flow from operating activities	(2,738)	3,005	6,169	17,649	5,623
Cash flow for the year	5,288	(1,653)	(1,671)	2,145	(902)
Financial Ratios					
EBITDA margin (%)	6.2%	20.3%	30.1%	39.0%	13.6%
Net result margin (%)	-72.5%	-10.9%	-13.4%	29.1%	4.7%
Equity ratio (%)*	11.4%	31.3%	32.7%	32.2%	22.4%
Return on invested capital (%)	-22.2%	-0.2%	-1.2%	14.0%	4.6%
Return on equity (%)	-201.3%	-10.0%	-12.1%	30.8%	7.7%
Financial gearing	5.80	2.00	1.87	1.81	3.12
Net working capital/revenue	15.5%	13.8%	10.6%	9.9%	14.5%
Key figures per share					
(Loss)/earnings per share USD	(0.06)	(0.01)	(0.01)	0.03	0.01
Market price per share DKK, year end	0.37	0.54	0.76	1.17	0.84
Market price per share USD, year end	0.06	0.09	0.11	0.17	0.14
Exchange rate USD/DKK, year end	6.51	6.21	7.07	6.87	6.16
Average number of full time employees	1	1	1	1	-
Number of shares, year end	406,158,403	406,158,403	406,158,403	406,158,403	406,158,403

* Excluding non-controlling interest.

Management's Review

The Group, with its six vessels, continues to be a tonnage provider in the product tanker segment. The five handysize tankers remained commercially managed by the UPT Handy Pool (Nordic Agnetha, Nordic Amy and Nordic Ruth) and Hafnia Handy Pool (Nordic Pia and Nordic Hanne) while the LR1 tanker (Nordic Anne) remained commercially managed by Straits Tankers Pool. The technical management of the vessels are handled by Columbia Shipmanagement and Thome Ship Management.

The Group started 2018 on a positive note as the average daily TCE rate in January 2018 and February 2018 ('Jan - Feb 2018') for the six vessels was approximately 25% higher than the average TCE rate in Q4 2017. However, the TCEs from March 2018 to October 2018 fell short of expectations. Despite the significant improvement in TCEs in the last two months of 2018, the average TCEs from mid-March 2018 to December 2018 were 21% lower than the average TCEs in Jan - Feb 2018. The average TCEs earned by the six vessels in 2018 were 17% lower than the average rates in 2017.

Due to the uncertainties in the tanker market, the Group recognised a total impairment loss of USD 13.2 million (USD Nil) in 2018. This has contributed to a net loss after tax of USD 23.8 million (USD 3.6 million) for the Group.

Gross revenue earned by the six vessels reached USD 32.8 million (USD 32.8 million), which resulted in a TCE revenue of USD 19.2 million (USD 23.2 million) and an EBITDA of USD 2.0 million (USD 6.7 million).

The weaker TCE performance in 2018 was mainly due to the higher voyage expenses from the allocation of voyage expenses such as bunkers and port expenses by the respective pools, and lower TCE revenue earned by Nordic Anne arising from her rejoining the Straits Tankers Pool after the expiry of a 3-year time charter in October 2017. Coupled by a marginal increase in vessel operating expenses to USD 15.0 million (USD 14.7 million), the EBITDA in 2018 was reduced to USD 2.0 million (USD 6.7 million).

The higher net finance expenses of USD 6.0 million (USD 3.4 million) in 2018 was due to the loss recognised from the modification of certain terms under the bank loans in Q4 2018, higher 3M-USD LIBOR and higher interest margin imposed by the lenders in 2018.

In 2018, the Group incurred a loss after tax of USD 23.8 million (which includes an impairment loss of USD 13.2 million on the six vessels) compared to a loss of USD 3.6 million in 2017. Excluding the one-off impairment loss of USD 13.2 million (USD Nil), the Group incurred a loss after tax of USD 10.6 million in 2018.

Equity decreased to USD 11.8 million (USD 35.8 million) as a result of the cumulative loss during the financial year and a downward adjustment of USD 0.2 million (USD Nil) to retained earnings due to the adoption of IFRS 15, *Revenue from Contracts with Customers*, from 1 January 2018. The equity ratio decreased to 11.4% (31.3%).

Arising from the agreement with the lending banks in Q1 2018 to amend certain loan covenants, in particular, the Minimum Value Covenant, a USD 3.85 million Banker's Guarantee was provided by the majority shareholder of the Group as additional security to the lenders.

The Group breached certain loan covenants in Q3 2018. Following successful negotiations among management, the major shareholder and the lenders, an agreement has been reached which resulted in an improved balance sheet structure for the Group. Elements of the re-negotiated financing agreements include but are not limited to (i) the major shareholder providing additional liquidity in the form of loans, (ii) increase in interest margin, and (iii) covenants and undertakings modified/relieved in order to secure that the Company will have more time - up to September 2020 to finalise the implementation of its various strategies.

The Group utilised USD 5.0 million (USD 3.2 million) from the excess cash swept in 2015 and 2016 to offset the scheduled loan amortisation from January 2018 to September 2018. As part of the loan restructuring concluded with the lending banks in Q4 2018, the quarterly loan instalments are deferred from December 2018 to September 2020.

Management has decided to sell the 19-year old (2000-built) Nordic Ruth, the Group's oldest handysize vessel, in Q4 2018. Hence, Nordic Ruth has been reclassified as an asset-held for sale. As announced on 26 February 2019, Nordic Ruth Pte. Ltd., a wholly-owned subsidiary of NSH A/S, has entered into a Sale and Purchase Memorandum of Agreement on 26 February 2019 to sell Nordic Ruth at a gross sale price of USD 6.1 million.

The Board continues to source for suitable investment and consolidation opportunities to grow the Company and seeks to maximise returns for shareholders. The Board of Directors and management remain thankful to our more than 4,000 shareholders that continued to support the Company throughout 2018.

Read about our diversity in management in the Statutory Corporate Governance Statement section on page 11.

Knud Pontoppidan
Chairman of the Board of Directors

Philip Clausius
Chief Executive Officer

Outlook for 2019

The actual EBITDA earned in 2018 was in line with the revised expectations of the Board and the actual results before tax was USD 1.2 million better than the forecast indicated in the Q3 2018 Interim Report.

As announced on 26 February 2019, Nordic Ruth Pte. Ltd., a wholly-owned subsidiary of NSH A/S, has entered into a Sale and Purchase Memorandum of Agreement on 26 February 2019 to sell the 19-year old (2000-built) Nordic Ruth, the Group's oldest handysize vessel, at a gross sale price of USD 6.1 million. The sale is expected to take place in Q2 2019 and the net proceeds from the sale will be applied entirely to prepay the loan facility. Nordic Ruth will remain deployed in the UPT Handy Pool until she is sold.

Nordic Anne, Nordic Agnetha and Nordic Amy will undergo their second special survey in April 2019, May 2019 and July 2019, respectively.

For 2019, the remaining vessels will continue to be commercially deployed on a pool basis. The projected TCE revenue from the 5 product tankers in the respective pools, together with the TCE revenue earned by Nordic Ruth until she is sold, are expected to be in the region of USD 23.0 million – USD 26.0 million.

After accounting for operating expenditure budgeted by the respective technical managers, the Group expects EBITDA (earnings before interest, tax, depreciation and amortisation) to be in the range of USD 5.0 million – USD 8.0 million with a budgeted stable positive cash flow. The result before tax is expected to be between USD -6.0 million – USD -3.0 million. This outlook for 2019 does not take into account any impairment or write-back of impairment of vessels' carrying values.

The Board will continue to look at growth and consolidation opportunities that are accretive to the Company.

Forward-looking statements

This report contains forward-looking statements reflecting Nordic Shipholding's current beliefs concerning future events. Forward-looking statements are inherently subject to uncertainty, and Nordic Shipholding's actual results may thus differ significantly from expectations. Factors which could cause actual results to deviate from the expectations include, but are not limited to, changes in macroeconomic, regulatory and political conditions, especially on the Company's main markets, changes in currency exchange rates, freight rates, operating expenses and vessel prices as well as possible disruptions of traffic and operations resulting from outside events.

Financial Review 2018

Financial highlights of the Group in 2018 (2017 figures in brackets)

The Group incurred a loss after tax of USD 23.8 million in 2018 (which included an impairment loss of USD 13.2 million on the six vessels) compared to a smaller loss of USD 3.6 million incurred in 2017. Excluding the one-off impairment loss of USD 13.2 million (USD Nil), the Group incurred a loss after tax of USD 10.6 million in 2018.

Gross revenue generated in 2018 is USD 32.8 million (USD 32.8 million), resulting in a TCE revenue of USD 19.2 million (USD 23.2 million). EBITDA (earnings before depreciation, impairment, amortisation, interest and tax) amounted to USD 2.0 million (USD 6.7 million) and after accounting for depreciation and impairment, the Group made a net operating loss of USD 17.8 million (USD 0.2 million).

- *Revenue*

Gross revenue generated by the six vessels in 2018 totalled USD 32.8 million (USD 32.8 million). After deduction of voyage expenses, the Group earned TCE revenue of USD 19.2 million (USD 23.2 million). The reduction in TCE revenue is due to the higher voyage expenses from the allocation of voyage expenses such as bunkers and port expenses by the respective pools, and lower TCE revenue earned by Nordic Anne arising from her rejoining the Straits Tankers Pool after the expiry of a 3-year time charter in October 2017.

- *Voyage expenses*

As explained above, voyage expenses for the six vessels increased to USD 13.6 million (USD 9.6 million) primarily due to higher bunker cost.

- *Operating Costs*

Expenses related to the operation of the six vessels owned by the Group amounted to USD 15.0 million (USD 14.7 million).

Staff costs amounted to USD 0.3 million (USD 0.3 million) while other external costs amounted to USD 2.0 million (USD 1.6 million).

- *Depreciation and write-downs*

A total depreciation of USD 6.6 million (USD 6.8 million) was charged on the Group's six vessels. In 2018, impairment losses totalling USD 13.2 million (USD Nil) was recognised for the six vessels. Refer to Note 7 for further disclosure.

- *Financial income and expenses*

Financial expenses amounted to USD 6.0 million (USD 3.4 million) due mainly to the loss recognised from the modification of certain terms under the bank loans in Q4 2018, higher 3M-USD LIBOR and higher interest margin imposed by the lenders in 2018.

- *Tax*

The Company's tax payment is primarily calculated according to the rules and regulations in Denmark. The Singapore Income Tax Act is applied for the Singapore-incorporated vessel-owning entities. For further information, please refer to Note 11 in the financial statements.

- *Assets*

At 31 December 2018, the Group's balance sheet totalled USD 103.9 million (USD 114.4 million) comprising mainly of vessels, asset-held-for-sale, receivables and cash.

Vessels and docking decreased to USD 78.6 million in 2018 from USD 103.0 million in 2017 mainly due to impairment of USD 13.2 million, depreciation on the vessels of USD 6.6 million, the reclassification of Nordic Ruth (including the capitalisation of dry-docking of USD 1.0 million).

Receivables amounted to USD 9.1 million as at 31 December 2018 (USD 6.8 million). The increase was primarily due to the higher levels of cash held by the vessels' technical managers (as opex funding to the technical managers was made near year-end), deposits paid for the dry-docking of 3 vessels in 2019 and higher receivables allocated to the vessels by the various pools.

As at 31 December 2018, the Group's cash balance was USD 8.6 million (USD 3.3 million). The higher cash balance at the end of 2018 was mainly due to the shareholder's loans received by the Group in December 2018 (in conjunction with the loan restructuring concluded in Q4 2018). In addition, the Group did not make any repayment on the loan facility during the financial year (USD 3.5 million).

- *Equity*

The change in equity was due to the net loss after tax of USD 23.8 million (USD 3.6 million) incurred in 2018 and a downward adjustment of USD 0.2 million (USD Nil) to the retained earnings on 1 January 2018 due to the adoption of IFRS 15, *Revenue from Contracts with Customers*.

- *Liabilities*

Total liabilities amounted to USD 92.1 million (USD 78.6 million). The Group's interest-bearing bank loans, including accrued interest and accrued loan modification loss, amounted to USD 77.1 million (USD 75.1 million), of which no amount (USD 2.4 million) is due within the next 12 months from 31 December 2018. The increase in the Group's interest-bearing bank loans was due mainly to the accrued loan modification loss of USD 1.5 million and the capitalisation of loan interest margin of 2.5% following the loan restructuring in Q4 2018. The Group did not make any repayment on the loan facility during the financial year (USD 3.5 million). Further, arising from the loan restructuring in 2018, the majority shareholder of the Group had provided interest-bearing loans to the Group totalling USD 9.0 million (USD Nil).

Trade payables amounted to USD 5.7 million as at 31 December 2018 (USD 3.4 million). The increase was primarily due to the increased payables for the operation of the vessels (as opex funding to the technical managers was made near year-end).

- *Cash flows*

Cash flow from operations was USD -2.7 million (USD 3.0 million) mainly from the distributions earned by the vessels.

Cash flow from investing activities amounted to USD -1.0 million (USD -1.2 million) due to the dry-docking for Nordic Ruth (Nordic Hanne).

Cash flow from financing activities amounted to USD 9.0 million (USD -3.5 million) arising from the shareholder's loans provided by the majority shareholder of the Group (repayment on the loan facility).

Cash flows for the year thus amounted to USD 5.3 million (USD -1.7 million), bringing the cash balance at year end to USD 8.6 million (USD 3.3 million).

Financial highlights of the Company (Parent) in 2018 (2017 figures in brackets)

Arising from the loan restructuring concluded with the lenders in Q4 2018, the majority shareholder of the Company extended an interest-bearing shareholder loan of USD 6.0 million to the Company. The Company drew down this shareholder loan of USD 6.0 million and injected equity of USD 6.0 million in Nordic Shipholding Singapore Pte. Ltd. ('NSHS') as this wholly-owned subsidiary manages the cash payments and cash receipts for the Group. NSHS issued 6,000 new shares to NSH A/S in exchange for this equity injection of USD 6.0 million.

The Company incurred a loss after tax of USD 33.2 million in 2018 (USD 1.4 million) as the Company recognised an impairment loss of USD 31.7 million on its investment in subsidiaries. As a result, the Company's equity dropped to USD 11.8 million (USD 45.1 million). At 31 December 2018, the Company's total assets amounted to USD 18.5 million (USD 45.2 million) due to the impairment loss recognised on its investment in subsidiaries offset by the USD 6.0 million equity injection in NSHS. The Company's total liabilities amounted to USD 6.7 million (USD 0.1 million) mainly due to the shareholder's loan extended by the majority shareholder of the Company.

Vision & Strategy

The Company's focus is on maximising the commercial and technical performance of its current fleet. The Board will look at growth and consolidation opportunities that are accretive to the Company. The Company believes that the experience and expertise of the Board, coupled with the financial strength of the majority shareholder will result in compelling opportunities.

Statutory Corporate Governance Statement

This statutory corporate governance statement covers the financial period 1 January to 31 December 2018.

Corporate Governance

Nordic Shipholding is committed to maintaining a high standard of corporate governance, and the Board of Directors continuously reviews the framework and principles for the overall governance of the Company. The Company is in compliance with the majority of the recommendations given in the Recommendations for Corporate Governance of 23 November 2017 as made public by Nasdaq Copenhagen. Refer to 'Corporate Governance' section on the Company's website at: <http://www.nordicshipholding.com/corporate-governances>

Following is a brief description of the main deviations from the recommendations:

Composition of the Board of Directors

Nordic Shipholding sees no need to determine an age limit for the members of the Board of Directors as the Company strongly focuses on the competencies and relevant work experience of each Board member.

The Company's Board does not consist of a majority of independent directors given that the Company has a controlling shareholder. Strong representation on the Board by its controlling shareholder is deemed important for the Company in light of its business plans and present financial position.

The Company's Chief Executive Officer ('CEO') is also a member of the Board of Directors. Due to the nature of the Company's operations as well as the Company's slim organisation, the Board of Directors has found it beneficial that the Company's CEO is part of the Board of Directors. The CEO does not participate in board deliberations or decisions regarding the executive management.

Report on the Gender Distribution in Management, cf. Section 99b of the Danish Financial Statements Act

The current Board of Directors consists of 6 men. The Board maintains the goal to have at least one female board member by 2022. As there are gender inequalities in the shipping industry, the Group has not succeeded in including a female board member during the financial year. In addition, there is only one employee in the Group, and hence there is no target on diversity at the management level.

Board Committees

The Board of Directors does not find it necessary to establish other Board Committees, including an Audit Committee, Nomination Committee and Remuneration Committee, because of its shareholder structure and the nature of the Company's activities. All Board members are equally involved in the review of financial and audit matters.

Assessment of the performance of the Board of Directors and management

The Board of Directors does not have a formalised assessment procedure upon which the performance and results of the Board of Directors and the individual Board members, including the chairman, are evaluated on a regular basis. Furthermore, there is no predefined clear criteria to evaluate the work and performance of the CEO. For the time being, the Company has not found it necessary to institute a formal predefined procedure given that internal reviews are being carried out on an on-going basis by the Board of Directors.

Whistle-blower

Besides the CEO, who is engaged through the Corporate Manager, the Company has only one employee, hence, the Company's Board of Directors has not found it necessary to establish a whistle-blower policy.

Internal Control

Control environment

Transport Capital Pte. Ltd. ('Transport Capital') has been appointed as the corporate manager for the Nordic Shipholding A/S Group since December 2013. Transport Capital has authorities and procedures for entering into binding agreements on behalf of the Company. Being a corporate manager, Transport Capital adheres to strict guidelines on segregation of duties, reporting procedures, manages the overall corporate functions and oversees the technical and commercial aspects of the Company.

Financial reporting process

The Board of Directors is responsible for the Group's internal control and risk management in connection with the financial reporting process, including observance of relevant statutory rules and regulations in connection with its financial reporting.

The Board of Directors receives weekly and monthly reports and is kept abreast of the developments in the industry.

Prior to publication of quarterly and annual reports, a Board meeting is held. At the meeting, the reports are discussed and an overall assessment of the risks associated with the financial reporting process is made. The financial statements are reviewed and explained relative to the budget and expectations. Moreover, any estimates and assessments used in the financial reporting are discussed and decided on.

Risk Management

The Group has identified the following risks which have the most significant effect on its financial position and business performance.

Operational risks

Freight rates

The Group is exposed to significant risks relating to the product tanker segment. Freight rates and market values of the vessels owned by the Group are the main risk elements.

The Group's revenues are exclusively generated from activities in the product tanker segment. The 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 the vessels carry.

Pool

The vessels are placed in leading pools. Consequently, the Group is dependent on the pool's ability to attract customers and offer a product which is among the best in the market.

Bunkers

Bunker fuels constitute the major component affecting TCE earnings and increasing prices can have a material impact on the Group's results.

Financial risks

Financing and Cash flows

In the current market situation, access to cash is an important factor for the Group's development. The Group monitors its cash flow situation carefully to ensure it has adequate liquidity for its working capital requirements and interest payments. As part of the loan restructuring concluded with the lending banks in Q4 2018, the quarterly loan instalments are deferred from December 2018 to September 2020 and the majority shareholder has extended a loan of USD 9.0 million to the Group.

Current loan agreements contain financial covenants including (i) minimum liquidity levels, (ii) minimum value (fair market value of vessels as a percentage of outstanding loan) and (iii) minimum equity ratio. As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the current loans such as (i) minimum value and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till 30 September 2020.

The Group is also subject to a quarterly cash sweep mechanism under which the Group after payment of instalments and interest under the loan agreement, must apply any cash and cash equivalents of the Group (excluding the bank balance held in dry-docking reserve bank accounts) in excess of USD 6.0 million towards prepayment of the loan until certain covenant ratios are met.

Interest rates

The Group's interest-bearing debt (with variable interest) amounted to USD 77.1 million as at 31 December 2018 (2017: USD 75.1 million). In addition, the Group has shareholder loans (with fixed interest) totalling USD 9.3 million as at 31 December 2018 (2017: USD Nil). Both the bank loans and the shareholder loans are denominated in USD.

In 2017, the Group obtained the approval from the lending banks to enter into a second interest rate cap to partially hedge its upside exposure to interest rates increasing above a pre-determined rate. The first interest rate cap was transacted in 2015. Both interest rate caps have matured on 31 December 2018. The Group is allowed to enter into new derivative transactions to hedge its interest rate exposure, subject to approval by the lending banks. As at the year-end, 0% (2017: 72%) of the Group's debt is hedged using interest rate caps. The unhedged portion of the Group's debt is vulnerable to interest rate risks. Any changes in interest rates could therefore have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

Credit risk

As of year-end, the Group is reliant on three reputable pools and its pool managers to distribute the allocated earnings on a regular basis. It is the Group's policy to cooperate with recognised pool partners in order to minimise this risk. Should the pools, however, fail to honour its obligations under the pool agreement and/or delay the distribution of pool earnings, the Group could sustain significant losses which could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position. Furthermore, if a pool agreement is terminated or expires, the Group might not be able to find employment for these vessels in the pool under similar conditions, which could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

Corporate Social Responsibility (CSR)

The Group is a tonnage provider in the product tanker segment. As at the date of this annual report, Nordic Shipholding does not have a written CSR policy due to the functional structure of the Company, where all corporate, commercial and technical management have been outsourced to external management service providers. Hence, in relation to the CSR reporting requirements under §99a of the Danish Financial Statements Act, the Company relies on the respective reputable commercial pool managers and technical managers, based on their policies and procedures in place, to manage and mitigate the risks in these areas: climate, environment, social conditions and employee relations, respect for human rights and anti-corruption and bribery. Depending on the future developments of the Company, a CSR policy will be developed accordingly.

Shareholders Information

Share data at 31 December 2018

Listed on: NASDAQ OMX Copenhagen

Share capital: DKK 40,615,840

Nominal value: DKK 0.1

Shares issued: 406,158,403 shares

Shares trading on NASDAQ OMX Copenhagen: 406,158,403 shares
(Security ID code: DK0060083996)

Share classes: One

Votes per share: One

Bearer share: Yes

Restriction on voting rights: No

Restricted negotiability: No

For further corporate information please see www.nordicshipholding.com

Movements in the Company's share price at 31 December 2018

The closing price at year-end 2018 was DKK 0.37, a decrease of 31% compared with year-end 2017 (DKK 0.54).

Nordic Shipholding share price 2018



Shareholder structure

At 31 December 2018, Nordic Shipholding had 4,259 registered shareholders.

On 31 December 2018, the following shareholders held more than or equal to 5% of the share capital and voting rights:

- Nordic Maritime S.à r.l., Luxemburg - reported on 19 December 2013 – 76.03%
- Nordea Danmark, Filial af Nordea Bank ABP, Finland - reported on 19 December 2013 – 11.03%

Treasury shares

At year-end 2018, Nordic Shipholding held nominally DKK 2,400 treasury shares, corresponding to 24,000 shares and equivalent to 0.01% of the share capital. The acquisition hereof was part of the preparations for the IPO, and the Company has not acquired treasury shares since its listing in 2007.

Dividend policy

No dividend will be distributed for the financial year 2018, and Nordic Shipholding does not expect to distribute any dividend for the financial year 2019. Currently, the Company does not have a dividend policy.

Procedures for election of members to the Board of Directors

All the members are elected to the Board of Directors at the Annual General Meeting.

Procedures for making amendments to the articles of association

Resolutions to amend the Company's articles of association are passed at the Annual General Meeting.

Financial calendar 2019

Annual Report 2018	28 March 2019
General Assembly	25 April 2019
Interim report - Q1 2019	22 May 2019
H1 interim report 2019	21 August 2019
Interim report - Q3 2019	27 November 2019

Board of Directors and Executive Management

Board of Directors

Knud Pontoppidan

Chairman of the Board.

Born 1944. Elected to the Board of Directors on 22 April 2010.

Background:

Former Chairman and Managing Director of Danish Shipowners' Association and Executive Vice President in A.P. Møller-Mærsk A/S.

Education:

LLM (cand. jur.), University of Copenhagen.

Other management duties, etc.:

Ejendomsselskabet Absalon A/S, Stiftelsen Sorø Akademi and Soransk Samfunds Boligfond, Advisory Board of CBS Maritime
CEO of K. Pontoppidan ApS.

Knud Pontoppidan is considered independent.

Attendance at Board meetings held in 2018: 7/7

Jon Robert Lewis

Deputy Chairman of the Board.

Born 1962. Elected to the Board of Directors on 17 December 2013.

Background:

Partner, Managing Director and Group General Counsel of PAG.

Education:

Graduate from Cornell University and the University of Michigan Law School.

Other management duties, etc.:

Member of the Board of Directors of Ariel Asset LLC, Asia Sapphire Pte. Ltd., Asia Pragati Capfin Private Limited, China Equity Investments Designed Activity Company (formerly known as: China Equity Investments Limited), DBZ (Cyprus) Limited, Indigo Star Investments Limited, Nordic Maritime S.à r.l., Pacific Alliance Group Asset Management Limited, Pacific Alliance Group Limited, Pacific Alliance Special Situations Management Limited, Pacific Alliance-FF Management Limited, Pacific Alliance-W Management Limited, PAFL Secretaries Limited, PAFF Secretaries Limited, PAG Asia Capital GP I Limited, PAG Asia Capital GP II Limited, PAG Asia Loan Limited, PAG Asia Loan Management Limited, PAG Asia Loan Management II Limited, PAG China Equity Investment Management Limited, PAG China Investment Limited, PAG China Limited, PAG Consulting Australia Pty Ltd., PAG Holdings Limited, PAG IPR Holdings Limited, PAG Japan Limited, PAG Real Estate (HK) Limited, PAG Real Estate Limited, PAG Real Estate GP Limited, PAG Real Estate Value LLC, PAG Secretaries Limited, PAG Special Situations LLC, PAG Special Situations Management II Limited, PAIM GP I Limited, PAIM GP II Limited, PAIM Secretaries Limited, PAL GP I Limited, PAL GP II Limited, PA-LF Secretaries Limited, PA-LF2 Secretaries Limited, PARE Secretaries Limited, PASS

Secretaries Limited, PASS2 Secretaries Limited, PA-W Secretaries Limited, PAX Secretaries Limited, PREP Secretaries Limited, PAG Enhanced Credit LLC, PAG Enhanced Credit Management Limited, PAG Enhanced Credit Investment Management Limited, PAG-C Management Limited, PAIM II GP II Limited, PAL II GP II Limited, PREP GP II Limited, PAG Real Estate Holding Limited, PAGAC II GP II Limited, PECF GP I Limited, PAG Asia Alpha Advisors Limited, PAG Enhanced Credit Advisors Limited, PAG Special Situations Advisors Limited, PAG Asia Loan Advisors Limited, PAG China Special Situations Advisors Limited, PAG Real Estate Korea Limited, PAG Growth Advisors Limited, PAG Asia Loan LLC, Pacific Alliance Investment Management Limited, PAG-P Management Limited, PAG AR Opportunistic Strategies Limited, PAG Asia Alpha LLC, PAG Asia Alpha GP Limited, PAG Alpha Investment Management Limited, Asia Alpha Secretaries Limited, PREP GP I Limited, PAGAC2 Secretaries Limited, PA-ECF Secretaries Limited, PAGAC GP I Limited, PAGAC GP II Limited, PAGAC II GP I Limited, PAG CA Partners GP Limited, PAG China Special Situations LLC, PAG China Special Situations GP Limited, PAG-C AR Co-Investment GP Limited, PAG-G AR Co-Investment GP Limited, PAG Growth Capital GP I Limited, PAG BRS LLC, PAG BRS Advisors Limited, PAG BRS GP Limited, PAG Investment Solutions Advisors Limited, PAG Asia Loan GP III Limited, PA-LF3 Secretaries Limited, PAG Opportunistic Strategies Advisors Limited, PAG Real Estate GP II Limited, PAL III GP Limited, Maritime Asia Diamond Pte. Ltd., MFE Formwork Technology Sdn. Bhd., PAG Real Estate Partners (Luxembourg) II GP S.à.r.l., PAG Enhanced Credit GP II Limited, PAG Enhanced Credit II Feeder GP Limited, PAG Asia Opportunity S Class GP Limited, PAG Special Situations GP III Limited, PAG Special Situations III Feeder GP Limited, PAG Asia Capital GP III Limited, PAG Asia Opportunity S Class Feeder I GP Limited, PAG Asia Opportunity S Class Feeder II GP Limited, PREP II Cayman GP Limited, PAGAC Music Holding GP III Limited, PAGAC Music Holding GP II-A Limited, PAGAC III GP Limited, PECF GP II Limited, PAGGC I Acme Holding GP Limited, Autumn Investment GP Limited, PAGAC Galileo Investment Holding GP Limited, PAGAC Galileo Holding GP I Limited, PAGGC 1 Autobots Holding GP Limited, PAG PI Feeder GP Limited, PAIM III GP Limited, PAG-MAG AR Investment GP Limited, PAG Loan GP IV Limited and PAG Loan IV Feeder GP Limited.

Jon Robert Lewis is not considered independent due to his relationship with the major shareholder of the Company.

Attendance at Board meetings held in 2018: 7/7

Kanak Kapur

Member of the Board.

Born 1970. Elected to the Board of Directors on 14 April 2015.

Background:

Partner in PAG.

Education:

MBA from NYU Stern School of Business

Other management duties, etc.:

Intero Investments Limited

Bremen Developments Limited

Asia Pragati Capfin Private Limited

Maritime Asia Diamond Pte. Ltd.

Kanak Kapur is not considered independent due to his relationship with the major shareholder of the Company.

Attendance at Board meetings held in 2018: 7/7

Esben Søfren Poulsen

Member of the Board.

Born 1948. Elected to the Board of Directors on 20 April 2018.

Background:

CEO in Enesel Pte. Ltd.

Education:

Diploma in Business Administration from British Columbia Institute of Technology, Vancouver, Canada.

Other management duties, etc.:

Chairman of the Board of Enesel Pte. Ltd., Cambiaso Risso Asia Pte. Ltd. Member of the Board of Directors of X-Press Feeders Ltd./Sea Consortium Pte. Ltd, Hafnia Tankers Pte. Ltd., Bashfire Resources Pty. Ltd., Cap San Artemissio Pte. Ltd., Cap San Maleas Pte. Ltd., Cap San Sounio Pte. Ltd., Cap San Tainaro Pte. Ltd., Evergreen Asset Grop Co. Pte. Ltd., Hamburg Sud Asset Group Co Pte. Ltd., Intermediate Holdco 1 Pte. Ltd., Thalassa Avra Pte. Ltd., Thalassa Axia Pte. Ltd., Thalassa Doxa Pte. Ltd., Thalassa Elpida Pte. Ltd., Thalassa Hellas Pte. Ltd., Thalassa Mana Pte. Ltd., Thalassa Niki Pte. Ltd., Thalassa Patris Pte. Ltd., Thalassa Pistis Pte. Ltd., Thalassa Tyhi Pte. LLtd., and Maritime and Port Authority of Singapore (MPA). Formand og rådsmedlem/President and Council Member of the Singapore Shipping Association, Formand/Chairman of the international Chamber of Shipping, London. On the Advisory panel of the Singapore Maritime Foundation and Senior Advisor to Straits Tankers Pte. Ltd.

Esben Søfren Poulsen is considered independent.

Attendance at Board meetings held in 2018 (since appointment in April 2018): 5/5

Jens V. Mathiasen

Member of the Board.

Born 1971. Elected to the Board of Directors on 20 April 2018.

Background:

Partner and attorney Gorrissen Federspiel.

Education:

LL.M (cand. jur) from the University of Copenhagen, LL.M. University of Southampton.

Other management duties, etc.:

Member of the Board of Directors of Oskov Yard A/S, Ann Birgitte & Niels Ørskov Christensen familiefond and North Sea operators Claims Conference (NSOCC). IRON fonden alternate

Jens V. Mathiasen is not considered independent as the Company engages his law firm for legal matters.

Attendance at Board meetings held in 2018 (since appointment in April 2018): 5/5

Philip Clausius

Chief Executive Officer (CEO)

Born 1968. Elected to the Board of Directors on 17 December 2013.

Background:

Previously CEO of FSL Trust Management Pte. Ltd.

Education:

Graduate degree (Diplom-Betriebswirt) in Business Administration from the European Business School, Germany.

Other management duties, etc.:

Member of the Board of Directors of the Singapore-incorporated subsidiaries of Nordic Shipholding A/S Group, CEO and Director of Transport Capital Pte. Ltd., Director of Transport Capital Holdings Pte. Ltd. and its subsidiaries, Maritime Asia Diamond Pte. Ltd., APSE SPV1 Pte. Ltd., APSE SPV2 Pte. Ltd., APSE SPV3 Pte. Ltd., APSE SPV4 Pte. Ltd., Wellard Limited, The Standard Club Ltd, The Standard Club Asia Ltd and Bengal Tiger Line Pte. Ltd.

Advisory panel member of Singapore Maritime Foundation, Supervisor to the Board of Columbia Shipmanagement (Shanghai) Co., Ltd. and Columbia Crew Management (Shanghai) Co., Ltd. and Chairman of Singapore War Risks Mutual (SWRM) Class Committee.

Philip Clausius is not considered independent as he is the CEO of the Company.

Attendance at Board meetings held in 2018: 7/7

Executive Management

Philip Clausius

Born 1968. CEO since 2 January 2014.

As Philip Clausius is also a director of Nordic Shipholding, please see his profile under Board of Directors.

Board members' shares

Board members' ownership of shares in Nordic Shipholding A/S at 31 December 2018

Board Member	Shares owned
Knud Pontoppidan	102,052
Jon Robert Lewis	-
Kanak Kapur	-
Jens V. Mathiasen	-
Esben Søfren Poulsson	108,295
Philip Clausius	-

Management Statement

We have today considered and approved the Annual Report of Nordic Shipholding A/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and Company's financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2018 and of their financial performance and their cash flows for the financial year 1 January – 31 December 2018.

Furthermore, in our opinion the management review (page 1 – 23) gives a true and fair review of the development in the Group's and the Company's operations and financial matters, the results of the Group and the Company for the year and the financial position as a whole, and describes the significant risks and uncertainties facing the Group and the Company.

We recommend that the annual report be adopted at the General Assembly.

Copenhagen, 28 March 2019

Executive Management

Philip Clausius
CEO

Board of Directors

Knud Pontoppidan
Chairman of the
Board of Directors

Jon Robert Lewis
Deputy Chairman of
the Board of Directors

Kanak Kapur

Jens V. Mathiasen

Esben Søfren Poulsson

Philip Clausius

Independent Auditor's Report

To the shareholders of Nordic Shipholding A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of Nordic Shipholding A/S for the financial year 1 January to 31 December 2018 comprise statement of comprehensive income, statement of financial position, statement of changes in equity, cash flows statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Nordic Shipholding A/S on 20 April 2012 for the financial year 2012. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 7 years including the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2018. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Recoverability of the carrying amount of non-current assets</p> <p>Investments in non-current assets mainly compose Vessels and dockings and are measured at cost less accumulated depreciation and impairment.</p> <p>The principal risk is in relation to management's assessment of future timing and amount of cash flows, which are used to project the recoverability of the carrying amount.</p> <p>Bearing in mind the generally long-lived nature of vessels, the most critical assumptions are management's view on the long-term outlook for freight volumes, freight rates and operational expenses.</p> <p>We focused on this area, because management is required to exercise considerable judgement, and because of the inherent complexity in estimating future cash flows.</p> <p>Reference is made to note 1,7 and 13</p>	<p>In addressing the risk, we performed walk throughs of the processes and controls designed and operated by the Group relating to the assessment of the value of Vessels and the identification of impairment indications.</p> <p>We considered the appropriateness of management's defined cash-generating units (CGUs) within the business. We evaluated whether there were factors requiring management to change their classification.</p> <p>We performed testing for the cash generating units, where the need for impairment reviews was identified by management, by benchmarking and checking the reasonableness of future cash flows and evaluating broker reports. We challenged whether these were appropriate in light of future freight rates and volume growth, including assessment of management's macroeconomic assumptions regarding short-term and long-term freight rates. We also evaluated the discount rates and tested the mathematical accuracy of the relevant value-in-use models prepared by management, as well as the assumption for sensitivity disclosed.</p>

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 in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

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

Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent 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 unless Management either intends to liquidate the Group or the Parent 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 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 Group's and the Parent Company'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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 28 March 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

Jacob Brinch
State Authorised Public Accountant
mne35447

Financial Statements

Statement of comprehensive income for the period 1 January - 31 December

Note	Amounts in USD thousand	Company		Group	
		2018	2017	2018	2017
3	Total revenue	-	-	32,787	32,841
	Voyage related expenses	-	-	(13,614)	(9,609)
	Time charter equivalent revenue (TCE revenue)	-	-	19,173	23,232
4	Other income	14	-	224	-
	Expenses related to the operation of vessels	-	-	(15,021)	(14,680)
5	Staff costs	(326)	(282)	(326)	(282)
6	Other external costs	(1,217)	(1,080)	(2,014)	(1,619)
	Earnings before depreciation (EBITDA)	(1,529)	(1,362)	2,036	6,651
7	Depreciation	-	-	(6,620)	(6,831)
7	Write-down on vessels	-	-	(13,217)	-
	Operating result (EBIT)	(1,529)	(1,362)	(17,801)	(180)
8	Write-down on investments	(31,707)	-	-	-
9	Financial income	-	7	32	18
10	Financial expenses	(9)	-	(6,003)	(3,402)
	Result before tax	(33,245)	(1,355)	(23,772)	(3,564)
11	Tax on result	-	-	-	-
	Result after tax	(33,245)	(1,355)	(23,772)	(3,564)
	Total comprehensive income	(33,245)	(1,355)	(23,772)	(3,564)
12	Earnings per share (EPS) (USD)			(0.06)	(0.01)
12	Diluted earnings per share (USD)			(0.06)	(0.01)

Statement of financial position

Note	Amounts in USD thousand	Company		Group	
		2018	2017	2018	2017
	Non-current assets				
13	Vessels and docking	-	-	78,607	102,959
	Tangible assets	-	-	78,607	102,959
14	Investment in subsidiaries	18,057	43,764	-	-
	Financial assets	18,057	43,764	-	-
	Total non-current assets	18,057	43,764	78,607	102,959
	Current assets				
	Bunkers	-	-	2,055	1,315
15	Trade receivables	-	-	6,726	6,097
16	Receivables from subsidiaries	-	1,195	-	-
17	Other receivables	112	143	2,412	716
	Total receivables	112	1,338	11,193	8,128
19	Other financial assets	-	3	-	3
19	Cash & cash equivalents	348	65	8,598	3,310
18	Asset held-for-sale	-	-	5,489	-
	Total current assets	460	1,406	25,280	11,441
	Total assets	18,517	45,170	103,887	114,400
	Equity				
24	Share capital	7,437	7,437	7,437	7,437
	Retained earnings	4,371	37,616	4,371	28,382
	Equity, parent company	11,808	45,053	11,808	35,819
	Equity, non-controlling interests	-	-	-	-
	Total equity	11,808	45,053	11,808	35,819
	Liabilities				
20	Finance loans, etc.	-	-	71,276	72,674
21	Loans from majority shareholder	6,007	-	9,133	-
	Non-current liabilities	6,007	-	80,409	72,674
20	Finance loans, etc.	-	-	5,827	2,429
21	Loans from majority shareholder	-	-	122	-
22	Trade payables	346	77	5,684	3,441
23	Payables to subsidiaries	319	-	-	-
19	Other financial liabilities	-	3	-	-
	Corporation tax	37	37	37	37
	Total current liabilities	702	117	11,670	5,907
	Total liabilities	6,709	117	92,079	78,581
	Liabilities and equity	18,517	45,170	103,887	114,400

For information about treasury shares and share capital, please refer to Note 24.

Statement of changes in equity - Company

Amounts in USD thousand	Share capital	Retained earnings	Total equity
Shareholders' equity at 1 January 2018	7,437	37,616	45,053
Result for the year	-	(33,245)	(33,245)
Total comprehensive income	-	(33,245)	(33,245)
Shareholders' equity at 31 December 2018	7,437	4,371	11,808
Shareholders' equity at 1 January 2017	7,437	38,971	46,408
Result for the year	-	(1,355)	(1,355)
Total comprehensive income	-	(1,355)	(1,355)
Shareholders' equity at 31 December 2017	7,437	37,616	45,053

Statement of changes in equity - Group

Amounts in USD thousand	Share capital	Retained earnings	Equity parent company	Equity group
Shareholders' equity at 1 January 2018	7,437	28,382	35,819	35,819
Impact due to IFRS 15	-	(239)	(239)	(239)
Adjusted shareholders' equity at 1 January 2018	7,437	28,143	35,580	35,580
Result for the year	-	(23,772)	(23,772)	(23,772)
Total comprehensive income	-	(23,772)	(23,772)	(23,772)
Shareholders' equity at 31 December 2018	7,437	4,371	11,808	11,808
Shareholders' equity at 1 January 2017	7,437	31,946	39,383	39,383
Result for the year	-	(3,564)	(3,564)	(3,564)
Total comprehensive income	-	(3,564)	(3,564)	(3,564)
Shareholders' equity at 31 December 2017	7,437	28,382	35,819	35,819

Statement of cash flows

1 January - 31 December

Note	Amounts in USD thousand	Company		Group	
		2018	2017	2018	2017
	Operating result (EBIT)	(1,529)	(1,362)	(17,801)	(180)
7	Depreciation and write-downs	-	-	19,837	6,831
	Non-cash financial expenses	(2)	7	(8)	(39)
	Changes in inventories	-	-	(740)	(421)
	Changes in receivables	31	11	(2,197)	(870)
	Changes in liabilities	269	(23)	1,877	962
	Paid financial expenses	-	-	(3,706)	(3,278)
	Cash flow from operating activities	(1,231)	(1,367)	(2,738)	3,005
	Investment in subsidiary	(6,000)	-	-	-
13	Investments in tangible assets	-	-	(974)	(1,168)
	Cash flow from investment activities	(6,000)	-	(974)	(1,168)
	Receivables from subsidiaries	1,195	1,283	-	-
	Payables to subsidiaries	319	-	-	-
21	Loans from majority shareholder	6,000	-	9,000	-
	Repayment of finance loans	-	-	-	(3,490)
	Cash flow from financing activities	7,514	1,283	9,000	(3,490)
	Cash flows for the year	283	(84)	5,288	(1,653)
	Cash as of 1 January	65	149	3,310	4,963
	Cash at the end of the year	348	65	8,598	3,310

Statement of cash flows

1 January - 31 December (cont'd)

Reconciliation of liabilities arising from financing activities:

Amounts in USD thousand	Company		
	Payables to subsidiaries	Receivables from subsidiaries	Loans from majority shareholder
1 January 2018	-	1,195	-
Proceeds from borrowings	319	-	6,000
Principal and interest payments	-	(1,195)	-
Non-cash change:			
Interest expense	-	-	7
31 December 2018	319	-	6,007
1 January 2017	-	2,478	-
Principal and interest payments	-	(1,283)	-
31 December 2017	-	1,195	-

Amounts in USD thousand	Group	
	Finance loans	Loans from majority shareholder
1 January 2018	75,103	-
Proceeds from borrowings	-	9,000
Principal and interest payments	(3,706)	-
Non-cash changes:		
Interest expense	4,209	255
Modification loss	1,468	-
Amortisation of prepaid loan fees	29	-
31 December 2018	77,103	9,255
1 January 2017	78,552	-
Proceeds from borrowings	-	-
Principal and interest payments	(6,733)	-
Non-cash changes:		
Interest expense	3,255	-
Amortisation of prepaid loan fees	29	-
31 December 2017	75,103	-

List of Notes

Note 1	Significant accounting estimates, assumptions and uncertainties
Note 2	Accounting policies
Note 3	Revenue
Note 4	Other income
Note 5	Staff costs
Note 6	Auditor fee
Note 7	Depreciation and write-down on vessels
Note 8	Write-down on investments
Note 9	Financial income
Note 10	Financial expenses
Note 11	Tax for the year
Note 12	Earnings per share
Note 13	Vessels and docking
Note 14	Investment in subsidiaries
Note 15	Trade receivables
Note 16	Receivables from subsidiaries
Note 17	Other receivables
Note 18	Asset held-for-sale
Note 19	Financial risks and financial instruments
Note 20	Finance loans
Note 21	Loans from majority shareholder
Note 22	Trade payables
Note 23	Payables to subsidiaries
Note 24	Treasury and share capital
Note 25	Related party transactions
Note 26	Contingent liabilities and contractual obligations

1. Significant accounting estimates, assumptions and uncertainties

Nordic Shipholding's annual report, which includes the consolidated financial statements and the financial statements of the Company, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act. The accounting policies are described in Note 2.

In connection with the preparation of the financial statements, management applies estimates and assumptions. Such estimates and assumptions are based on the most recent information available at the time of preparing the financial statements.

The most significant estimates relate to:

- measurement of vessels, and
- depreciation periods.

The estimates and assumptions are based on premises that management find reasonable, but which are uncertain or unpredictable. It may be necessary to change previous estimates as a result of future changes in the assumptions, new information, further experience or subsequent events.

Measurement of vessels

Vessels are tested for impairment if there are indications of impairment. The Company evaluates the carrying amount of five vessels (excluding Nordic Ruth, which has been reclassified as an asset held-for-sale in Q4 2018) within two cash generating units – (1) one LR1 vessel deployed in Straits Tankers Pool, (2) two vessels deployed in UPT Handy Pool and two vessels deployed in Hafnia Handy Pool respectively - to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

The impairment tests are based on value in use calculations and net realisable values assessed by leading and independent international ship brokers, which are compared to the carrying amount of the assets within each of the cash generating units.

The carrying amount of the Group's vessels may not necessarily represent their actual market value at any point in time as market prices of second-hand vessels to a certain degree fluctuate with changes in charter rates and the cost of new-buildings.

If the estimated future cash flows or related assumptions change permanently, it may be necessary to reduce the carrying amount of vessels for the cash generating units.

In 2018, impairment of USD 13.2 million was recognised for the six vessels, including Nordic Ruth (2017: USD Nil). The carrying amount of vessels at 31 December 2018 amounted to USD 78.6 million (2017: USD 103.0 million).

Please refer to Note 7 for more information about the impairment tests performed.

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 are reassessed regularly based on available information. Changes to estimates of useful lives and residual values may affect the annual depreciation. The carrying amount of vessels as of 31 December 2018 amounted to USD 78.6 million (2017: USD 103.0 million).

2. Accounting policies

Basis of preparation

The annual report of Nordic Shipholding A/S includes the consolidated financial statements and the financial statements of the Company, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act. The accounting policies are consistent with those applied to the annual report for 2017 with the exception of the adjustments resulting from the implementation of new and revised standards and interpretation as described below.

Adoption of new and amended IFRSs

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and IFRSs endorsed by the European Union effective on or after 1 January 2018, IFRS 15, *Revenue from Contracts with Customers*, and IFRS 9, *Financial Instruments*, are relevant to the Group. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. With IFRS 9, the accounting for non-substantial modification of financial liabilities measured at amortised cost changes.

The adoption of IFRS 15 results in a change in the revenue recognition method from voyage charters, whereby the Group's method of determining proportional performance changes from discharge-to-discharge to load-to-discharge. The Group uses the modified retrospective approach where the cumulative impact of the IFRS 15 adoption was recognised in the retained earnings as at 1 January 2018 and the comparative information for 2017 was not restated. The adoption of IFRS 15 has reduced the retained earnings as at 1 January 2018 by USD 239K and has reduced the results and TCE revenue in 2018 by USD 153K. As at 31 December 2018, the net effect of the adoption is a reduction to retained earnings of USD 392K, an increase to deferred revenue (current liabilities) of USD 574K and an increase to deferred voyage expenses (current assets) of USD 182K.

The adoption of IFRS 9 results in the recognition of a loss of USD 1.6 million in 2018 arising from the modification of certain terms under the bank loans.

New or amended IFRSs that have been issued but have not yet come into effect and have not been early adopted

In addition to the above, IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The following standard is in general expected to have a significant effect on current accounting regulations:

- IFRS 16: "Leases". New standard on the accounting treatment of leases. Going forward, the lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet. The standard will be effective for financial years beginning on or after 1 January 2019.

Management have assessed the impact of the new standards and they will not have any significant impact on the consolidated financial statements.

Consolidated financial statements

The consolidated financial statements include Nordic Shipholding (Company) and the enterprises (subsidiaries) which are controlled by the Company. Control is presumed to exist when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Entities which are by agreement managed jointly with one or more other enterprises are considered to be joint operations which are accounted for by proportionate consolidation.

Basis of consolidation

The consolidated financial statements have been prepared on the basis of the accounts of Nordic Shipholding and its subsidiaries and joint operations. 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 recognised in full in the consolidated financial statements.

For vessels deployed in pools, it is evaluated based on the pool agreement between the pool and the vessel company. For pool arrangements where the vessel enters the pool via a time charterparty, the vessel company recognises its net interests for its vessels in the pool. For pool agreements, which qualify as joint operation, investments in the joint operations are recognised 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 elimination of unrealised proportionate intercompany profits and losses is recognised in the income statement. The proportionate share of all transactions and events recognised directly in the other comprehensive income and equity of the joint operations is also recognised as such in Group equity.

Foreign currency translation

The functional and presentation currency of the Company is USD.

On initial recognition, transactions in currencies other than the functional currency of each enterprise 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 recognised in the income statement as financial income and expenses.

Vessels and docking, 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. Non-monetary items that are revalued at fair value are translated using the rate of exchange at the date of the revaluation.

Upon recognition in the consolidated financial statements of enterprises with functional currencies other than USD, the income statements are translated at the average exchange rates for the respective months. Balance sheet items are translated using the exchange rates ruling at the balance sheet date. Exchange differences arising from translation of balance sheet items at the beginning of the year at the rates of exchange at the balance sheet date and from translation of income statements from average rates of exchange to the rates of exchange at the balance sheet

date are recognised as other comprehensive income. Correspondingly, exchange differences arising from changes made directly in the equity of these enterprises are also recognised as other comprehensive income.

Segment information

Nordic Shipholding has only one segment: Product Tankers. The Company therefore does not disclose segment information.

Statement of comprehensive income

Revenue recognition

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

- the income creating 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, and
- costs relating to the transaction can be measured reliably

Pool arrangement

Nordic Shipholding generates its revenue primarily through pool 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 recognised in the income statement upon delivery of service in accordance with terms and conditions of the charter parties (on a load-to-discharge basis).

For vessels deployed in pools, it is evaluated based on the pool agreement between the pool and the vessel company. For pool arrangements where the vessel enters the pool via a time charterparty, the vessel company recognises its net interests for its vessels in the pool. For pool agreements, which qualify as joint operation, investments in the joint operations are recognised 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 elimination of unrealised proportionate intercompany profits and losses is recognised in the income statement. The proportionate share of all transactions and events recognised directly in the other comprehensive income and equity of the joint operations is also recognised as such in Group equity.

Time charter

The Group leased its LR1 vessel to a lessee under fixed rate time charter arrangement. This charter was classified as operating lease. Lease income was recognised in the income statement on a straight-line basis over the lease term. The time charter arrangement ended in October 2017.

Voyage expenses

These are expenses related to Nordic Shipholding's vessels managed in a pool. Voyage expenses consist mainly of bunkers, port expenses and commissions. Voyage expenses are recognised as incurred on a load-to-discharge basis.

Operating expenses

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

Staff costs

Staff costs comprise directors' fees, wages and salaries and social security costs and are recognised as incurred.

Other external costs

Other external costs comprise administrative expenses.

Depreciation and write downs

Depreciation on fixed assets pertains mainly to vessels and dry-dockings (see 'Vessels' and 'Dockings' for the description of depreciation principles). Write downs are made when impairment tests show that the value of fixed assets is impaired.

Financial income and expenses, net

Financial income and expenses include interest income and interest expenses, realised and unrealised exchange differences, fair value change in derivative financial instrument and modification gain or loss. 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 is used to discount expected future payments related to the financial asset or the financial liability in order for the present value of such asset or liability to match its carrying amount. When a financial liability measured at amortised cost is modified without resulting in derecognition, a gain or loss is recognised in the profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the financial year end.

No provision is made for taxation on qualifying shipping income derived from the operation of the Group's vessels held by Singapore-incorporated entities which is exempt from taxation under Section 13A of the Singapore Income Tax Act. The Singapore-incorporated entities are subject to tax on its non-tax exempt income such as other income at the prevailing corporate tax rate, after adjusting for allowable expenses.

Deferred tax assets are recognised to the extent that it is probable that they can be utilised against future taxable income.

Earnings per share and diluted earnings per share

Earnings per share is calculated as the profit or loss for the year compared to the weighted average of the issued shares in the financial year. The basis for the calculation of diluted earnings per share is the weighted average number of shares in the financial year.

Statement of financial position

Vessels and docking

Vessels and docking includes vessels, upgrade costs and dockings, and are measured at cost less accumulated depreciation and impairment.

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 are measured at cost less accumulated depreciation and write-downs. All major components of vessels except for dry-docking are depreciated on a straight-line basis to the estimated residual value over their estimated useful lives, which Nordic Shipholding 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 recognised as instalments paid.

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. Costs relating to dry-dockings are capitalised and depreciated on a straight-line basis to the next scheduled dry-docking. The residual value is estimated at zero.

A portion of the cost of acquiring a new vessel is allocated to the components 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.

Impairment tests

Vessels are tested for impairment when 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 recognising an impairment 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 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.

The fair value of vessel is usually determined based on the estimated selling price assessed by external brokers 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 for the cash-generating unit is first allocated to goodwill and subsequently to the assets of the unit, but no asset will be reduced to a lower value than its fair value less expected costs to sell. Impairment are recognised in the income statement.

If an impairment subsequently is reversed for other assets than goodwill as a result of changes in 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 been recognised for the asset or cash-generating unit.

Bunkers

Inventories consist of oils and lubricants, etc. and are measured at cost using the FIFO method or the net realisable value, whichever is lower.

Receivables

Receivables comprise trade receivables, loans and other receivables. Receivables are classified as loans and receivables that are financial assets, with fixed or determinable payments, that are not quoted in an active market and which are not derivative financial instruments. Receivables are initially measured at fair value and subsequently at amortised cost, which usually equals the nominal value less provisions for bad debts. Write-down is done individually using a provision account.

Asset held-for-sale

Non-current asset is classified as asset held-for-sale and is carried at the lower of carrying amount and fair value less costs to sell if (i) its carrying amount is recovered principally through a sale transaction rather than through continuing use and (ii) the sale is highly probable. The sale is considered highly probable due to the commitment shown by the management on its plan to sell, an active programme is in place to sell the asset, the asset is actively marketed at a reasonable price, significant changes to plan are unlikely and the sale is expected to be completed within one year.

The asset is not depreciated while it is classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

Dividend

Dividend is recognised as a liability at the time of approval by the General Meeting. Dividend proposed by management in respect of the year is stated under equity.

Treasury shares

Acquisition costs and consideration for treasury shares and dividend on treasury shares are recognised directly as retained earnings in equity.

Provisions

Provisions are recognised 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.

Finance loans

Finance loans are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities. Finance loans are initially measured at fair value less any transaction costs. Finance loans are subsequently measured at amortised cost using the effective interest method. Accordingly, the difference between the amount on initial recognition and the redemption value is recognised in the income statement as a financial expense over the term of the loan using the effective interest method.

Loans from majority shareholder

Loans from majority shareholder are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities. Loans from majority shareholder are initially measured at fair value less any transaction costs. Loans from majority shareholder are subsequently measured at amortised cost using the effective interest method. Accordingly, the difference between the amount on initial recognition and the redemption value is recognised in the income statement as a financial expense over the term of the loan using the effective interest method.

Other financial liabilities

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

Derivative financial instruments and hedging activities

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income and transferred to hedging reserve in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is

transferred to the income statement in the same period that the hedged item affects profit or loss. The cash flow hedges have expired on 31 December 2018.

Cash flow statement

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

Cash flow from operating activities is stated as the operating profit or loss, adjusted for non-cash operating items and changes in working capital, less financial expenses paid attributable to operating activities.

Cash flow from investing activities includes payments in connection with the acquisition and divestment of enterprises and financial assets and the acquisition, development, improvement and sale, etc. of intangibles and vessels and docking.

Cash flow from acquisition and divestment of enterprises is shown separately under cash flow from investing activities. Cash flow from acquired enterprises is recognised in the cash flow statement from the time of their acquisition, and cash flow from divested enterprises is recognised up to the time of sale.

Cash flow from financing activities comprises changes in the 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 recognised 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.

Cash and cash equivalents comprise cash at bank and cash held by the master of the respective vessels.

Supplementary accounting policies for the Company

Investments in subsidiaries in the financial statements of the Company

Investments in subsidiaries are measured at cost. If the cost price exceeds the recoverable amount of the investment, it is written down to this lower amount. The recoverable amount is defined as the higher of the fair value of the subsidiary less costs of sale 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 enterprise in question for which the estimates of future cash flows have not been adjusted.

Dividends received from subsidiaries are recognised in the income statement.

The conversion of inter-company debt owed by its subsidiaries is measured at carrying amount.

3. Revenue

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Revenue	-	-	32,787	32,841
Total revenue	-	-	32,787	32,841

The time charter revenue generated from Nordic Anne, who was deployed on a 3-year time charter with a creditworthy customer until October 2017, accounted for approximately 16% of the Group's total revenue in 2017.

4. Other income

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Other income	14	-	224	-
Total other income	14	-	224	-

Included within the other income recognised by the Group, USD 0.2 million relates to the Loss of Hire compensation received in 2018.

5. Staff costs

Amounts in USD thousand	Company and Group		
	2018	2017	2016
Staff costs			
Wages and salaries	(326)	(282)	(261)
Total staff costs	(326)	(282)	(261)
Of which:			
Board of Directors:			
Remuneration to the Board of Directors	(110)	(81)	(77)
Average number of full-time employees [^]	1	1	1

[^] The average number excludes the CEO of the Company.

Nordic Shipholding A/S entered into a corporate management agreement with Transport Capital Pte. Ltd. ('Transport Capital') for the day to day management and operation of the Company. As part of the management agreement, Transport Capital provides a CEO for the Company. The CEO is not remunerated.

Refer to Note 25 for related party transactions for the fees paid to Transport Capital Pte. Ltd., the corporate manager for the Group, during the financial year.

6. Auditor fee

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Statutory audit of annual accounts	(168)	(137)	(268)	(235)
Tax advices	(12)	(39)	(52)	(41)
Other assistance	(12)	(26)	(12)	(26)
Total fees	(192)	(202)	(332)	(302)

The above is for the corporate auditor, Pricewaterhouse Coopers. The figures include fees for statutory audits in Singapore.

Fees for services other than statutory audits provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group consists of agreed upon procedures on quarterly interim reports, assistance with XBRL reporting, tax advisory concerning transfer pricing and other general financial reporting and tax consultancy services.

7. Depreciation and write-downs on vessels

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Depreciation - tangible assets	-	-	(6,620)	(6,831)
Write down - tangible assets	-	-	(13,217)	-
Total	-	-	(19,837)	(6,831)

Impairment test

In accordance with IAS 36, tangible assets are tested if there are indications of impairment. Any impairment tests are performed in accordance with IAS 36.

Impairment assessment of tangible assets - Vessels and dry-docking

The discussion below excludes Nordic Ruth, a handysize vessel, as she has been reclassified as an asset-held for sale in Q4 2018.

The management assessed the performance of the vessels based on their employment and vessel type. The remaining four handysize vessels (Nordic Pia, Nordic Hanne, Nordic Agnetha and Nordic Amy) are employed under leading pools. Nordic Anne, an LR1 tanker was redelivered under the 3-year time charter in October 2017, and at the same time re-entered the Straits Tankers Pool. Hence, for impairment assessment, the Group evaluates the carrying amount of vessels within two cash generating units ('CGU') – (1) one LR1 vessel deployed in Straits Tankers Pool ('CGU one') and (2) two vessels deployed in UPT Handy Pool and two vessels deployed in Hafnia Handy Pool ('CGU two') respectively - to determine whether events have occurred that would require an adjustment to the recognised value of the vessels.

According to Nordic Shipholding's accounting policies regarding impairment tests, a write-down is made to the higher of an estimated sale price less cost of sale (Fair Market Value, 'FMV') or calculated net present value ('value in use') for each CGU. The estimated sale price is based on valuations from accredited independent shipbrokers and is considered a level 2 on the fair value hierarchy. For impairment assessment in 2018, the recoverable amount of CGU one was based on value in use (level 3 on the fair value hierarchy) and the recoverable amount of CGU two, totaling USD 58.7 million, is made up of:

Higher of FMV or value in use	USD ('millions)	Ranking on fair level hierarchy
FMV	31.7	Level 2
Value in use	27.0	Level 3

For impairment assessment in 2017, the recoverable amount of the respective CGUs was based on its value in use.

The value in use is calculated based on an increase in daily TCE, operating costs and residual value by 2.0% per annum, 3.0% per annum and 2.0% per annum, respectively, and a Weighted Average Cost of Capital (WACC) of 7.8% (2017: 7.7%). Daily TCE is assumed by considering the daily TCE forecasted by the pool managers for the next four quarters ('budget period') and the long-term average ('LTA') TCE rates for period beyond the budget period. Operating costs is the agreed costs between the vessel company and the respective technical managers. Residual value of each vessel is estimated as the lightweight tonnage multiplied by scrap value per ton. WACC is calculated based on a standard WACC model in which the cost of equity, cost of debt and capital structure are the key parameters. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

In view of the declining freight rates in H1 2018, for the LTA TCE rate used in the impairment test, management decided to update the assumptions used compared to the impairment test at 31 December 2017. For CGU one, the LTA TCE rate used for the impairment test at 30 June 2018 is an adjusted 5-year historical TCE rate. Annual inflation is set at 2%. The LTA TCE used for the impairment test at 31 December 2017 was the pool manager's Q4 2018 TCE forecast adjusted for a 2% annual inflation. As a result of the revised outlook, an impairment loss of USD 2.4 million was recognised on the vessel in CGU one. For CGU two, the LTA TCE rate used for the impairment test at 30 June 2018 is an adjusted 5-year historical TCE rate. Annual inflation is set at 2%. The LTA TCE used for the impairment test at 31 December 2017 was an adjusted 10-year historical TCE rate with a 2% annual inflation. As a result of the revised outlook, an impairment loss of USD 5.8 million was recognised on the vessels in CGU two.

The tanker market continued to soften in Q3 2018. Based on the same assumptions used in the impairment test for H1 2018, the Group recognised a further impairment loss of USD 5.0 million in Q3 2018. As a result, the total impairment loss recognised in 2018 is USD 13.2 million (2017: USD Nil).

The value in use calculation is sensitive to changes in the key assumptions such as future development in freight rates, the WACC applied as discounting factor in the calculations and the development in operating expenses. All other things being equal, the sensitivities to the value in use have been assessed as follows:

- A fluctuation of 5.0% on the daily long-term TCE would change the value in use by USD 2.6 million (2017: USD 3.0 million) for the LR1 tanker and USD 3.9 million (2017: USD 9.1 million) for the four handysize vessels. If the daily long-term TCE rate decreases by 5.0%, there would be an impairment of USD 0.9 million (2017: USD 0.6 million) for the LR1 tanker and an impairment of USD 2.1 million (2017: USD 6.2 million) for the four handysize vessels.
- A fluctuation of 1 percentage point on the WACC would change the value in use by USD 1.5 million (2017: USD 2.0 million) for the LR1 tanker and USD 1.5 million (2017: USD 4.5 million) for the four handysize vessels. If the WACC increases by 1 percentage point, there would be no impairment (2017: USD Nil) for the LR1 tanker and no impairment (2017: USD 1.6 million) for the four handysize vessels.
- A fluctuation of 5.0% on the operating expenses would change the value in use by USD 1.3 million (2017: USD 1.5 million) for the LR1 tanker and USD 2.4 million (2017: USD 5.1 million) for the four handysize vessels. If the operating expenses increases by 5.0%, there would be no impairment (2017: USD Nil) for the LR1 tanker and an impairment of USD 0.6 million (2017: USD 2.2 million) for the four handysize vessels.

8. Write-down on investments

Amounts in USD thousand	Company	
	2018	2017
Write-down on investments in subsidiaries	(31,707)	-
Total write-down on investments in subsidiaries	(31,707)	-

9. Financial income

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Interest income on bank balances	-	-	32	18
Gain from exchange rate adjustments	-	7	-	-
Total financial income	-	7	32	18

10. Financial expenses

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Financial expenses to bank	-	-	(53)	(54)
Interest on finance loans	-	-	(4,209)	(3,255)
Modification loss on finance loans	-	-	(1,468)	-
Interest on loans from majority shareholder	(7)	-	(10)	-
Finance charge on banker's guarantee provided by majority shareholder to lenders	-	-	(245)	-
Fair value adjustment from valuation of interest rate caps	-	-	(3)	(61)
Expenses from exchange rate adjustments	(2)	-	(15)	(32)
Total financial expenses	(9)	-	(6,003)	(3,402)
Total net financial income and expenses	(9)	7	(5,971)	(3,384)

Arising from the loan restructuring concluded with the lenders in Q4 2018, an estimated loss of USD 1.6 million was recognised in Q4 2018 due to the modification of certain terms under the bank loans. Including the modification loss of USD 0.1 million released to the income statement upon the payment of scheduled loan interest in Q4 2018, the net modification loss recognised in Q4 2018 is USD 1.5 million.

Arising from the agreement with the lending banks in Q1 2018 to amend certain loan covenants, in particular, the Minimum Value Covenant, a USD 3.85 million Banker's Guarantee was provided by the majority shareholder of the Group as additional security to the lenders. The related finance charge calculated on this Banker's Guarantee is USD 0.2 million.

11. Tax for the year

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Current tax expense	-	-	-	-
Tax for the year recognised in the income statement	-	-	-	-
Result before tax	(33,245)	(1,355)	(23,772)	(3,564)
- of which subject to tonnage taxation or other schemes	-	-	22,234	2,203
Adjusted result before tax	(33,245)	(1,355)	(1,538)	(1,361)
Calculated tax at 22.0% (2017: 22.0%)	(7,314)	(298)	(338)	(299)
Write-down on investments not subject to tax	6,976	-	-	-
Tax assets not recognised	338	299	338	299
Adjustment of tax for previous years	-	-	-	-
	7,314	299	338	299

No current or deferred tax has been recognised in other comprehensive income.

No deferred tax assets or liabilities are recognised as at 31 December 2018 (2017: USD Nil). Tax value of unrecognised tax losses amounted to USD 0.3 million (2017: USD 0.3 million).

There are no unrecognised tax liabilities associated with investments in foreign subsidiaries in 2018 and 2017.

12. Earnings per share

Amounts in USD thousand	Group	
	2018	2017
Earnings per share (EPS)		
Loss for the Company's shareholders	(23,772)	(3,564)
Number of shares used in calculation of earnings per share:		
Weighted average number of outstanding shares	406,158,403	406,158,403
Number of treasury shares	(24,000)	(24,000)
Number of shares used in calculation	406,134,403	406,134,403
For continuing operations:		
Earnings per share (USD)	(0.06)	(0.01)

No dividends is proposed for 2018 (2017: USD Nil).

13. Vessels and docking

Amounts in USD thousand	Group	
	2018 Vessels and Docking	2017 Vessels and Docking
Cost at 1 January	193,018	191,889
Disposals during the year	(878)	(39)
Additions during the year	974	1,168
Reclassified to asset held-for-sale	(20,774)	-
Cost at 31 December	172,340	193,018
Depreciation and write-down at 1 January	(90,059)	(83,267)
Depreciation during the year	(6,620)	(6,831)
Disposals during the year	878	39
Write-downs of vessels	(13,217)	-
Reclassified to asset held-for-sale	15,285	-
Depreciation and write-down at 31 December	(93,733)	(90,059)
Book value at 31 December	78,607	102,959
Geographical split of tangible assets:		
Singapore	78,607	102,959
	78,607	102,959

The carrying amount of vessels pledged as security for finance loans in the Group is USD 84.1 million as at 31 December 2018 (2017: USD 103.0 million), including the carrying amount of the asset held-for-sale as disclosed in Note 18.

14. Investment in subsidiaries

Amounts in USD thousand	Company	
	2018	2017
Cost at 1 January	43,764	43,764
Additions during the year	6,000	-
Cost at 31 December	49,764	43,764
Write-down at 1 January	-	-
Write-down during the year	(31,707)	-
Write-down at 31 December	(31,707)	-
Carrying amount before offset	18,057	43,764
Offset against intercompany receivables	-	-
Carrying amount at 31 December	18,057	43,764

Arising from the loan restructuring concluded with the lenders in Q4 2018, the majority shareholder of the Company extended an interest-bearing shareholder loan of USD 6.0 million to the Company. The Company drew down this shareholder loan of USD 6.0 million and injected equity of USD 6.0 million in Nordic Shipholding Singapore Pte. Ltd. ('NSHS') as this wholly-owned subsidiary manages the cash payments and cash receipts for the Group. NSHS issued 6,000 new shares to NSH A/S in exchange for this equity injection of USD 6.0 million.

Company summary	Primary operations	Domicile	Owner-ship %	Voting right %
Subsidiaries for Nordic Shipholding A/S				
Nordic Shipholding Singapore Pte. Ltd.	Investment holding company	Singapore	100	100
Subsidiaries for Nordic Shipholding Singapore Pte. Ltd.				
Nordic Agnetha Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Amy Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Anne Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Hanne Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Pia Pte. Ltd.	Shipowning company	Singapore	100	100
Nordic Ruth Pte. Ltd.	Shipowning company	Singapore	100	100

15. Trade receivables

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Receivables from freight	-	-	5,676	5,047
Working capital with pools	-	-	1,050	1,050
Total trade receivables	-	-	6,726	6,097

The carrying amount corresponds to the fair value of the receivables.

Historically, the Group has only minor losses on trade receivables and the implementation of IFRS 9 has no material effect on the provision matrix for trade receivables.

16. Receivables from subsidiaries

Amounts in USD thousand	Company	
	2018	2017
Receivables from subsidiaries	-	1,195
Total receivables from subsidiaries	-	1,195

17. Other receivables

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Pre-payments and deposits	98	121	852	483
Other receivables	14	22	1,560	233
Total other receivables	112	143	2,412	716

The carrying amount corresponds to the fair value of the receivables.

18. Asset held-for-sale

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Asset held-for-sale	-	-	5,489	-
Total trade payables	-	-	5,489	-

Management has decided to sell the Nordic Ruth, a handysize vessel, in Q4 2018. Hence, Nordic Ruth has been reclassified as an asset-held for sale. As announced on 26 February 2019, Nordic Ruth Pte. Ltd., a wholly-owned subsidiary of NSH A/S, has entered into a Sale and Purchase Memorandum of Agreement on 26 February 2019 to sell Nordic Ruth at a gross sale price of USD 6.1 million.

The sale is expected to take place in Q2 2019 and the net proceeds from the sale will be applied entirely to prepay the loan facility. Nordic Ruth will remain deployed in the UPT Handy Pool until she is sold.

The carrying amount corresponds to the fair value of the held-for-sale asset.

19. Financial risks and financial instruments

Foreign exchange, interest rate and credit risks and application of financial instruments

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Trade receivables	-	-	6,726	6,097
Receivables from subsidiaries	-	1,195	-	-
Other receivables	112	143	2,412	716
Cash and cash equivalents	348	65	8,598	3,310
Financial assets measured at amortised cost	460	1,403	17,736	10,123
Interest rate cap, asset	-	3	-	3
Interest rate cap, liability	-	(3)	-	-
Derivative instruments	-	-	-	3
Finance loans	-	-	77,103	75,103
Loans from majority shareholder	6,007	-	9,255	-
Trade payables	346	77	5,684	3,441
Financial liabilities measured at amortised cost	6,353	77	92,042	78,544

Fair value hierarchy for financial instruments measured at fair value in the balance sheet

Financial instruments measured at fair value are classified below in accordance with the fair value hierarchy:

- Quoted prices in an active market for identical instruments (level 1).
- Quoted prices in an active market for similar assets or liabilities or other valuation methods where all significant inputs are based on observable market data (level 2).
- Valuation methods where any significant inputs are not based on observable market data (level 3).

Methods and assumptions in determining fair value

Interest rate cap:

Interest rate cap is measured at fair value by applying valuation methods.

Other financial assets and liabilities:

The carrying amounts of financial assets and liabilities (including trade and other receivables, cash and cash equivalents and trade payables) corresponds to fair value.

Amounts in USD thousand	Company and Group			
	Level 1	Level 2	Level 3	Total
2018				
Interest rate cap	-	-	-	-
Derivative asset	-	-	-	-
2017				
Interest rate cap	-	3	-	3
Derivative asset	-	3	-	3

Amounts in USD thousand	Company			
	Level 1	Level 2	Level 3	Total
2018				
Interest rate cap	-	-	-	-
Derivative liability	-	-	-	-
2017				
Interest rate cap	-	3	-	3
Derivative liability	-	3	-	3

There were no transfers between level 1 and level 2 during the financial year.

Policy for managing financial risks

Due to its operations, investments and financing, the Group is exposed to fluctuations in foreign exchange rates and interest rates. The Company monitors and manages the Group's financial risks centrally and coordinates the Group's liquidity management, including funding. The Group pursues a finance policy which operates with a low risk profile, ensuring the foreign exchange, interest and credit risks arise only on the basis of commercial factors. Hence, when required, the Group uses financial instruments to hedge risks. For further information on accounting policies and methods, including recognition criteria and bases of measurement, see the section on accounting policies in Note 2.

Currency risks

The Group and the Company are mildly sensitive to exchange rate fluctuations as earnings and costs are primarily denominated in USD. No financial hedges have been made for the DKK, EUR and SGD exposure in 2018 and 2017. The Group's policy is to review the currency exposure and hedge the risk if this is significant. The sensitivity towards changes in exchange rates is approximately USD 0 million for each percentage change in USD towards DKK, EUR and SGD combined (2017: USD 0 million).

Interest rate risks

In 2017, the Group obtained the approval of the lending banks and entered into a second interest rate cap (through the Company) to partially hedge its upside exposure to interest rates increasing above a pre-determined rate. The first interest rate cap was transacted in 2015. The notional amount of the two interest rate caps entered into by the Group (through the Company) is USD 48.0 million and USD 13.3 million which amortises quarterly to USD 39.7 million and USD 10.8 million, respectively, at maturity date (31 December 2018). The strike rate of both the interest rate caps is 2.50% per annum. Both interest rate caps have matured on 31 December 2018. As at the year-end, 100% of the Group's debt is unhedged (2017: 72% of the Group's debt is hedged using interest rate caps) and is vulnerable to interest rate risks. Any changes in interest rates could therefore have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

The Company entered into the interest rate caps with a third party ('original interest rate caps') and at the same time, entered into a separate interest rate cap agreement with Nordic Shipholding Singapore ('NSHS') at the same terms as the original interest rate caps. NSHS then entered into six separate interest rate cap agreements with the respective vessel-owning Singapore incorporated subsidiaries ('SIN SPCs'), with notional amounts corresponding to the prorata loan balance booked by each SIN SPCs. The aggregate notional amounts of the interest rate cap in the SIN SPCs correspond to the notional amount of the interest rate cap agreement between NSHS and the Company. At the Company level, the original interest rate caps are negated by the internal interest rate cap with NSHS. Hence, there is no hedge exposure at the Company level.

Group

Interest rate fluctuations affect the Group's finance loans. A one percentage point increase in interest rates compared with the realised interest level would have had an adverse impact of approximately USD 0.8 million (2017: USD 0.8 million) on results for the year and equity. A corresponding decrease in interest rates would have a corresponding positive impact on results for the year and equity.

Company

Interest rate fluctuations do not significantly affect the Company in 2018 and 2017.

Date of revaluation/maturity – Group and Company

The Group's and Company's fixed-rate interest-bearing loans from the majority shareholder do not expose them to interest rate risks. The Group's and Company's floating-rate interest-bearing financial assets and liabilities expose them to interest rate risks. In respect of the Group's and Company's financial assets and liabilities, the following contractual dates of reassessment and maturity, whichever is earlier, are listed below.

Amounts in USD thousand

	Company			Total
	Within 1 year	Between 1-5 years	After 5 years	
31.12.2018				
Cash and cash equivalents	348	-	-	348
Loans from majority shareholder, fixed rate [^]	-	(6,007)	-	(6,007)
Total	348	(6,007)	-	(5,659)
31.12.2017				
Cash and cash equivalents	65	-	-	65
Total	65	-	-	65

[^] excludes interest and finance charge on banker's guarantee

Amounts in USD thousand

	Group			Total
	Within 1 year	Between 1-5 years	After 5 years	
31.12.2018				
Cash and cash equivalents	8,598	-	-	8,598
Finance loans, floating rate ^{^^}	(5,100)	(70,531)	-	(75,631)
Loans from majority shareholder, fixed rate [^]	-	(9,007)	-	(9,007)
Total	3,498	(79,538)	-	(76,040)
31.12.2017				
Cash and cash equivalents	3,310	-	-	3,310
Finance loans, floating rate [^]	(2,400)	(72,756)	-	(75,156)
Total	910	(72,756)	-	(71,846)

[^] excludes interest and finance charge on banker's guarantee

^{^^} excludes interest

Liquidity Risks

The Group needs to comply with minimum liquidity levels from 19 December 2014. Hence, the Group needs to monitor its liquidity carefully to ensure that it has sufficient liquidity to repay its scheduled interest payments and meet expected operational expenses. The Group's and Company's cash resources consist of cash, which is placed with a leading Nordic bank with good creditworthiness.

Cash resources consist of the following:	Company		Group	
	2018	2017	2018	2017
Amounts in USD thousand				
Cash and cash equivalents	348	65	8,598	3,310
Total	348	65	8,598	3,310

Included in the cash and cash equivalents held by the Group at the end of 2018, USD 4.0 million is earmarked for the scheduled dry-docking of 3 vessels in 2019, Nordic Anne, Nordic Agnetha and Nordic Amy ('dry-docking reserve bank accounts').

Under the loan agreement with the lending banks, cash in excess of USD 6.0 million (excluding the bank balance held in dry-docking reserve bank accounts) will be used to pay down the long-term facility ('cash sweep'). Prior to the loan restructuring concluded with the lending banks in Q4 2018, the cash sweep activated in 2015 and 2016 totalled USD 12.4 million, of which USD 5.0 million (2017: USD 3.2 million) was used to offset the scheduled amortisation of the loan principal from January 2018 to September 2018. As part of the loan restructuring concluded with the lending banks in Q4 2018, the quarterly loan instalments are deferred from December 2018 to September 2020.

Maturities of liabilities

The following table shows maturity of liabilities. The cashflows are shown including interests.

Amounts in USD thousand	Book value	Company			Total
		Within 1 year	Between 1-5 years	After 5 years	
2018					
Non-derivative financial liabilities					
Loans from majority shareholder	(6,007)	-	(7,055)	-	(7,055)
Trade payables	(346)	(346)	-	-	(346)
Total	(6,353)	(346)	(7,055)	-	(7,401)

2017	Book value	Within 1 year	Between 1-5 years	After 5 years	Total
Non-derivative financial liabilities					
Trade payables	(77)	(77)	-	-	(77)
Total	(77)	(77)	-	-	(77)

Amounts in USD thousand	Book value	Group			Total
		Within 1 year	Between 1-5 years	After 5 years	
2018					
Non-derivative financial liabilities					
Finance loans, floating	(75,578)	(8,321)	(77,403)	-	(85,724)
Loans from majority shareholder	(9,007)	(122)	(11,450)	-	(11,572)
Trade payables	(5,685)	(5,685)	-	-	(5,685)
Interest payable on finance loans	(57)	(57)	-	-	(57)
Interest payable on loans from shareholder	(3)	(3)	-	-	(3)
Finance charge on banker's guarantee provided by shareholder	(245)	(122)	(123)	-	(245)
Total	(90,575)	(14,310)	(88,976)	-	(103,286)

2017	Book value	Within 1 year	Between 1-5 years	After 5 years	Total
Non-derivative financial liabilities					
Finance loans, floating	(75,074)	(5,878)	(78,980)	-	(84,858)
Trade payables	(3,441)	(3,441)	-	-	(3,441)
Interest payable	(29)	(29)	-	-	(29)
Total	(78,544)	(9,348)	(78,980)	-	(88,328)

The fair value of the finance loans and loans from majority shareholder (level 3) is equal to the book value.

Breach of loan agreements

As part of the loan restructuring concluded with the lending banks in Q4 2018, the financial covenants under the original loans such as (i) minimum value (fair market value of vessels as a percentage of outstanding loan) and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till 30 September 2020.

Credit risks

It is the Group's policy to cooperate with recognised pool partners and only grant credit to oil majors and other first class customers in order to minimise credit risks. As such, the Group's credit risk relates to receivables from these first class customers and oil majors from pool arrangements contracted with recognised business partners in the product 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.

Amounts in USD thousand

	Company			Total
	Within 1 year	Between 1-5 years	After 5 years	
2018				
Non-derivative financial assets				
Other receivables	112	-	-	112
Total	112	-	-	112
2017				
Non-derivative financial assets				
Receivables related companies	1,195	-	-	1,195
Other receivables	143	-	-	143
Total	1,338	-	-	1,338

Amounts in USD thousand

	Group			Total
	Within 1 year	Between 1-5 years	After 5 years	
2018				
Non-derivative financial assets				
Trade receivables	6,726	-	-	6,726
Other receivables	2,412	-	-	2,412
Total	9,138	-	-	9,138
2017				
Non-derivative financial assets				
Trade receivables	6,097	-	-	6,097
Other receivables	716	-	-	716
Total	6,813	-	-	6,813

There is no provision of doubtful debts in 2018 and 2017.

20. Finance loans

Amounts in USD thousands	Group		
	2018	2017	
Finance loans			
Payables to lenders are recognised in the balance sheet as follows:			
Non-current liabilities	71,276	72,674	
Current liabilities	5,827	2,429	
	77,103	75,103	
At 31 December, the Group had the following loans:			
Currency	Fixed/ floating	2018	2017
Finance loans (USD)	floating	75,578	75,074
Accrued modification loss		1,468	-
Calculated interest not yet due on finance loans		57	29
		77,103	75,103
Due within one year		5,827	2,429
Due between 1-2 years		71,276	6,680
Due between 2-3 years		-	65,994
Due between 3-4 years		-	-
Due between 4-5 years		-	-
Due after 5 years		-	-
		77,103	75,103

The loan agreements include change of control clauses, whereby the finance loans fall due by a change of controlling interest in the Company, change of more than 33% of the outstanding shares or voting rights, or change of more than 25% of the outstanding shares or voting rights combined with a change in the members of the Board of Directors.

Under the loan agreement with the lending banks, cash in excess of USD 6.0 million (excluding the bank balance held in dry-docking reserve bank accounts) will be used to pay down the long-term facility ('cash sweep'). Prior to the loan restructuring concluded with the lending banks in Q4 2018, the cash sweep activated in 2015 and 2016 totalled USD 12.4 million, of which USD 5.0 million (2017: USD 3.2 million) was used to offset the scheduled amortisation of the loan principal from January 2018 to September 2018. As part of the loan restructuring concluded with the lending banks in Q4 2018, the quarterly loan instalments are deferred from December 2018 to September 2020. In addition, the financial covenants under the original loans such as (i) minimum value and (ii) minimum equity ratio are waived whilst the minimum liquidity level is reduced. The relief from these financial covenants are provided till 30 September 2020. In exchange, the interest margin is increased by 1% to 4%, of which 2.5% point of the total interest margin is capitalised quarterly.

Arising from the loan restructuring concluded with the lenders in Q4 2018, an estimated loss of USD 1.6 million was recognised due to the modification of certain terms under the bank loans. After accounting for the modification loss of USD 0.1 million released to the income statement upon the payment of scheduled loan interest in Q4 2018, the unamortised portion of the modification loss is USD 1.5 million.

The sale of Nordic Ruth is expected to take place in Q2 2019 and the net proceeds from the sale will be applied entirely to prepay the loan facility.

The fair value of the Group's finance loans in USD with floating interest corresponds to the carrying amount.

21. Loans from majority shareholder

Amounts in USD thousands	Company		Group		
	2018	2017	2018	2017	
Loans from majority shareholder					
Payables to the major shareholder are recognised in the balance sheet as follows:					
Non-current liabilities	6,007	-	9,133	-	
Current liabilities	-	-	122	-	
	6,007	-	9,255	-	
At 31 December, the Company and the Group had the following loans:					
Currency	Fixed/ floating	2018	2017	2018	2017
Loans from shareholder (USD)	Fixed	6,007	-	9,007	-
Calculated interest on loans from shareholder		-	-	3	-
Calculated finance charge on banker's guarantee provided by shareholder		-	-	245	-
		6,007	-	9,255	-
Due within one year		-	-	122	-
Due between 1-2 years		6,007	-	9,133	-
Due between 2-3 years		-	-	-	-
Due between 3-4 years		-	-	-	-
Due between 4-5 years		-	-	-	-
Due after 5 years		-	-	-	-
		6,007	-	9,255	-

Arising from the agreement with the lending banks in Q1 2018 to amend certain loan covenants, in particular, the Minimum Value Covenant, a USD 3.85 million Banker's Guarantee was provided by the majority shareholder of the Group as additional security to the lenders and the related finance charge accrued on this Banker's Guarantee is USD 0.2 million.

Arising from the loan restructuring concluded with the lenders in Q4 2018, the majority shareholder of the Company extended an interest-bearing shareholder loan of USD 6.0 million and USD 3.0 million to the Company and NSHS (a wholly-owned subsidiary of the Company), respectively. Both shareholder loans are due in December 2020. The interest on the USD 6.0 million shareholder loan extended to the Company is capitalised quarterly and is due in December 2020 while the interest on the USD 3.0 million shareholder loan extended to NSHS is due in December 2020.

The carrying amount corresponds to the fair value of the liabilities.

22. Trade payables

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Suppliers of goods and services	346	77	5,684	3,441
Total trade payables	346	77	5,684	3,441

The carrying amount corresponds to the fair value of the liabilities.

23. Payables to subsidiaries

Amounts in USD thousand	Company	
	2018	2017
Payables to subsidiaries	319	-
Total payables to subsidiaries	319	-

24. Treasury and share capital

Number of shares	Company and Group	
	2018	2017
Treasury shares at 1 January	24,000	24,000
Less: Treasury shares sold during the year	-	-
Treasury shares at 31 December	24,000	24,000
Amounts in DKK		
Nominal value		
Treasury shares at 1 January	2,400	2,400
Less: Treasury shares sold during the year	-	-
Treasury shares at 31 December	2,400	2,400
% of share capital		
Treasury shares at 1 January	0.01%	0.01%
Effect of change in share capital	0.00%	0.00%
Treasury shares at 31 December	0.01%	0.01%

Share capital as at 31 December 2018

The share capital as at 31 December 2018 consisted of 406,158,403 shares of DKK 0.1 (2017: 406,158,403 shares of DKK 0.1). The shares have not been divided into classes, and there are no special rights attached to the shares.

Transactions on the share capital have been the following:

Amounts in USD thousand	2018	2017	2016	2015	2014
Share capital at 1 January	7,437	7,437	7,437	7,437	7,437
Capital reduction	-	-	-	-	-
Capital increase	-	-	-	-	-
Share capital at 31 December	7,437	7,437	7,437	7,437	7,437
Number of shares:					
Shares at 1 January	406,158,403	406,158,403	406,158,403	406,158,403	406,158,403
Issue of new shares	-	-	-	-	-
Shares at 31 December	406,158,403	406,158,403	406,158,403	406,158,403	406,158,403

25. Related party transactions

Amounts in USD thousand	Company		Group	
	2018	2017	2018	2017
Related parties with a significant influence:				
Transport Capital Pte. Ltd. ("Transport Capital"), the Corporate Manager of the Group, is considered a related party of the Group and the Company. The Group has engaged in the following transaction with Transport Capital as follows:				
• Management fee paid to Transport Capital	503	500	805	800
Gorrissen Federspiel, a law firm, is considered a related party of the Group and the Company from April 2018. The Group has engaged in the following transaction with Gorrissen Federspiel as follows:				
• Legal assistance fees paid to Gorrissen Federspiel from April 2018 to December 2018	20	-	20	-
Majority shareholder of the Company provided a USD 3.85 million banker's guarantee to the lending banks as additional security for the loan facility. Calculated finance charge on banker's guarantee	-	-	245	-
Majority shareholder of the Company provided shareholder loans of USD 6.0 million to the Company and USD 9.0 million to the Group. Interest on loans from majority shareholder	7	-	10	-

Board members' ownership of shares in Nordic Shipholding A/S as at 31 December:

Number of shares held by the following Board Member	Company	
	2018	2017
Knud Pontoppidan	102,052	102,052
Jon Robert Lewis	-	-
Kristian V. Mørch (stepped down as Director on 20 April 2018)	-	4,400
Kanak Kapur	-	-
Jens V. Mathiasen (appointed on 20 April 2018)	-	-
Esben Søfren Poulsson (appointed on 20 April 2018)	108,295	-
Philip Clausius	-	-

On 31 December 2018, the following shareholders held more than or equal to 5% of the share capital and voting rights:

- Nordic Maritime S.à r.l., Luxemburg - reported on 19 December 2013 – 76.03%
- Nordea Danmark, Filial af Nordea Bank ABP, Finland - reported on 19 December 2013 – 11.03%

Guarantees provided to subsidiaries can be found in Note 26.

Apart from the related parties transactions mentioned above, remuneration of the Board of Directors (Note 5), and financial expenses (Note 10), there are no significant transactions with related parties.

Transactions with subsidiaries are eliminated in the consolidated accounts, in accordance with the Accounting Policies in Note 2.

26. Contingent liabilities and contractual obligations

Amounts in USD thousand	Company and Group	
	2018	2017
The Company has provided guarantee to the lending banks for the finance loans extended to wholly-owned vessel-owning subsidiaries [^]	77,103	75,103

[^] The security provided to the lending banks includes cross-collateralised mortgages over all vessels owned by the Group, pledge over the shares in all subsidiaries, assignment of earnings and insurances in respect of all vessels owned by the Group, cross-guarantees from all subsidiaries in the Group and Nordic Shipholding A/S in each case as primary and joint liable obligors, and pledge of bank accounts operated by the Group.

The legal dispute with a total value of about USD 1.5 million, disclosed in 2017 Annual Report, was resolved at the end of September 2018. That dispute was related to a sizeable demurrage and deviation claim. The Group had received the full amount of about USD 1.5 million in early-November 2018.

Definitions and calculation formulas

Net interest-bearing debt is defined as the sum of finance loans less cash and cash equivalents. Invested capital is defined as net working capital (NWC) plus vessels and docking and intangibles and less other provisions and other non-current operating liabilities. The equity ratio is defined as equity divided by total assets. This financial ratio is not defined in the Danish Society of Financial Analysts' guidelines "Recommendations & Financial Ratios 2010". Net working capital (NWC) is defined as inventories, receivables and other current operating assets less trade payables and other liabilities (excluding provisions) as well as other current operating liabilities.

EBITDA margin (%)	$\frac{\text{EBITDA}}{\text{Revenue}}$
Net result margin (%)	$\frac{\text{Result}}{\text{Revenue}}$
Equity ratio (%)	$\frac{\text{Equity} * 100}{\text{Balance sheet total}}$
Return on invested capital (%)	$\frac{\text{EBIT} * 100}{\text{Year end invested capital}}$
Return on equity (%)	$\frac{\text{Result} * 100}{\text{Year end equity}}$
Financial gearing	$\frac{\text{Net interest-bearing debt}}{\text{Year end equity}}$
Net working capital/revenue (%)	$\frac{\text{Average net working capital} * 100}{\text{Revenue}}$