NORDIC SHIPHOLDING

NORDIC SHIPHOLDING A/S
ANNUAL REPORT **2016**

CVR-no.: 76351716

Address of Nordic Shipholding A/S
Sundkrogsgade 19,
DK-2100 Copenhagen, Denmark
Website: www.nordicshipholding.com
Registered office: Copenhagen

Date of adoption of Annual Report 2016 by the General Assembly: 24 April 2017

Name of conductor **Signature of conductor**

Contents

2016 in brief

- The Group with its six vessels, continues to be a tonnage provider in the product tanker segment in 2016. The five handysize tankers were successfully and without any loss of time transferred to the UPT Handy Pool (Nordic Agnetha, Nordic Amy and Nordic Ruth) and Hafnia Handy Pool (Nordic Pia and Nordic Hanne). The 73,000 dwt LR1 Nordic Anne is fixed on a 3-year time-charter which will expire in November 2017.

- Gross revenue earned by the 6 vessels reached USD 35.7 million, which resulted in a TCE revenue of USD 27.7 million and an EBITDA of USD 10.8 million. Equity totalled USD 39.4 million and equity ratio reached 32.7%.

- The weaker performance as compared to FY2015 was primarily due to lower than forecasted daily TCE income from the vessels deployed in the various handysize pools. The TCE revenue from the 3-year time-charter locked in for Nordic Anne tracked the forecasted daily rate.

- After accounting for depreciation and financial income and expenses, the Group generated a modest profit of USD 0.3 million. However, an impairment of USD 5.1 million recognised in Q3 2016 resulted in an after tax loss of USD 4.8 million for the full year.

- In the first quarter of 2016, the cash sweep mechanism under the loan agreement was activated. Excess cash amounting to USD 2.7 million was used to pay down the loan in addition to the USD 5.0 million regular loan amortisation.

- The actual financial performance for 2016 was in line with revised expectations of the Board, as indicated in Q3 2016 Interim Report.

- For 2017, based on current estimates and barring unforeseen circumstances, the Group is forecasting to breakeven or to post a modest profit (not taking into account any reversal or write-down of impairment).

Group Key Figures 2012-2016

Amounts in USD thousand	2016	2015	2014	2013	2012
Income statement					
Revenue	35,693	46,777	50,104	60,002	57,333
Time charter equivalent revenue (TCE revenue)	27,703	35,067	27,089	25,881	26,417
EBITDA	10,753	18,238	6,818	3,601	6,513
Operating result (EBIT)	(1,392)	17,323	5,815	(2,029)	(40,842)
Net financials	(3,386)	(3,719)	(3,400)	(7,061)	(14,124)
Result after tax	(4,778)	13,610	2,348	19,435	(55,016)
Result from discontinued operations	-	-	-	-	(9,278)
Comprehensive income	(4,778)	13,610	2,348	21,555	(62,539)
Balance sheet and cashflow data					
Invested capital	112,972	123,926	125,909	126,726	141,631
Net working capital (NWC)	4,358	3,190	6,075	8,455	3,396
Equity	39,383	44,161	30,551	28,203	(37,429)
Balance sheet total	120,451	136,937	136,505	137,804	158,304
Investments in plant and equipment	5	1,875	2,525	800	353
Net interest bearing debt	73,589	79,765	95,358	98,523	179,060
Cash flow from operating activities	6,169	17,649	5,623	(5,806)	(4,973)
Cash flow for the year	(1,671)	2,145	(902)	(734)	(8,154)
Financial Ratios					
EBITDA margin (%)	30.1%	39.0%	13.6%	6.0%	11.4%
Net result margin (%)^	-13.4%	29.1%	4.7%	-15.2%	-96.0%
Equity ratio (%) **	32.7%	32.2%	22.4%	20.5%	-23.6%
Return on invested capital (%)*	-1.2%	14.0%	4.6%	-1.6%	-28.8%
Return on equity (%)^*	-12.1%	30.8%	7.7%	-32.4%	N.A.
Financial gearing	1.87	1.81	3.12	3.49	-4.78
Net working capital/revenue#	10.6%	9.9%	14.5%	9.9%	11.1%
Key figures per share					
(Loss)/earnings per share USD	(0.01)	0.03	0.01	0.37	(1.65)
Market price per share DKK, year end	0.76	1.17	0.84	0.72	0.53
Market price per share USD, year end	0.11	0.17	0.14	0.13	0.09
Exchange rate USD/DKK, year end	7.07	6.87	6.16	5.41	5.66
Average number of full time employees	1	1	-	-	2
Number of shares, year end	406,158,403	406,158,403	406,158,403	406,158,403	38,946,697

^ Net result for 2013 excludes one-time gain from restructuring of USD 28,561 thousand.

N.A. Not Applicable

Unless otherwise stated, key figures and ratios have been calculated in accordance with the standards laid down by the Danish Society of Financial Analysts in "Recommendations & Financial Ratios 2015".

* The key figures have not been calculated in accordance with the recommendations.

** Excluding non-controlling interest.

Management Review

The Company remains a tonnage provider in the product tanker segment and the objective is still to grow the current fleet of six vessels. The five handysize tankers were successfully and without any loss of time transferred to the UPT Handy Pool (Nordic Agnetha, Nordic Amy and Nordic Ruth) and Hafnia Handy Pool (Nordic Pia and Nordic Hanne). The 73,000 dwt LR1 Nordic Anne is fixed on a 3-year time-charter which will expire in November 2017.

A weakening in the market that started in Q2 2016 continued through the rest of the financial year which impacted the result of the Group. Although the long-term time charter rate on the Group's LR1 vessel supported the weak spot market earnings for the handy-size vessels, this further weakening of the market has resulted in a net loss after tax of USD 4.8 million (net profit after tax of USD 13.6 million) after accounting for an impairment of USD 5.1 million (reversal of impairment of USD 5.8 million).

Gross revenue earned by the six vessels reached USD 35.7 million (USD 46.8 million), which resulted in a TCE revenue of USD 27.7 million (USD 35.1 million) and an EBITDA of USD 10.8 million (USD 18.2 million).

Weaker TCE performance coupled with slight increase in vessel operating expenses to USD 15.1 million (USD 14.8 million) resulted in a drop in EBITDA to USD 10.8 million (USD 18.2 million).

In 2016, the Group incurred a loss after tax of USD 4.8 million (which includes a one-off impairment of USD 5.1 million for the handysize vessels), compared to a profit after tax of USD 13.6 million last year (which included a one-off gain of USD 5.8 million for the reversal of impairment on the handysize vessels). Excluding the impairment of USD 5.1 million (reversal of impairment of USD 5.8 million), the Group generated a profit after tax of USD 0.3 million for 2016 (USD 7.8 million).

Equity decreased to USD 39.4 million (USD 44.2 million) as a result of the cumulative loss during the financial year. The equity ratio increased to 32.7% (32.2%).

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 2016.

Read about our diversity in management in the Statutory Corporate Governance Statement section on page 8.

Knud Pontoppidan	Philip Clausius
Chairman of the Board of Directors	Chief Executive Officer

Outlook for 2017

The full year 2016 performance was in line with the revised guidance disclosed in the Q3 2016 Interim Report. Since Q4 2016 the product tanker market has improved. For 2017, based on current estimates and barring unforeseen circumstances, the Group is forecasting to breakeven or to post a modest profit (not taking into account any reversal or write-down of impairment).

For 2017, the 5 handysize vessels will remain commercially deployed in the UPT Handy Pool and Hafnia Handy Pool respectively. The current time charter for the LR1 vessel will expire in November 2017 (if the charterer does not exercise its one-year extension option). The current plan is to continue deploying the vessel in the time charter market. The projected TCE revenue from the 5 product tankers in the pools and the income from the LR1 vessel are expected to be in the region of USD 25.5 – USD 28.5 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 8.0 – USD 11.0 million. The result before tax is expected to be between USD -1.0 – USD 1.0 million. This outlook for 2017 does not take into account any write-downs of vessels' carrying values.

The Group is expected to meet the various covenants imposed under the loan agreement during this period.

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.

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 2016

Financial highlights of the Group in 2016 (2015 figures in brackets)

The Group reported a net loss of USD 4.8 million for 2016 (profit of USD 13.6 million). Excluding the one-off impairment of USD 5.1 million on the handysize vessels (USD nil) in 2016, Nordic Shipholding generated net profit of USD 0.3 million for 2016 (USD 7.8 million excluding the reversal of impairment of USD 5.8 million). The drop in result is due to the weakening in the market which started in Q2 2016 and continued throughout the financial year.

Gross revenue generated in 2016 is USD 35.1 million (USD 46.8 million), resulting in a TCE revenue of USD 27.7 million (USD 35.1 million). EBITDA (earnings before depreciation, impairment, amortisation, interest and tax) amounted to USD 10.8 million (USD 18.2 million) and after accounting for depreciation and impairment, the Group made a net operating loss of USD 1.4 million (profit of USD 17.3 million).

- *Revenue*

  Gross revenue generated by the six vessels in 2016 totalled USD 35.7 million (USD 46.8 million). After deduction of voyage related costs, the Group made a TCE revenue of USD 27.7 million (USD 35.1 million). The reduction in gross revenue and TCE revenue is due to the weaker performance of the five handysize vessels in the respective pools.

  Another reason for the decrease in gross revenue was because the operations of the vessels in one of the pool arrangements entered in 2016 were accounted for as time-charters instead of recognising as joint operations.

- *Voyage related expenses*

  Voyage related expenses for the six vessels declined to USD 8.0 million (USD 11.7 million). The decline is in line with the decrease in revenue.

- *Operating Costs*

  Expenses related to the operation of six vessels owned by the Group amounted to USD 15.1 million (USD 14.8 million).

  Staff costs amounted to USD 0.3 million (USD 0.2 million) while other external costs amounted to USD 1.7 million (USD 1.8 million). Both staff costs and other external costs are comparable to prior year.

- *Depreciation and write-downs and impairment*

  A total depreciation of USD 7.1 million (USD 6.7 million) was charged on the Group's six vessels. In 2016, an impairment of USD 5.1 million was recognised for the handysize vessels. In 2015, the Group reversed partially the impairment recognised in 2012 of USD 5.8 million as independent broker valuations and value in use calculations for the handysize vessels were materially higher than the carrying amount of the vessels after the impairment in 2012. Refer to Note 6 for further disclosure.

- *Financial income and expenses*

  Financial expenses amounted to USD 3.3 million (USD 3.7 million) due mainly to interest expense on the Group's loans. The interest expenses in 2016 were marginally lower due to the regular loan amortisations and cash sweeps totalling USD 7.7 million on the loan facility.

- *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 10 in the financial statements.

- *Assets*
  At 31 December 2016, the Group's balance sheet totalled USD 120.5 million (USD 136.9 million) comprising mainly vessels, receivables and cash.

  Vessels and docking decreased to USD 108.6 million in 2016 from USD 120.7 million in 2015 mainly due to an impairment of USD 5.1 million and depreciation on the vessels.

  Receivables amounted to USD 5.9 million as at 31 December 2016 (USD 8.2 million). The material decrease was primarily because the operations of the vessels in one of the pool arrangements entered in 2016 were accounted for as time-charters instead of recognising as joint operations.

  As at 31 December 2016, the Group's cash balance was USD 5.0 million (USD 6.6 million) after the USD 7.7 million repayment on the loan facility during the year.

- *Equity*
  The change in equity was due to the net loss after tax of USD 4.8 million incurred in 2016.

- *Liabilities*
  Total liabilities amounted to USD 81.1 million (USD 92.8 million). The Group's interest-bearing debt, including accrued interest, amounted to USD 78.6 million (USD 86.4 million), of which USD 6.7 million (USD 9.2 million) is due within the next 12 months from 31 December 2016. The decrease in the Group's interest-bearing debt was due mainly to the principal repayment on the loan facility of USD 7.7 million during the year (which included repayment of USD 2.7 million arising from the cash sweep).

- *Cash flow*
  Cash flow from operations was USD 6.2 million (USD 17.6 million) mainly from the distributions earned by the vessels.

  Cash flow from investing activities amounted to USD -0.1 million (USD -1.9 million) due to dry-dockings invested in 2015 but paid in 2016.

  Cash flow from financing activities amounted to USD -7.7 million (USD -13.6 million) arising from the repayment on the loan facility.

  Cash flow for the year thus amounted to USD -1.6 million (USD 2.1 million), bringing the cash balance at year end to USD 5.0 million (USD 6.6 million).

Financial highlights of the Company (Parent) in 2016 (2015 figures in brackets)

The Company incurred a loss after tax of USD 0.3 million in 2016 (profit of USD 15.5 million, including an one-off reversal of write-down of investments in subsidiaries of USD 15.5 million). At 31 December 2016, the Company's total assets amounted to USD 46.6 million (USD 47.0 million). The Company's equity dropped to USD 46.4 million (USD 46.7 million) due to net loss incurred in 2016.

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 2016.

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 Recommendations for Corporate Governance issued 6 May 2013 (updated November 2014) and made public by NASDAQ OMX Copenhagen. Refer to http://www.nordicshipholding.com/phoenix.zhtml?c=212873&p=irol-govhighlights

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 majority 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.

Diversity in management
The current Board of Directors consists of 5 men. The Board maintains the goal to have at least one female board member in the medium term. 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 the 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 Chief Executive Officer. 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
The Company has not established a whistle-blower procedure.

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 handysize product tankers have all been 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 flow

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 principal repayments and interest payments.

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.

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 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 78.6 million as at 31 December 2016 (2015: USD 86.4 million). This debt is comprised of loans denominated in USD.

In 2015, the Group obtained the approval from the lending banks to enter into an interest rate cap to partially hedge its upside exposure to interest rates increasing above a pre-determined rate. 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, 58% of the Group's debt is hedged using an interest rate cap. 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

The Group is reliant on two 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.

The Group is also reliant on the time-charter counterparty to fulfil its payment obligations on a monthly basis for one vessel. Should the counterparty default on its obligations, the Group could incur losses which could have material adverse impact on the Group's future performance, results of operations, cash flows and financial position.

Corporate Social Responsibility (CSR)

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. Depending on the future developments of the Company, a CSR policy will be developed accordingly.

Shareholders Information

Share data at 31 December 2016

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

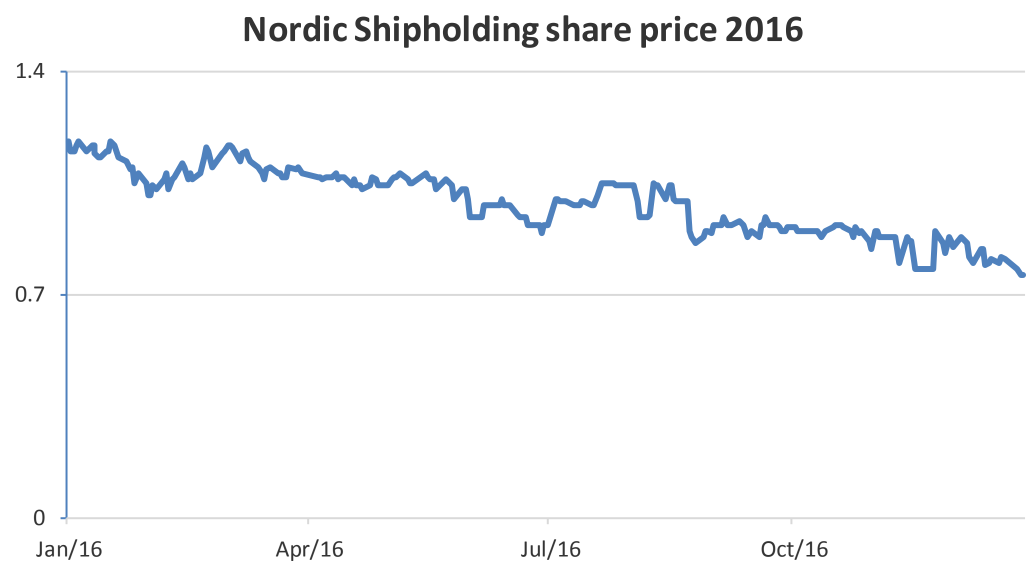
Restriction on voting rights: No

Restricted negotiability: No

For further corporate information please see www.nordicshipholding.com

Movements in the Company's share price at 31 December 2016

The closing price at year-end 2016 was DKK 0.76, a decrease of 35% compared with year-end 2015 (DKK 1.17).



Shareholder structure

At 31 December 2016 Nordic Shipholding had 4,779 registered shareholders.

On 31 December 2016 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, Filial af Nordea Bank AB (publ), Sverige - reported on 19 December 2013 – 11.03%

Treasury shares

At year-end 2016 Nordic Shipholding held nominally DKK 2,400 treasury shares, corresponding to 24,000 shares. 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 2016, and Nordic Shipholding does not expect to distribute any dividend for the financial year 2017. 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 General Meeting.

Procedures for making amendments to the articles of association

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

Financial calendar 2017

Annual Report 2016	31 March 2017
General Assembly	24 April 2017
Interim report - Q1 2017	30 May 2017
H1 interim report 2017	23 August 2017
Interim report - Q3 2017	22 November 2017

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-Maersk A/S.

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

Other management duties, etc.:
Member of the Board of Directors of Through Transport Mutual Insurance Association Ltd. and TT Club Mutual Insurance Ltd.,
Ejendomsselskabet Absalon A/S, Stiftelsen Sorø Akademi and Soransk Samfunds Boligfond
CEO of K. Pontoppidan ApS.

Knud Pontoppidan is considered independent.

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 Cosmetic Care Macau Limited, PAG Enhanced Credit Investment Management Limited, PAG-C Management Limited, China PA Trading GP Limited, PAG Enhanced Credit Feeder Management Limited, PAG-P Feeder Management Limited, PAIM II GP II Limited, PAL II GP II Limited, PREP GP II Limited, PAG Real Estate Holding Limited, PAG BA Management Limited, PAGAC II GP II Limited, PECF GP I Limited, PAGAC Music Holding GP II 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, PAGAA GP Limited (fka: PAG Asia Alpha Feeder II GP Limited), PAG Real Estate Korea Limited, Pacific Alliance Asia Opportunity Feeder Fund Limited, PAG Growth Advisors Limited.

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

Kristian V. Mørch

Member of the Board.

Born 1967. Elected to the Board of Directors on 20 April 2012.

Background:

CEO of Odfjell SE, listed on Oslo Stock Exchange. Previously Partner & CEO of Clipper Group and before that 23 years with A.P. Møller-Maersk A/S.

Education:
Shipping education from A.P. Møller-Maersk, MBA from IMD Lausanne Switzerland, Advanced Management Program from Harvard Business School.

Other management duties, etc.:
On the Board of Odfjell Company and joint ventures

Kristian V. Mørch is considered independent.

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.

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., BW Pacific Limited, Wellard Limited, The Standard Club Ltd, The Standard Club Asia Ltd and Bengal Tiger Line Pte. Ltd.

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

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

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 2016

Board Member	**Shares owned**
Knud Pontoppidan	102,052
Jon Robert Lewis	-
Kristian V. Mørch	4,400
Kanak Kapur	-
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 2016.

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 2016 and of their financial performance and their cash flows for the financial year 1 January – 31 December 2016.

Furthermore, in our opinion the management review (page 2 – 17) 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, 31 March 2017

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

Kristian V. Mørch

Kanak Kapur

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 (page 23 – 29) give a true and fair view of the Group’s and the Parent Company’s financial position at 31 December 2016 and of the result of the Group’s and the Parent Company’s operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

What we have audited

Nordic Shipholding A/S’ Consolidated Financial Statements and Parent Company Financial Statements for the financial year 1 January to 31 December 2016 comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, 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 International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. 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*
Recoverability of the carrying amount of non-current assets The company investment in non-current assets is related to Vessels and docking are measured at cost less accumulated depreciation and impairment. 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 of assets. 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, operational expenses etc. We focused on this area, as management is required to exercise considerable judgement because of the inherent complexity in estimating future cash flows. The impairment tests performed during the year showed value in use of vessels to be lower than the carrying amount, resulting in an impairment of USD 5.1 million. Refer to Note 1, 2, 6 and 12	In addressing the risk, we walked through the controls designed and operated by the Group relating to the assessment of the carrying value of Vessels. 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. We examined the methodology used by management to assess the carrying amount of tangible assets assigned to cash-generating units, to determine its compliance with accounting standards and consistency of application. We performed detailed testing for the vessels, designated within two cash generating units, as vessel deployed in a 3-year time charter, and as vessels deployed in Handy Pools respectively, where the need for an impairment review was identified by management, by checking the reasonableness of key assumptions in relation to the ongoing operation of the vessels. We corroborated estimates of future cash flows and challenged whether these were appropriate in light of future freight rates, volume growth, including assessed management's macroeconomic assumptions regarding short-term and long-term views on prices. We also evaluated the discount rates and market values used and tested the mathematical accuracy of the relevant value-in-use models prepared by management, as well as the assumption for sensitivity disclosed.

Statement on Management Review

Management is responsible for Management Review.

Our opinion on the financial statements does not cover Management 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 Review and, in doing so, consider whether Management 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 Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management 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 Review.

Management's Responsibility for the Financial Statements

The Management are 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 the Management determines are 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 judgment and maintain professional skepticism 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, 31 March 2017
PricewaterhouseCoopersStatsautoriseret
Revisionspartnerselskab
CVR no 33 77 12 31

Thomas Wraae Holm State Authorised Public Accountant	Jakob Brasted State Authorised Public Accountant

Financial Statements

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

		Company		Group	
Note	**Amounts in USD thousand**	**2016**	**2015**	**2016**	**2015**
3	Total revenue	-	-	35,693	46,777
	Voyage related expenses	(2)	(36)	(7,990)	(11,710)
	Time charter equivalent revenue (TCE revenue)	**(2)**	**(36)**	**27,703**	**35,067**
	Other income	15	-	15	-
	Expenses related to the operation of vessels	-	(28)	(15,091)	(14,768)
4	Staff costs	(261)	(215)	(261)	(215)
5	Other external costs	(1,084)	(1,293)	(1,613)	(1,846)
	Earnings before depreciation (EBITDA)	**(1,332)**	**(1,572)**	**10,753**	**18,238**
6	Depreciation	-	-	(7,095)	(6,693)
6	Write-downs	-	-	(5,050)	-
6	Reversal of impairment	-	-	-	5,778
	Operating result (EBIT)	**(1,332)**	**(1,572)**	**(1,392)**	**17,323**
7	Reversal of write-down/(Write-down) of investments	-	15,471	-	-
8	Financial income	1,047	1,376	-	-
9	Financial expenses	-	(192)	(3,386)	(3,719)
	Result before tax	**(285)**	**15,083**	**(4,778)**	**13,604**
10	Tax on result	-	-	-	6
	Result after tax	**(285)**	**15,083**	**(4,778)**	**13,610**

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

		Company		Group	
Note	**Amounts in USD thousand**	**2016**	**2015**	**2016**	**2015**
	Other comprehensive income that are or may be reclassified to the income statement	**-**	**-**	**-**	**-**
	Total comprehensive income	**(285)**	**15,083**	**(4,778)**	**13,610**
	Distribution of result				
	Parent Company	(285)	15,083	(4,778)	13,610
	Non-controlling interest	-	-	-	-
		(285)	**15,083**	**(4,778)**	**13,610**
	Distribution of comprehensive income				
	Parent Company	(285)	15,083	(4,778)	13,610
	Non-controlling interest	-	-	-	-
		(285)	**15,083**	**(4,778)**	**13,610**
11	Earnings per share (EPS) (USD)			(0.01)	0.03
11	Diluted earnings per share (USD)			(0.01)	0.03

Statement of financial position
- Assets at 31 December

		Company		Group	
Note	**Amounts in USD thousand**	**2016**	**2015**	**2016**	**2015**
	Non-current assets				
12	Vessels and docking	-	-	108,622	120,652
	Tangible assets	**-**	**-**	**108,622**	**120,652**
13	Investment in subsidiaries	43,764	60	-	-
17	Other financial assets	29	121	29	121
	Financial assets	**43,793**	**181**	**29**	**121**
	Total non-current assets	**43,793**	**181**	**108,651**	**120,773**
	Current assets				
	Bunkers	-	-	894	1,340
14	Trade receivables	-	-	4,833	6,013
15	Receivables from subsidiaries	2,478	46,516	-	-
16	Other receivables	154	180	1,110	2,177
	Total receivables	**2,632**	**46,696**	**6,837**	**9,530**
17	Cash & cash equivalents	149	82	4,963	6,634
	Total current assets	**2,781**	**46,778**	**11,800**	**16,164**
	Total assets	**46,574**	**46,959**	**120,451**	**136,937**

Statement of financial position
- Equity and Liabilities at 31 December

		Company		Group	
Note	**Amounts in USD thousand**	**2016**	**2015**	**2016**	**2015**
20	Share capital	7,437	7,437	7,437	7,437
	Retained earnings	38,971	39,256	31,946	36,724
	Equity, parent company	**46,408**	**46,693**	**39,383**	**44,161**
	Equity, non-controlling interests	-	-	-	-
	Total equity	**46,408**	**46,693**	**39,383**	**44,161**
	Liabilities				
17	Other financial liabilities	29	121	-	-
18	Finance loans, etc.	-	-	71,855	77,230
	Non-current liabilities	**29**	**121**	**71,855**	**77,230**
18	Finance loans, etc.	-	-	6,697	9,169
19	Trade payables	100	108	2,479	6,340
	Corporation tax	37	37	37	37
	Total current liabilities	**137**	**145**	**9,213**	**15,546**
	Total liabilities	**166**	**266**	**81,068**	**92,776**
	Liabilities and equity	**46,574**	**46,959**	**120,451**	**136,937**

For information about treasury shares and share capital please refer to Note 20.

Statement of changes in equity - Company

Amounts in USD thousand	Share capital	Retained earnings	Total equity
Shareholders' equity at 1 January 2016	**7,437**	**39,256**	**46,693**
Result for the year	-	(285)	(285)
Other comprehensive income that are or may be reclassified to the income statement	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income	-	(285)	(285)
Shareholders' equity at 31 December 2016	**7,437**	**38,971**	**46,408**
Shareholders' equity at 1 January 2015	**7,437**	**24,173**	**31,610**
Result for the year	-	15,083	15,083
Other comprehensive income that are or may be reclassified to the income statement	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income	-	15,083	15,083
Shareholders' equity at 31 December 2015	**7,437**	**39,256**	**46,693**

Statement of changes in equity - Group

Amounts in USD thousand	**Share capital**	**Retained earnings**	**Equity parent company**	**Equity group**
Shareholders' equity at 1 January 2016	**7,437**	**36,724**	**44,161**	**44,161**
Result for the year	-	(4,778)	(4,778)	(4,778)
Other comprehensive income that are or may be reclassified to the income statement	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income	-	(4,778)	(4,778)	(4,778)
Shareholders' equity at 31 December 2016	**7,437**	**31,946**	**39,383**	**39,383**
Shareholders' equity at 1 January 2015	**7,437**	**23,114**	**30,551**	**30,551**
Result for the year	-	13,610	13,610	13,610
Other comprehensive income that are or may be reclassified to the income statement	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income	-	13,610	13,610	13,610
Shareholders' equity at 31 December 2015	**7,437**	**36,724**	**44,161**	**44,161**

Statement of cash flow
1 January - 31 December

		Company		Group	
Note	**Amounts in USD thousand**	**2016**	**2015**	**2016**	**2015**
	Operating result (EBIT)	**(1,332)**	**(1,572)**	**(1,392)**	**17,323**
6	Depreciation and write-downs	-	-	12,145	6,693
6	Reversal of impairment	-	-	-	(5,778)
	Non-cash financial expenses	1,047	(6)	(68)	(29)
	Changes in inventories	-	-	446	1,045
	Changes in receivables	26	85	2,247	1,565
	Changes in liabilities	(8)	19	(3,861)	276
	Paid financial expenses	-	-	(3,348)	(3,446)
	Cash flow from operating activities	**(267)**	**(1,474)**	**6,169**	**17,649**
12	Investments in tangible assets	-	-	(115)	(1,875)
	Cash flow from investment activities	**-**	**-**	**(115)**	**(1,875)**
	Loans (to)/from subsidiaries	334	(741)	-	-
	Repayment of finance loans	-	-	(7,725)	(13,629)
	Cash flow from financing activities	**334**	**(741)**	**(7,725)**	**(13,629)**
	Cash flow for the year	**67**	**(2,215)**	**(1,671)**	**2,145**
	Cash as of 1 January	**82**	**2,297**	**6,634**	**4,489**
	Cash at the end of the year	**149**	**82**	**4,963**	**6,634**

List of Notes

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 vessels within two cash generating units – (1) vessel deployed in a 3-year time charter, (2) five vessels deployed in UPT Handy Pool and 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 flow or related assumptions change permanently, it may be necessary to reduce the carrying amount of vessels for the cash generating units.

Impairment of USD 5.1 million was recognised for the handysize vessels in 2016 (2015: USD nil). In 2015, the Group partially reversed the impairment recognised in 2012 for the vessels deployed in the Handytankers Pool of USD 5.8 million. The carrying amount of vessels at 31 December 2016 amounted to USD 108.6 million (2015: USD 120.7 million).

Based on the continuing uncertain shipping environment, management has assessed and concluded not to write-back any additional portion of the impairment recognised in 2012 for Nordic Anne.

Please refer to Note 6 for more information about the impairment tests performed.

Depreciation periods
Depreciation on vessels is material for the Company. 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 2016 amounted to USD 108.6 million (2015: USD 120.7 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 2015 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 2016, it has been assessed that the application of these new IFRSs has not had a material impact on the consolidated financial statements in 2016, and management does not anticipate any significant impact on future periods from the adoption of these new IFRSs.

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 standards are in general expected to have significant effect on current accounting regulations:

- IFRS 15 "Revenue from Contracts with Customers" New standard on revenue recognition. The standard may potentially affect revenue recognition in a number of areas depending on the industry in which the entity operates, including:
  - The timing of revenue recognition
  - Recognition of variable consideration
  - Allocation of revenue from multi-element arrangements
  - Recognition of revenue from licence rights
  - Up-front fees
  - Additional disclosure requirements

  The standard will be effective for financial years beginning on or after 1 January 2018.

- IFRS 9: "Financial Instruments" - on the measurement and classification of financial assets and liabilities. The number of classification categories for financial assets is reduced to three: amortised cost, fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI). Entities taking the fair value option are required under IFRS 9 to present the share of the fair value change for the period which is attributable to changes in the entity's own credit risk in other comprehensive income. Further, the impairment model for financial assets is changed to a model based on expected credit losses under which changes to the credit risk imply changes to the provision for bad debts. The hedge accounting rules are relaxed so as to be aligned with the entity's risk management practices. The standard will be effective for financial years beginning on or after 1 January 2018.

- 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 determined that they will not have any significant impact on the consolidated financial statements.

Accounting Policy

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
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.

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 leases its LR1 vessel to a lessee under fixed rate time-charter arrangement. This charter is classified as operating lease. Lease income is recognised in the income statement on a straight-line basis over the lease term.

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

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 shows 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 write-off of investments. 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.

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 adjusted for the dilutive effect of warrants.

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 statement of comprehensive income.

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 provisions account.

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 initially measured at fair value less any transaction costs. Finance loans are subsequently measured at amortised cost. This means that 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.

Cash flow statement

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

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

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

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

Cash flows from financing activities comprise 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 and associates are recognised in statement of comprehensive income.

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

3. Revenue

	Company		Group	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Revenue	-	-	35,693	46,777
Total revenue	**-**	**-**	**35,693**	**46,777**

The time charter revenue generated from Nordic Anne, who is deployed on a 3-year time charter with a creditworthy customer, accounted for approximately 18% of the Group's total revenue in 2016 (2015: 13%).

4. Staff costs

	Company		Group	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Staff costs				
Wages and salaries	(261)	(215)	(261)	(215)
Total staff costs	**(261)**	**(215)**	**(261)**	**(215)**
Of which:				
Board of Directors:				
Remuneration to the Board of Directors	(77)	(77)	(77)	(77)
Average number of full-time employees^	1	1	1	1

^ The average number excludes the CEO of the Company.

Nordic Shipholding A/S has 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 21 for related party transactions for the fees paid to Transport Capital Pte. Ltd., the corporate manager for the Group, during the year.

5. Auditor fee

	Company		Group	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Statutory audit of annual accounts	(93)	(97)	(201)	(189)
Tax advices	(60)	(89)	(79)	(110)
Other assistance	(67)	(85)	(71)	(102)
Total fees	**(220)**	**(271)**	**(351)**	**(401)**

The above is for the corporate auditor, PricewaterhouseCoopers. The figures for 2016 and 2015 include fees for statutory audits in Singapore.

6. Depreciation and reversal of impairment

	Company		Group	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Depreciation - tangible assets	-	-	(7,095)	(6,693)
Write down - tangible assets	-	-	(5,050)	-
Reversal of impairment - tangible assets	-	-	-	5,778
Total	**-**	**-**	**(12,145)**	**(915)**

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 management assessed the performance of these vessels based on their employment. The five vessels (Nordic Ruth, Nordic Pia, Nordic Hanne, Nordic Agnetha and Nordic Amy) are employed under leading pools whereas Nordic Anne is deployed under a 3-year time charter arrangement. Hence, for impairment assessment, the Company's policy is to evaluate the carrying amount of handysize vessels as one cash-generating unit ('CGU') and Nordic Anne as another CGU 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 or calculated net present value for each CGU. The estimated sale price is based on valuations from accredited independent shipbrokers.

In 2015, the freight rates increased significantly, consequently the independent broker valuations (based on comparable sales i.e. level 2) and value in use calculations for these vessels were materially higher than the carrying amount of the vessels after the impairment in 2012. As a result hereof, the Group reversed partially the impairment recognised in 2012 for the vessels deployed in the Handytankers Pool (considered as one cash generating unit) of USD 5.8 million.

The value in use is calculated based on an increase in daily TCE and operating costs by 2.0% per annum and 3.0% per annum, respectively, and a pre-tax discount rate of 7.7%. Daily TCE is assumed by considering the daily TCE forecasted by the pool managers and the long term average TCE rates. Operating costs is the agreed costs between the vessel company and the respective technical managers.

Due to uncertainties on the Group's financial situation in 2016, a write-down on the tangible assets of USD 5.1 million was made in Q3. The net book value of the tangible assets has been written down to USD 108.6 million based on the higher of value in use and net realizable value. At year end no further impairment was recognised based on value in use calculation.

The value in use calculation is sensitive to fluctuations in freight rates. As an indication of this sensitivity, a fluctuation of 3.0% (2015: 3.0%) on the daily long-term TCE would, all things being equal, change the calculated value in use by USD 1.9 million (USD 1.6 million) for the LR1 tanker and USD 6.7 million (USD 7.2 million) for the five handysize vessels. If such situation happens, there would be an impairment/reversal of impairment of USD 0.7 million (USD 0.1 million) for the LR1 tanker and USD 4.2 million (USD nil) for the five handysize vessels.

Another key assumption used in the value in use calculation is its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. 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. Similarly, a fluctuation of 3.0% (2015: 3.0%) on the WACC would, all things being equal, change the calculated value in use by USD 0.5 million (USD 0.5 million) for the LR1 tanker and USD 1.2 million (USD 1.5 million) for the five handysize vessels. If such situation happens, there would no impairment for both the LR1 tankers and the five handysize vessels (2015: nil).

7. Reversal of write-down/(Write-down) of investments in subsidiaries

	Company		Group	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Write-down of investments in subsidiaries	-	-	-	-
Reversal of write-downs of investments in subsidiaries	-	15,471	-	-
Total write-down of investments in subsidiaries	**-**	**15,471**	**-**	-

For further information about investment in subsidiaries, please refer to Note 13.

8. Financial income

	Company		Group	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Interest income on intercompany loans	1,047	1,376	-	-
Total financial income	**1,047**	**1,376**	**-**	**-**

9. Financial expenses

	Company		Group	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Financial expenses to bank	-	-	(55)	(55)
Interest on mortgage debt	-	-	(3,196)	(3,362)
Fair value adjustment from valuation of interest rate cap	-	-	(92)	(114)
Write-down of financial assets	-	(184)	-	(184)
Expenses from exchange rate adjustments	-	(8)	(43)	(4)
Total financial expenses	**-**	**(192)**	**(3,386)**	**(3,719)**
Total net financial income and expenses	**1,047**	**1,184**	**(3,386)**	**(3,719)**

10. Tax for the year

Amounts in USD thousand	Company 2016	Company 2015	Group 2016	Group 2015
Current tax expense	-	-	-	6
Tax for the year recognised in the income statement	-	-	-	**6**
Result before tax	(285)	15,083	(4,778)	13,604
- of which subject to tonnage taxation or other schemes	-	-	4,493	(13,604)
Adjusted result before tax	**(285)**	**15,083**	**(285)**	**-**
Calculated tax at 22.0% (2015: 23.5%)	**(63)**	**3,545**	**(63)**	**-**
Income not subject to tax	-	(3,636)	-	-
Tax assets not recognised	63	91	63	-
Adjustment of tax for previous years	-	-	-	6
	-	-	-	**6**

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

No deferred tax assets or liabilities are recognised as at 31 December 2016 (2015: USD Nil). Value of unrecognised tax losses amounted to USD 0.4 million (2015: USD 0.3 million).

There are no unrecognised tax liabilities associated with investments in foreign subsidiaries in 2016 and 2015.

11. Earnings per share

Amounts in USD thousand	Group 2016	Group 2015
Earnings per share (EPS)		
(Loss)/profit for the Company's shareholders	(4,778)	13,610
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)	(0.01)	0.03

No dividends is proposed for 2016 (2015: NIL).

12. Vessels and docking

Amounts in USD thousand	Group 2016 Vessels and Docking	2015 Vessels and Docking
Cost at 1 January	191,774	189,899
Additions during the year	115	1,875
Cost at 31 December	**191,889**	**191,774**
Depreciation and write-down at 1 January	(71,122)	(70,207)
Depreciation during the year	(7,095)	(6,693)
(Write down)/reversal of impairment	(5,050)	5,778
Depreciation and write-down at 31 December	**(83,267)**	**(71,122)**
Book value at 31 December	**108,622**	**120,652**
Geographical split of tangible assets:		
Singapore	108,622	120,652
	108,622	**120,652**

The carrying amount of vessels pledged as security for finance loans in the Group is USD 108.6 million as at 31 December 2016 (2015: USD 120.7 million).

13. Investments in subsidiaries

Amounts in USD thousand	Company 2016	2015
Cost at 1 January	60	41,799
Additions during the year	43,704	-
Disposals during the year	-	(41,739)
Cost at 31 December	**43,764**	**60**
Write-down at 1 January	-	(56,986)
Additions	-	41,515
Reversal of write-down	-	15,471
Write-down at 31 December	-	**-**
Carrying amount before offset	**43,764**	**60**
Offset against intercompany receivables	-	-
Carrying amount at 31 December	**43,764**	**60**

Nordic Shipholding B.V. and Delfman Shipping B.V. were liquidated in 2015.

In 2016, there was a conversion of the inter-company debt owed by the six vessel-owning entities to Nordic Shipholding A/S into equity. In relation to this exercise, the six vessels owning entities issued 1,000 shares each to Nordic Shipholding Singapore Pte. Ltd. which concurrently issued 6,000 shares to Nordic Shipholding A/S for a total value of USD 43.7 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

14. Trade receivables

	Company		Group	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Receivables from freight	-	-	3,783	6,013
Working capital with pools	-	-	1,050	-
Total trade receivables	**-**	**-**	**4,833**	**6,013**

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

<u>Ageing analysis</u>

Amounts in USD thousand			Group		
2016	**0 to 30 days**	**31 to 60 days**	**61-90 days**	**After 91 days**	**Total**
Trade receivables	2,015	49	55	1,664	3,783
Total	**2,015**	**49**	**55**	**1,664**	**3,783**
2015					
Trade receivables	5,192	310	126	385	6,013
Total	**5,192**	**310**	**126**	**385**	**6,013**

15. Receivables from subsidiaries

	Company		Group	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Receivables from subsidiaries	2,478	46,516	-	-
Total receivables from subsidaries	**2,478**	**46,516**	**-**	**-**

16. Other receivables

Amounts in USD thousand	Company 2016	Company 2015	Group 2016	Group 2015
Pre-payments and deposits	141	164	566	1,116
Other receivables	13	16	544	1,061
Total other receivables	**154**	**180**	**1,110**	**2,177**

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

17. Financial risks and financial instruments

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

Amounts in USD thousand	Company 2016	Company 2015	Group 2016	Group 2015
Trade receivables	-	-	4,833	6,013
Receivables from subsidiaries	2,478	46,516	-	-
Other receivables	154	180	1,110	2,177
Cash and cash equivalents	149	82	4,963	6,634
Loans, receivables and cash	**2,781**	**46,778**	**10,906**	**14,824**
Interest rate cap, asset	29	121	29	121
Interest rate cap, liability	(29)	(121)	-	-
Derivative instruments	**-**	**-**	**29**	**121**
Finance loans	-	-	78,552	86,399
Trade payables	100	108	2,479	6,340
Financial liabilities measured at amortised cost	**100**	**108**	**81,031**	**92,739**

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**		
2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate cap	-	29	-	29
Derivative asset	**-**	**29**	**-**	**29**

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate cap	-	121	-	121
Derivative asset	**-**	**121**	**-**	**121**

Amounts in USD thousand		**Company**		
2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate cap	-	29	-	29
Derivative liability	**-**	**29**	**-**	**29**

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate cap	-	121	-	121
Derivative liability	**-**	**121**	**-**	**121**

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 2016 and 2015. 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 (2015: USD 0 million).

Interest rate risks

In 2015, the Group obtained the approval of the lending banks and entered into an interest rate cap (through the Company) to partially hedge its upside exposure to interest rates increasing above a pre-determined rate. As at the year-end, 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. The notional amount of the interest rate cap entered into by the Company and Group is USD 48.0 million which amortises quarterly to USD 39.7 million at maturity date (31 December 2018). The strike rate of the interest rate cap is 2.50% per annum. This interest rate cap hedges approximately 58% of the Group's outstanding loans during the tenure of the cap, excluding the potential loan prepayments arising from the cash sweeps under the loan facility.

The Company entered into the interest rate cap with a third party ('original interest rate cap') 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 cap. 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 cap is 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 (2015: USD 1.0 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 affect the Company in 2016 and 2015.

Date of revaluation/maturity – Group and Company

The Group's and Company's 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**			
31.12.2016	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Cash and cash equivalents	149	-	-	149
Total	**149**	**-**	**-**	**149**
31.12.2015				
Cash and cash equivalents	82	-	-	82
Total	**82**	**-**	**-**	**82**

Amounts in USD thousand	**Group**			
31.12.2016	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Cash and cash equivalents	4,963	-	-	4,963
Finance loans, floating^	(6,680)	(71,966)	-	(78,646)
Total	**(1,717)**	**(71,966)**	**-**	**(73,683)**
31.12.2015				
Cash and cash equivalents	6,634	-	-	6,634
Finance loans, floating^	(9,000)	(77,371)	-	(86,371)
Total	**(2,366)**	**(77,371)**	**-**	**(79,737)**

^ 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	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Cash and cash equivalents	149	82	4,963	6,634
Total	**149**	**82**	**4,963**	**6,634**

Under the loan agreement with the lending banks, cash in excess of USD 6.0 million will be used to pay down the long-term facility. Cash sweep activated in 2015 and 2016 of USD 12.4 million can be used to offset the amortisation of the loan principal in the event that cash balances fall below USD 3.0 million.

Maturities of liabilities

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

Amounts in USD thousand		Company			
2016	**Book value**	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial liabilities					
Trade payables	(100)	(100)	-	-	(100)
Total	**(100)**	**(100)**	**-**	**-**	**(100)**
2015					
Non-derivative financial liabilities					
Trade payables	(108)	(108)	-	-	(108)
Total	**(108)**	**(108)**	**-**	**-**	**(108)**

Amounts in USD thousand		Group			
2016	**Book value**	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial liabilities					
Finance loans, floating	(78,535)	(9,461)	(78,850)	-	(88,311)
Trade payables	(2,479)	(2,479)	-	-	(2,479)
Interest payable	(17)	(17)	-	-	(17)
Total	**(81,031)**	**(11,957)**	**(78,850)**	-	**(90,807)**
2015					
Non-derivative financial liabilities					
Finance loans, floating	(86,230)	(12,040)	(86,850)	-	(98,890)
Trade payables	(6,340)	(6,340)	-	-	(6,340)
Interest payable	(169)	(169)	-	-	(169)
Total	**(92,739)**	**(18,549)**	**(86,850)**	**-**	**(105,399)**

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

Breach of loan agreements

The Group has not neglected or breached any loan agreement terms in the financial year.

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.

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**			
2016	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial assets				
Receivables related companies	2,478	-	-	2,478
Other receivables	154	-	-	154
Total	**2,632**	**-**	**-**	**2,632**
2015				
Non-derivative financial assets				
Receivables related companies	46,516	-	-	46,516
Other receivables	180	-	-	180
Total	**46,696**	**-**	**-**	**46,696**

Amounts in USD thousand	**Group**			
2016	**Within 1 year**	**Between 1-5 years**	**After 5 years**	**Total**
Non-derivative financial assets				
Trade receivables	5,433	-	-	5,433
Other receivables	1,110	-	-	1,110
Total	**6,543**	**-**	**-**	**6,543**
2015				
Non-derivative financial assets				
Trade receivables	6,013	-	-	6,013
Other receivables	2,177	-	-	2,177
Total	**8,190**	**-**	**-**	**8,190**

	Company		**Group**	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Provision for doubtful debts	-	-	-	197
Provision for doubtful debts^	**-**	**-**	**-**	**197**

^ Included within Trade Receivables

18. Finance loans

	Group	
Amounts in USD thousands	**2016**	**2015**
Finance loans		
Payables to lenders are recognised in the balance sheet as follows:		
Non-current liabilities	71,855	77,230
Current liabilities	6,697	9,169
	78,552	**86,399**

At 31 December, the Group had the following loans and credits:

Currency	**Fixed/ floating**	**2016**	**2015**
Finance loans (USD)	floating	78,535	86,230
Calculated interest not yet due on finance loans		17	169
		78,552	**86,399**
Due within one year		6,697	9,169
Due between 1-2 years		6,680	6,680
Due between 2-3 years		6,680	6,680
Due between 3-4 years		58,495	6,680
Due between 4-5 years		-	57,190
Due after 5 years		-	-
		78,552	**86,399**

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 will be used to pay down the long-term facility. Cash sweep is not expected to be activated in 2017 in addition to the regular loan amortisation of USD 6.7 million.

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

The financing agreements, signed as part of the restructuring in December 2013, stipulate minimum requirements (financial covenants) for minimum liquidity, minimum value clause and equity ratio, among other things. Further, the Company has agreed to a cash sweep mechanism whereby excess cash can be used to repay its loans.

19. Trade payables

	Company		Group	
Amounts in USD thousand	**2016**	**2015**	**2016**	**2015**
Suppliers of goods and services	100	108	3,079	6,340
Total trade payables	**100**	**108**	**3,079**	**6,340**

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

20. Treasury and share capital

	Company and Group	
Number of shares	**2016**	**2015**
Treasury shares at 1 January	24,000	50,700
Less: Treasury shares sold during the year	-	(26,700)
Treasury shares at 31 December	24,000	24,000
Amounts in DKK		
Nominal value		
Treasury shares at 1 January	2,400	5,070
Less: Treasury shares sold during the year	-	(2,670)
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%**

Following the share-swap in 2007, where a limited partnership share in K/S Difko XLVII was exchanged with 300 shares in Nordic Shipholding A/S (previously known as Nordic Tankers), 26,700 shares still remains unregistered ('unregistered shares'), and are held in an account administrated by Nordea Bank.

On 21 November 2014 the Company uploaded a message with the Danish Business Authority, encouraging shareholders, holding rights to shares – as a result of the above mentioned share-swap – to register their shares. Shares that have not been registered 6 months after the uploading of this message, i.e. 21 May 2015 may be sold and the net proceeds placed in at designated deposit account. If an amount has not been reclaimed during a 3-year period, the funds may be released to the Company.

The unregistered shares were sold in July 2015 and the net proceeds are placed in a designated deposit account.

Share capital as at 31 December 2016

The share capital as at 31 December 2016 consisted of 406,158,403 shares of DKK 0.1 (2015: 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	**2016**	**2015**	**2014**	**2013**	**2012**
Share capital at 1 January	7,437	7,437	7,437	6,695	6,695
Capital reduction	-	-	-	(6,024)	-
Capital increase	-	-	-	6,766	-
Share capital at 31 December	**7,437**	**7,437**	**7,437**	**7,437**	**6,695**
Number of shares:					
Shares at 1 January	406,158,403	406,158,403	406,158,403	38,946,697	38,946,697
Issue of new shares	-	-	-	367,211,706	-
Shares at 31 December	**406,158,403**	**406,158,403**	**406,158,403**	**406,158,403**	**38,946,697**

21. Related party transactions

Amounts in USD thousand	Company 2016	Company 2015	Group 2016	Group 2015
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	502	505	804	808
Receivables from subsidiaries at 31 December are disclosed in the balance sheet and in the notes to the financial statements.				

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

Number of shares held by the following Board Member	Company 2016	2015
Knud Pontoppidan	102,052	102,052
Jon Robert Lewis	-	-
Kristian V. Mørch	4,400	4,400
Kanak Kapur	-	-
Philip Clausius	-	-

On 31 December 2016, 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 Bank Danmark A/S, Denmark- reported on 19 December 2013 – 11.03%

Guarantees provided to subsidiaries can be found in Note 22.

Apart from the related parties transactions mentioned above, remuneration of the Board of Directors (Note 4), and financial income (Note 8), 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.

22. Contingent liabilities and contractual obligations

Amounts in USD thousand	Company and Group 2016	2015
The Company has provided guarantee to the lending banks for the finance loans extended to wholly-owned vessel-owning subsidiaries^	78,552	86,399

^ 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.

Lawsuits

Whilst Nordic Shipholding A/S is not involved in any lawsuits or arbitration cases which could have essential influence on the Company's or the Group’s financial position or result, the Company is exposed to contingent liabilities in the ordinary course of business.

23. Operating lease

The Group has entered into a 3-year time-charter fixture for Nordic Anne in December 2014 and the rental rate is fixed over the tenure of the lease.

	Group	
Amounts in USD thousand	**2016**	**2015**
Within 1 year	5,795	6,350
After 1 year but within 5 years	-	5,795
After 5 years	-	-
	5,795	**12,145**

24. Significant events after the balance sheet date

There is no significant event after the balance sheet date.

Definitions and calculation formulas

Unless otherwise stated, key figures and ratios have been calculated in accordance with the standards laid down by the Danish Society of Financial Analysts in "Recommendations & Financial Ratios 2015".

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