Hafnia Tankers Ltd.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

Statement by Management on the Consolidated Financial Statements

The Board of Directors for Hafnia Limited have today, March 21, 2019, discussed and approved the Consolidated financial statements of Hafnia Tankers Ltd. and subsidiaries (the "Group") for the financial years 2018 and 2017.

As Hafnia Tankers Ltd. was merged with BW Tankers Limited 18 January 2019 it is the Board of Directors of the merged company Hafnia Limited who signs these Consolidated financial statements. Refer to note 33 Subsequent events for further description of the merger.

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

It is our opinion that the Consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2018 and 2017 and of the results of the Group's operations and cash flows for the financial years January 1–December 31, 2018 and 2017.

Board of Directors

Andreas Sohmen-Pao	Chris Gradel	Alexis Atteslis
Gregory Sean Feldman	Erik Bartnes	John Ridgway
Peter Read		

Independent auditor's report

To the shareholders of Hafnia Limited.

Opinion

We have audited the consolidated financial statements of Hafnia Tankers Ltd. for the financial year 1 January 2018 to 31 December 2018, which comprise the statement of profit and loss, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies, for the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2018, and of the results of their operations and cash flows for the financial year 1 January 2018 to 31 December 2018 in accordance with International Financial Reporting Standards as issued by the IASB.

Basis for opinion

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

Management's responsibilities for the consolidated financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements, and, 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures in the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 21 March 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Henrik Hjort Kjelgaard
State-Authorised Public Accountant
MNE no 29484

Hafnia Tankers Ltd.
Consolidated Balance Sheet

	Note	As of December 31 2018	As of December 31 2017
		(in thousands of U.S. dollars)	
ASSETS			
Current assets			
Cash and cash equivalents	4	33,536	48,127
Pool working capital deposit	5	30,200	31,200
Accounts receivable	6	43,620	34,875
Prepaid expenses and other receivables	7	11,810	8,712
Inventories	8	3,338	4,899
Total current assets		**122,504**	**127,813**
Non-current assets			
Vessels and dry dock	10	850,170	1,031,221
Goodwill	9	-	6,003
Interests in associates	11	2,944	2,205
Interest in a joint venture	12	-	-
Loans receivables		14,362	1,850
Deferred tax		24	58
Total non-current assets		**867,500**	**1,041,337**
Total assets		**990,004**	**1,169,150**
LIABILITIES & EQUITY			
Current liabilities			
Bank loans	16	43,881	48,951
Accounts payable	17	20,698	17,698
Accrued expenses and other payables	18	10,206	7,651
Finance lease liability	31	5,911	1,182
Deferred revenue		1,029	1,101
Loans from other entities		306	-
Loans from associates		8,530	1,000
Tax payable		121	51
Total current liabilities		**90,682**	**77,634**
Non-current liabilities			
Bank loans	16	395,782	485,254
Derivatives	30	2,816	3,061
Finance lease liability	31	90,514	24,013
Loans from other entities		2,096	-
Total non-current liabilities		**491,208**	**512,328**
Total liabilities		**581,890**	**589,962**
Shareholders' equity			
Issued, authorized and paid in share capital			
Share capital		339	339
Additional paid in capital	19	354,470	352,423
Treasury shares		(14,038)	(14,038)
Accumulated (losses) / profits		(75,892)	37,359
Cash flow hedging reserve		(1,874)	(2,033)
Translation reserve		(34)	(34)
Equity holders of the parent		262,971	374,016
Non-controlling interests		145,143	205,172
Total equity		**408,114**	**579,188**
Total liabilities and equity		**990,004**	**1,169,150**

Hafnia Tankers Ltd.
Consolidated Statement of Profit and Loss

	Note	For the years ended December 31 2018	2017
		(in thousands of U.S. dollars)	
Revenue	20	329,170	313,664
Voyage expenses	21	(151,398)	(126,378)
TCE income		**177,772**	**187,286**
Operating expenses			
Vessel operating costs	22	(85,070)	(82,771)
Technical management fee		(5,743)	(5,698)
Charter hire	23	(25,263)	(24,336)
Depreciation	10	(54,254)	(53,021)
Impairment charge on goodwill	9	(6,003)	-
Impairment charge on vessels	10	(134,840)	-
General and administrative expenses	24	(14,420)	(9,627)
Total operating expenses		**(325,593)**	**(175,453)**
Other operating income			
Other operating income		295	1,870
Share of associates profit	11	1,591	716
		1,886	**2,586**
Operating profit		**(145,935)**	**14,419**
Financial expenses and income			
Financial expenses	25	(31,416)	(26,330)
Financial income	26	1,379	555
(Loss) / profit before tax		**(175,972)**	**(11,356)**
Taxes	15	(335)	(209)
(Loss) / profit for the year		**(176,307)**	**(11,565)**
Attributable to:			
Equity holders of the parent		(114,441)	(7,507)
Non-controlling interests		(61,866)	(4,058)
		(176,307)	**(11,565)**
(Loss) / Earnings per share attributable to equity holders of the parent:			
Basic (loss) / earnings per share (USD)	28	(3.37)	(0.22)
Diluted (loss) / earnings per share (USD)	28	(3.37)	(0.22)
Shares used in computing earnings per share attributable to equity holders of the parent:			
Basic (in thousands)	28	33,946	33,946
Diluted (in thousands)	28	33,946	33,946

Hafnia Tankers Ltd.
Consolidated Statement of Comprehensive Income

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
(Loss) / profit for the year	**(176,307)**	**(11,565)**
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit or (loss):		
Fair value (losses) on cash flow hedges	(751)	(3,504)
Reclassification to profit or (loss) related to cash flow hedges	996	1,082
Exchange differences on translating foreign operations	-	19
Other comprehensive (loss) / income after tax	**245**	**(2,403)**
Total comprehensive (loss) / income	**(176,062)**	**(13,968)**
Attributable to:		
Equity holders of the parent	(114,282)	(9,067)
Non-controlling interests	(61,780)	(4,901)
	(176,062)	**(13,968)**

Hafnia Tankers Ltd.
Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the parent								
(in thousands of U.S. dollars)	Share capital nominal	Additional paid in capital	Accumulate profits	Treasury shares	Cash flow hedging reserve	Translation reserve	Total	Non-controlling interests	Total equity
Balance as of January 1, 2017	339	352,423	42,705	(258)	(473)	(34)	394,702	208,905	603,607
Profit for the year	-	-	(7,507)	-	-	-	(7,507)	(4,058)	(11,565)
Other comprehensive (loss) for the year	-	-	-	-	(1,560)	-	(1,560)	(843)	(2,403)
Total comprehensive income	-	-	(7,507)	-	(1,560)	-	(9,067)	(4,901)	(13,968)
Write-off of prepaid costs relating to future share issuance	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	(13,780)	-	-	(13,780)	-	(13,780)
Share-based compensation	-	-	3,329	-	-	-	3,329	-	3,329
Dividend paid	-	-	-	-	-	-	-	-	-
Reallocation of non-controlling interests	-	-	(1,168)	-	-	-	(1,168)	1,168	-
	-	-	2,161	(13,780)	-	-	(11,619)	1,168	(10,451)
Balance as of December 31, 2017	**339**	**352,423**	**37,359**	**(14,038)**	**(2,033)**	**(34)**	**374,016**	**205,172**	**579,188**
Balance as of January 1, 2018	339	352,423	37,359	(14,038)	(2,033)	(34)	374,016	205,172	579,188
Loss for the year	-	-	(114,441)	-	-	-	(114,441)	(61,866)	(176,307)
Other comprehensive (loss) for the year	-	-	-	-	159	-	159	86	245
Total comprehensive (loss)	-	-	(114,441)	-	159	-	(114,282)	(61,780)	(176,062)
Write-off of prepaid costs relating to future	-	-	-	-	-	-	-	-	-
share issuance	-	3,154	-	-	-	-	3,154	-	3,154
Share-based compensation	-	-	1,834	-	-	-	1,834	-	1,834
Reallocation of non-controlling interests	-	(1,107)	(644)	-	-	-	(1,751)	1,751	-
	-	2,047	1,190	-	-	-	3,237	1,751	4,988
Balance as of December 31, 2018	**339**	**354,470**	**(75,892)**	**(14,038)**	**(1,874)**	**(34)**	**262,971**	**145,143**	**408,114**

Hafnia Tankers Ltd.
Consolidated Statement of Cash Flow

	Note	For the year ended December 31 2018	2017
		(in thousands of U.S. dollars)	
Operating activities			
(Loss) / profit for the year		(176,307)	(11,565)
Depreciation	10	54,254	53,021
Impairment charge on vessels and goodwill	10	140,843	-
Amortization of time charters acquired		-	405
Share-based compensation		1,834	3,329
Write-off of prepaid cost relating to future share issuance		3,154	-
Financial expenses	25	31,416	26,330
Decrease in amortized financing fees		3,637	3,583
Tax expense	15	335	209
Share of associates profit	11	(740)	(246)
		58,426	**75,066**
Changes in assets and liabilities:			
Decrease / (Increase) in inventories	8	1,561	(415)
(Increase) in accounts receivable	6	(8,745)	(11,764)
(Increase) in prepaid expenses and other receivables	7	(3,098)	(2,240)
(Increase) in loans receivables		(12,512)	(1,850)
(Increase) in pool working capital deposit	5	1,000	(5,200)
Increase in accounts payable	17	2,975	2,797
Increase / (decrease) in accrued expenses and other payables	18	2,382	(1,914)
Increase / (decrease) in deferred income		(72)	(111)
		(16,509)	**(20,697)**
Financial expenses paid		(31,243)	(26,587)
Taxes paid		(231)	(170)
Net cash inflow from operating activities		**10,443**	**27,612**
Investing activities			
Payments for vessels under construction		-	(71,140)
Payments for vessels including drydock		(8,043)	(6,503)
Net cash (outflow) from investing activities		**(8,043)**	**(77,643)**
Financing activities			
Bank loan repayment		(98,178)	(69,993)
Draw down on credit facility		-	60,375
Loans from other entities		2,402	-
Prepaid financing fee		-	(144)
Increase in debt to associates		7,530	1,000
Increase / (decrease) in lease liability		75,919	25,195
Repayments of finance lease liability		(4,689)	-
Purchase of treasury shares		-	(13,780)
Net cash (outflow) from financing activities		**(17,016)**	**2,653**
Net cash flow from operating, investing and financing activities		**(14,616)**	**(47,378)**
Cash and cash equivalents at January 1	4	48,127	95,488
Effects of exchange rate changes on the balance of cash held in foreign currencies		25	17
Cash and cash equivalents at December 31	4	**33,536**	**48,127**

Consolidated Financial Statements

1 - General information

Hafnia Tankers Ltd. (the "Company") is a private limited company incorporated on October 15, 2013 in the Republic of the Marshall Islands.

The Company and its subsidiaries (together, the "Group") provide seaborne transportation of petroleum products worldwide.

The Company currently holds Class A Units representing approximately 64.9% of the outstanding membership interests of the Company's direct subsidiary Hafnia Tankers LLC, while the balance of Hafnia Tankers LLC's outstanding membership interests consists of exchangeable Class B and Class C Units held by existing investors representing an interest of approximately 34.8% and 0.3%, respectively, which are presented as non-controlling interests in the Company's financial statements.

2 - Significant accounting policies

The Group has identified the following significant accounting estimates and judgments used in the preparation of its consolidated financial statements.

Impairment of vessels and dry docks

The Group reviews its vessels including the dry dock component for impairment whenever events or circumstances indicate the carrying value of an asset, including the carrying value of the related time charter contract, if any, under which the vessel is employed, may not be recoverable. In the event of indication of impairment, the recoverable amount of the vessels, being the higher of value in use and fair value less cost to sell, is assessed. If the recoverable amount is estimated to be less than its carrying amount, the carrying value of the asset is written down to its recoverable amount. Fair value less cost to sell is estimated by use of independent broker valuations, and value in use is calculated as net present value of future cash flows to be derived from the vessels during their useful life. In determining the value in use calculation, certain assumptions relating to the estimates of future cash flows are more predictable by their nature, including estimated revenue under existing contract terms. Certain assumptions relating to the estimates of future cash flows require more discretion and are inherently less predictable, such as future charter rates beyond the firm period of existing contracts and vessel residual values, due to factors such as the volatility in vessel charter rates and vessel values.

Vessels and dry dock

The carrying value of each of the Group's vessels represents its original cost at the time it was delivered or purchased (except for vessels acquired in a business combination, which are measured at fair value at the date of acquisition) less depreciation and impairment. The vessels are depreciated to their residual value on a straight-line basis over their estimated useful lives, commencing at the date the vessels were originally delivered to the Group. The estimated useful life of the Group's vessels is 25 years from the date of the vessels' initial completion from the shipyard, which is consistent with industry practice for similar vessels. The estimated useful life of the vessels also takes into account design life, commercial considerations and regulatory restrictions.

The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton which has been estimated at USD 300 per ton. The estimated residual value of the vessels may not represent the market value at any one time since market prices of scrap values tend to fluctuate.

An increase in the estimated useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or residual value would have the effect of increasing the annual depreciation charge.

Dry dock costs are recognized as a separate component of each vessel's carrying amount and depreciated on a straight-line basis over the estimated period until the next dry dock.

The Group must periodically dry dock each of its vessels for inspection, repairs and any modifications. At the time of delivery of a vessel, an estimate of the dry docking component of the cost of the vessel is determined, representing estimated costs to be incurred during the first dry docking at the dry dock yard for a special survey and parts and supplies used in making required major repairs that meet the recognition criteria, based on the Group's historical experience with similar types of vessels. The Group only includes in deferred dry docking costs those direct costs that are incurred as part of the dry docking to meet regulatory requirements, or are expenditures that extend the economic life of the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs, hull preparation and painting, inspection of hull structure and mechanical components, steelworks, machinery works, and electrical works. Expenditures for normal maintenance and repairs are expensed as incurred.

Management uses judgment when estimating the period between dry dockings performed, which can result in adjustments to the estimated depreciation of the dry docking expense. If a vessel is disposed of before its next dry docking, the remaining balance of the deferred dry dock is written off and forms part of the gain or loss recognized upon disposal of vessels in the period when contracted. The Group expects that its vessels will be required to be dry docked approximately every 60 months where the vessels will be required to undergo special or intermediate surveys and be dry docked for major repairs and maintenance that cannot be performed while the vessels are operating.

The Group depreciates its estimated dry docking expenses for the first special survey over five years, but this estimate might be revised in the future.

Share-based compensation

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (warrants, options and Restricted Share Units) of the Group. The fair value of the employee services received in exchange for the grant of the warrants, options and Restricted Share Unit plans is recognized as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value at the grant date of the warrants and options granted including any market performance conditions such as a share-price trigger excluding the impact of any service vesting conditions, as the fair value of the services cannot be estimated reliably.

Service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified service vesting conditions are to be satisfied.

The determination of the grant date fair value of the warrants and options is affected by the estimated fair value of the Company's underlying shares, as well as assumptions regarding a number of other complex and subjective variables. The fair values of the Company's common shares underlying the share-based awards were estimated on each grant date based on a net asset value of the Company.

3 - Basis of accounting

Basis for segmentation

Each of the Group's vessels serve the same type of customer, have similar operations and maintenance requirements, operate in the same regulatory environment, and are subject to similar economic characteristics. Based on this, the Group has determined that it operates in one reportable segment, the international transportation of petroleum products with its fleet of vessels.

Further, as the operations are not limited to specific parts of the world, it is therefore not possible to provide geographical information on revenue and non-current assets.

Business combinations

Newly acquired entities are recognized in the financial statements on the acquisition date, which is the date on which control over the entity is transferred.

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities are measured at fair value at the acquisition date. The cost of a business combination is measured as the fair value of the consideration paid, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition costs are recognized in profit or loss as incurred.

Goodwill is recognized where the cost of the business combination exceeds the fair value of the acquired assets, liabilities and contingent liabilities.

Share-based payment

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (warrants, options and Restricted Share Units) of the Group. The fair value of the employee services received in exchange for the grant of the warrants, options and Restricted Share Unit plans is recognized as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value at the grant date of the warrants and options granted including any market performance conditions such as a share-price trigger excluding the impact of any service vesting conditions, as the fair value of the services cannot be estimated reliably.

Service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified service vesting conditions are to be satisfied.

Non-controlling interests

Non-controlling interests are measured initially at either their proportionate share of the acquiree's net assets at the acquisition date or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in other IFRS.

Changes in the Group's interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity-accounted investees

The Group's interest in equity accounted investees comprises associates.

Associates are those entities in which the Group has significant influence, but not control or joint control. Interest in associates are accounted for using the equity method from the date at which significant influence exists.

At initial recognition the investment is measured at cost, which includes transaction costs. On acquisition, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss, and other comprehensive income until the date on which significant influence ceases to exist.

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency at the exchange rate of the date when initially recognized. Gains and losses arising between the exchange rate of the transaction date and that of the settlement date are recognized in the income statement under financial income or financial expense.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates then prevailing. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in the statement of profit or loss under financial income or financial expense.

Revenue

Revenue is recognized when an agreement exists, the vessel is made available to the charterer or services are provided, the charter hire is determinable and collection of the related revenue is reasonably assured.

Time charter

The Group recognizes revenues from time charters daily over the term of the charter. The Group does not recognize revenue during days that the vessel is off-hire.

Participation in pools

Most of the Group's vessels participate in commercial pools in which other vessel owners with similar, high-quality, modern and well-maintained vessels also participate. Pools employ experienced commercial charterers and operators who have established relationships with customers and brokers, while technical management is arranged by each vessel owner. The managers of the pools negotiate charters with customers primarily in the spot market. The earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or Pool Points, which reflect comparative voyage results on hypothetical benchmark routes. The Pool Point system is generally weighted by attributes such as size, fuel consumption, class notation and other capabilities. Pool revenues are recognized when the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

Other operating income

Other operating income is recognized when an agreement exists, the amount is determinable and collection is reasonably assured.

Vessel operating costs

Vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses, are expensed as incurred. The procurement of these services is managed on behalf of the Group by the respective technical managers.

Technical management fee

Technical management fees are expensed as incurred.

General and administrative expenses

General and administrative expenses which include costs of auditors, salary, office expenses and external assistance are expensed as incurred.

Financial income and expense

Financial income and expense include interest income and expense, realized and unrealized exchange gains and losses and other financial income and expenses and are recognized as incurred on the accrual basis.

Vessels and dry dock

Vessels including the dry dock component are measured at cost less accumulated depreciation and accumulated impairment losses. The basis of depreciation is calculated as the excess of cost over the estimated residual value.

The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton which has been estimated at USD 300 per ton. The estimated residual value of the vessels may not represent the market value at any one time since market prices of scrap values tend to fluctuate. The basis for depreciation is allocated on a straight-line basis over the vessels expected useful life which is estimated to be 25 years.

The vessels are required to undergo planned dry docks for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 60 months depending on the nature of work and external requirements. These dry dock costs are capitalized as a component of the vessels and depreciated on a straight-line basis over the estimated period until the next dry dock. We only include in deferred dry docking those direct costs that are incurred as part of the dry docking to meet regulatory requirements, or are expenditures that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs as well as the costs of placing the vessel in the shipyard. Expenditures for normal maintenance and repairs are expensed as incurred.

For an acquired or newly built vessel, a notional dry dock is allocated from the vessel's cost. The notional dry dock cost is estimated by us, based on the expected costs related to the next dry dock, which is based on experience and past history of similar vessels, and is accounted as a separate component from the vessel component. Subsequent dry docks are recorded at actual cost incurred. The dry dock asset is depreciated on a straight-line basis to the next estimated dry dock. The estimated depreciation period for dry dock is based on the estimated period between dry docks. We estimate the period between dry docks to be 60 months. When the dry dock expenditure is incurred prior to the expiry of the period, the remaining balance is expensed.

Vessels under construction

Vessels under construction are measured at cost and include costs incurred that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs include installment payments made to the shipyards, professional fees and other costs deemed directly attributable to the construction of the asset.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible assets

Tangible assets are tested for impairment at each balance sheet date if there are any indications that those assets have suffered an impairment loss. If any impairment indications exist for other intangible or tangible assets, the recoverable amount of the asset is estimated in order to determine the extent of a potential impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount.

Any impairment loss is recognized as an expense immediately. Where an impairment loss for other intangible and tangible assets subsequently reverses the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventory

Lubricating oils are stated at the lower of cost and net realizable value. Cost is determined using the first in first out method.

Receivables

Amounts due from the pools and other receivables that have fixed or determinable payments are classified as accounts receivable. Accounts receivable are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value less provision for bad debts.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Prepaid expenses and other receivables

Prepaid expenses include payments relating to goods or services that are made in advance of when the related goods or services will be incurred. The main prepaid expenses are related to technical management, where it is common practice to pay in advance, and prepaid financing fees. Other receivables are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value.

Other assets

Other assets include deposits of working capital to pools. Other assets are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash and cash equivalents are measured at the nominal amounts.

Bank loans

Bank loans are initially recognized at fair value, which is normally equal to the proceeds received, less directly attributable transaction costs. Subsequently, bank loans are measured at amortized cost using the effective interest rate method, such that the difference between the proceeds and the redemption value is recognized in the income statement over the life of the loan.

Accounts payable and other payable

Trade payables are initially measured at fair value and subsequently at amortized cost.

Deferred income

Deferred income includes prepayments received relating to income in periods after the balance sheet date. Deferred income is measured at cost.

Tax

The Group's shipping activities are generally taxed under a tonnage based tax scheme. The Group participates in the tonnage tax scheme in Denmark. Under the tonnage tax scheme, the Group's applicable tonnage tax expense and liability is estimated based on the weight (measured in tonnage) of the vessels and the number of days during the year that the vessels are at the Group's disposal, excluding time for repairs. No deductions, including depreciation of the vessels, are included when calculating tonnage tax payable. As the tonnage tax is not accounted for as an income tax and the Group intends to continue to remain under the scheme for the foreseeable future, no deferred tax assets and liabilities are recognized in relation to its shipping activities.

The subsidiary Hafnia Tankers ApS is subject to corporate income tax, and has a balance of tax losses that may be carried forward as deductions in future earnings in Denmark, including the Danish tonnage tax, for which a deferred tax asset has been recognized.

Tonnage taxes are presented within Taxes in the Statement of Profit and Loss.

Lease arrangements

The Group may enter into either time charter or bareboat arrangements. In a time charter arrangement the vessel's owner is responsible for crewing and other vessel operating costs whereas in a bareboat arrangement the lessee has these responsibilities.

For accounting purposes, lease obligations are divided into finance and operating leases. Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Time charter arrangements are normally accounted for as operating leases and bareboat arrangements may be classified as either a finance or an operating lease depending the fact and circumstances of the individual arrangement.

The Group as lessee

Agreements to charter in vessels, where the Group has substantially all the risks and rewards of ownership, are recognized in the balance sheet as finance leases. Lease assets are measured at the lower of fair value and the present value of minimum lease payments determined in the leases.

For the purpose of calculating the present value, the interest rate implicit in the lease or an incremental borrowing rate is used as discount factor. The lease assets are depreciated and written down under the same accounting policy as the vessels owned by the Group or over the lease period depending on the lease terms.

The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are apportioned between finance expenses and reduction in the lease obligation so as to achieve a constant rate of interest on the lease obligation. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Other charter agreements concerning vessels and other leases are classified as operating leases, and the minimum lease payments are recognized in profit or loss on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. The obligation for the remaining lease term is disclosed in the notes to the financial statements.

The Group as lessor

Agreements to charter out vessels, where substantially all the risks and rewards of ownership are transferred to the lessee, are classified as finance leases, and an amount equal to the net investment in the lease is recognized and presented in the balance sheet as a receivable. The carrying amount of the vessel is de-recognized and any gain or loss on disposal is recognized in the income statement.

Other agreements to charter out vessels are classified as operating leases, and minimum lease payments are recognized as revenue in the income statement on a straight-line basis over the lease term. Contingent payments are recognized as an income when incurred.

Earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit or loss for the year available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the consolidated profit or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect of including them would be to increase earnings per share or reduce a loss per share.

Adoption of new or amended IFRSs

The Group has implemented the following standard effective for 2018. The implementation of the standard and interpretation has had a material effect on the financial statement.

• IFRS 15 “Revenue from contracts with customers”
The group adopted IFRS 15 for the first time for the financial year ended 31, December 2018. The adoption of IFRS 15 resulted in a change in the basis of accounting for recognition of revenue received from Pools, whereby the Group's Pool revenue was changed from discharge-to-discharge to load-to-discharge.

This change in accounting policy was applied on a modified retrospective basis from 1, January 2018. In accordance with the transitional provisions of IFRS 15, the impact of the change in revenue recognition in relation to voyage charters in-progress at 1, January 2018 was adjusted against retained earnings of the Group as at 1, January 2018. The existing pool arrangement reverses however this impact, as the Group shares all earnings through an agreed allocation key.

The impact of the change on the Consolidated Financial Statement arising from the adoption of IFRS 15 on the following balances in the financial year ended 31, December 2018 are summarised below:

	Impact of adopting IFRS 15 as at 1, January 2018
Pool Revenue adjusted based on load-to-discharge method	(3,014)
Pool Adjustment	3,014
Contract fulfilment costs	1,127
Pool Adjustment	(1,127)
Decreased retained earnings by	-

Impact of adopting IFRS 15 - Profit/Loss **Financial year ended 31, December 2018**	Amount as reported	IFRS 15 Adjustments	Pool Adjustments	Amounts without adoption
Deferred revenue - Liability	-	(4,305)	4,305	-
Contract fulfilments costs - Asset	-	968	(968)	-
Revenue	(316,003)	154,735	(3,337)	(164,605)
Voyage expenses	151,398	(151,398)	-	-

Impact of adopting IFRS 15 - Balance Sheet **Financial year ended 31, December 2018**	Amount as reported	IFRS 15 Adjustments	Amounts without adoption
Deposit of working capital to the pools, short term	30,200	-	30,200
Voyage receivables	43,468	(13,826)	29,642
Voyage payables	(13,826)	13,826	-

Impact of adopting IFRS 15 - Balance Sheet **Financial year ended 31, December 2017**	Amount as reported	IFRS 15 Adjustments	Amounts without adoption
Deposit of working capital to the pools, short term	31,200	-	31,200
Voyage receivables	34,524	(13,151)	21,373
Voyage payables	(13,151)	13,151	-

Accounting standards and interpretations not yet adopted

The International Accounting Standards Board ("IASB") has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect:

• IFRS 16 "Leases"
IFRS 16 is effective from January 1, 2019. The standard will change the recognition of leases. The standard amends the definition of what constitutes a lease to be a contract that conveys the right to control the use of an identified asset is the lessee has both (i) the right to obtain substantially all of the economic benefits from use of the identified asset and (ii) the right to direct the use of the identified asset throughout the period of use. The Group currently carries 3 Time-Charter contracts as operating leases, which will result in a right of use asset and related lease liability being recorded as IFRS 16 comes to effect. This will result in a reclassification of costs associated with these operating leases from "Charter Hire" to either "Depreciations" and/or "Financial expenses".

The impact of adoption of IFRS 16 on the Consolidated Financial Statements as at January 1, 2019 is recognition of USD 40,798 right of use asset and related liability.

4 - Cash and cash equivalents

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Cash at banks	33,235	47,741
Cash onboard vessels	301	386
	33,536	**48,127**

The table below shows a breakdown of cash held at banks:

2018					
Bank	**Country**	**Rating***	**Amount in USD**	**Pct. of total cash**	**Currency**
SEB	GB	A+	32,208	96.9%	USD
SEB	DK	A+	675	2.0%	DKK
SEB	GB	A+	23	0.1%	Various
SEB	SGP	A+	266	0.8%	SGD
HSH	Cyprus	Various	62	0.2%	USD
			33,235		

2017					
Bank	**Country**	**Rating***	**Amount in USD**	**Pct. of total cash**	**Currency**
SEB	GB	A+	47,178	98.8%	USD
Nordea Bank Danmark A/S	DK	AA-	55	0.1%	USD
SEB	DK	A+	96	0.2%	DKK
SEB	GB	A+	327	0.7%	Various
			47,741		

* Standard & Poor's

5 - Other Assests

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Deposit of working capital to the pools, short term	30,200	31,200
	30,200	**31,200**

Participating in pools requires a deposit of working capital. The deposit ranges from USD 600 to USD 1,000 per vessel. The deposit is paid upon entrance to the pool and is repaid when the pool is exited. As at 31, December 2018, the deposit was reclassified from non-current assets to current-assets as the deposit is redeemable within 3-6 months after exiting the pool. The amount is non-interest bearing.

6 - Accounts receivable

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Voyage receivables	43,468	34,524
Other accounts receivable	152	351
	43,620	**34,875**

The Group considers that the carrying amounts of accounts receivable approximates their fair value due to their short term nature. As at December 31, 2018 and 2017, no amounts are overdue or impaired. Accounts receivable are non-interest bearing.

7 - Prepaid expenses and other receivables

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Vessel related prepaid expenses	6,852	4,678
Prepaid financing fee	142	142
Prepaid insurance	2,090	1,551
Other short term receivables	2,726	2,341
	11,810	**8,712**

The Group considers that the carying amounts of other short term receivables approximate their fair value due to their short term nature. As at December 31, 2018 and 2017, no amounts are overdue or impaired. These receivables are non-interest bearing.

8 - Inventories

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Lubricating oils	3,338	3,424
Paint, chemicals and food supplies	-	1,475
	3,338	**4,899**

The cost of lubricating oils and other inventories recognized as expense in 2018 was USD 7,091 (2017: USD 6,395). Paint, chemicals and food supplies inventories totalling USD 1,471 have been expensed in 2018.

9 - Intangible Assets

(in thousands of U.S. dollars)	**Goodwill**	**Contract values vessels under construction**	**Time charters acquired**	**Total**
Cost				
Balance at January 1, 2017	6,003	26,549	2,832	35,384
Addition	-	-	-	-
Disposals	-	(26,549)	(2,832)	(29,381)
Cost at December 31, 2017	**6,003**	**-**	**-**	**6,003**
Accumulated amortization				
Balance at January 1, 2017	-	(26,319)	(2,427)	(28,746)
Amortization	-	(230)	(405)	(635)
Disposals	-	26,549	2,832	29,381
Accumulated amortization at December 31, 2017	**-**	**-**	**-**	**-**
Carrying amount at December 31, 2017	**6,003**	**-**	**-**	**6,003**
Cost				
Balance at January 1, 2018	6,003	-	-	6,003
Disposals	-	-	-	-
Cost at December 31, 2018	**6,003**	**-**	**-**	**6,003**
Impairment				
Balance at January 1, 2018	-	-	-	-
Impairment loss recognised	(6,003)	-	-	(6,003)
Accumulated impairment at December 31, 2018	**(6,003)**	**-**	**-**	**(6,003)**
Carrying amount at December 31, 2018	**-**	**-**	**-**	**-**

Goodwill has been allocated for impairment testing purposes to the following cash-generating units (CGUs): short-range ("SR"), medium-range ("MR") and long-range 1 ("LR1"). As of December 31, 2018, the fair value test for the SR, MR and LR1 CGUs was less than its carrying amount and thus an impairment loss has been recognized during the financial year ended December 31, 2018.

10 - Tangible Assets

(in thousands of U.S. dollars)	**Vessels**	**Dry dock**	**Vessels under construction**	**Total**
Cost				
Balance at January 1, 2017	1,044,162	31,018	42,893	1,118,073
Additions	295	6,208	71,370	77,873
Transfers	111,863	2,400	(114,263)	-
Disposals	-	(2,752)	-	(2,752)
Cost at December 31, 2017	**1,156,320**	**36,874**	**-**	**1,193,194**
Accumulated depreciation				
Balance at January 1, 2017	(101,411)	(10,293)	-	(111,704)
Depreciation	(45,913)	(7,108)	-	(53,021)
Disposals	-	2,752	-	2,752
Accumulated depreciation at December 31, 2017	**(147,324)**	**(14,649)**	**-**	**(161,973)**
Carrying amount at December 31, 2017	**1,008,996**	**22,225**	**-**	**1,031,221**
Cost				
Balance at January 1, 2018	1,156,320	36,874	-	1,193,194
Additions	4,199	3,844	-	8,043
Transfers	-	-	-	-
Disposals	-	(2,225)	-	(2,225)
Cost at December 31 2018	**1,160,519**	**38,493**	**-**	**1,199,012**
Accumulated depreciation				
Balance at January 1, 2018	(147,324)	(14,649)	-	(161,973)
Depreciation	(46,595)	(7,659)	-	(54,254)
Disposals	-	2,225	-	2,225
Accumulated depreciation at December 31, 2018	**(193,919)**	**(20,083)**	**-**	**(214,002)**
Impairment				
Balance at January 1, 2018	-	-	-	-
Impairment loss recognised	(132,274)	(2,566)	-	(134,840)
Accumulated impairment at December 31, 2018	**(132,274)**	**(2,566)**	**-**	**(134,840)**
Carrying amount at December 31, 2018	**834,326**	**15,844**	**-**	**850,170**

Vessels are pledged to secure the bank loans of the Group.

In accordance with IAS 36 Impairment of Assets, the Company has determined its cash-generating units (CGUs) based on the vessel classes, namely SR, MR and LR1. As of December 31, 2018, the fair value less cost to sell of the SR, MR and LR1 vessels were less than their carrying amounts and accordingly, an impairment loss has been recognized during the financial year ended December 31, 2018.

As of December 31, 2018, the Group had 6 vessels under construction through its 50:50 participation in a Joint Venture, with expected delivery in 2019 and 2020.

11 - Interests in Associates

Financial information of Hafnia Management A/S

The Group, through its wholly owned subsidiary Hafnia Tankers ApS, has a 40% interest in Hafnia Management A/S and through its wholly owned subsidiary Hafnia Tankers Singapore Pte. Ltd. a 20% interest in K/S Straits Tankers.

Hafnia Management A/S has a 100% interest in Hafnia MR Pool Management ApS that commercially operates the Hafnia MR pool, a 100% interest in Hafnia Handy Pool Management ApS (previously owned 40% directly by Hafnia Tankers ApS), that commercially operates the Hafnia SR pool, a 100% interest in the Hafnia Bunkers ApS company, that is in charge for bunkering purchases for above stated pools. Hafnia Management A/S also has a 60% interest in K/S Straits Tankers.

K/S Straits Tankers has a 50% interest in Straits Tankers Pte. Ltd. that commercially operates the LR1 pool.

The remaining 60% of Hafnia Management A/S and the remaining 20% of K/S Straits Tankers is owned by other vessel owners participating in the pools. The Group accounts for its investment in Hafnia Management A/S and K/S Straits Tankers under the equity method.

The profit for the year and other financial information according to the latest financial statements for Hafnia Management A/S is shown below for the years ended December 31, 2018 and 2017:

	Hafnia Management A/S, Hellerup Denmark	
	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Gross profit	8,827	6,793
Profit for the year after tax	736	766
Dividends paid out	-	-
Non-current assets	178	1,007
Cash and cash equivalents	3,365	2,910
Other current assets	4,627	3,613
Current liabilities	(3,609)	(3,790)
Equity	4,561	3,740

A reconciliation of the above summarized information to the carrying amount of the interest and the share of the associated profit in the consolidated financial statements is presented in the tables below.

	Hafnia Management A/S, Hellerup Denmark	
	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Share of equity	1,825	1,496
Acquired goodwill	600	600
Acquired customer relationships	-	89
	2,425	**2,185**
	(in thousands of U.S. dollars)	
Share of profit for the year after tax	295	306
Amortization of acquired customer relationsh	(89)	(48)
	206	**258**

The above table shows the assets which comprise interests in the associate. The Group's share of the net assets is 40%. At the acquisition date, a purchase price allocation was performed in order to allocate the difference between the carrying value and fair value of the net assets acquired. The positive difference between the cost of the investment in Hafnia Management A/S and the Group's share of the net fair value of Hafnia Management A/S's identifiable assets and liabilities is accounted for as notional goodwill, which is included within the carrying amount of the investment. Customer relationships are amortized on a straight-line basis over six years.

Financial information of K/S Straits Tankers

	K/S Straits Tankers	
	2018	**2017**
	(in thousands of U.S. dollars)	
Gross loss	(3)	(3)
Loss for the period after tax	(3)	(3)
Dividends paid out	455	470
Non-current assets	356	463
Cash and cash equivalents	1	-
Other current assets	-	1
Current liabilities	365	362
Equity	(8)	102

	K/S Straits Tankers	
	2018	**2017**
	(in thousands of U.S. dollars)	
Share of Equity	64	20
	64	**20**
	(in thousands of U.S. dollars)	
Share of (loss) for the year after tax	(12)	(12)
Dividend received	455	470
	443	**458**

12 - Interest in a Joint Venture

	As of December 31 2018
Cost of investment in a joint venture	-*
Share of loss, net dividend received	-*
	-*

**Amount less than USD 1,000*

	Vista Shipping Ltd. 2018
Gross profit	-
Profit for the period after tax	(212)
Non-current assets	23,765
Cash and cash equivalents	193
Total liabilities	(24,418)
Equity	460

	Vista Shipping Ltd. 2018
	(in thousands of U.S. dollars)
Share of equity	230
	230

	(in thousands of U.S. dollars)
Share of (loss) for the year after tax	(106)
	(106)

13 - Subsidiaries

Information about the composition of the Group is included in the following table:

Name	Registered office	Ownership as of December 31 2018	2017
		(pct.)	
Hafnia Tankers Ltd.	Marshall Islands		
Hafnia Tankers LLC	Marshall Islands	64.9	64.9
Hafnia Tankers Marshall Islands LLC	Marshall Islands	100.0	100.0
Hafnia Tankers Singapore Gamma Pte. Ltd.	Singapore	100.0	100.0
Hafnia Tankers Singapore Holding Pte. Ltd.	Singapore	100.0	100.0
Hafnia Tankers Singapore Sub-Holding Pte. Ltd.	Singapore	100.0	100.0
Hafnia Tankers Shipholding Beta Pte. Ltd.	Singapore	100.0	100.0
Hafnia Tankers ApS	Denmark	100.0	100.0
Hafnia Tankers Shipholding Denmark 1 ApS	Denmark	100.0	100.0
Hafnia Tankers Shipholding Alpha Pte. Ltd.	Singapore	100.0	100.0
Hafnia Tankers Singapore Pte Ltd.	Singapore	100.0	100.0
Hafnia Tankers Shipholding Singapore Pte Ltd.	Singapore	100.0	100.0
Hafnia Tankers Shipholding 2 Singapore Pte Ltd.	Singapore	100.0	100.0
Hafnia Tankers Chartering Singapore Pte Ltd.	Singapore	100.0	100.0
Hafnia Tankers Services Singapore Pte Ltd.	Singapore	100.0	100.0
Hafnia Tankers International Chartering Inc.	Marshall Islands	100.0	100.0
Hafnia Tankers Malta Ltd. (under liquidation)	Malta	100.0	100.0
Hafnia Tankers Shipholding Malta Ltd. (under liquidation)	Malta	100.0	100.0
Hafnia Tankers Cyprus Limited (under liquidation)	Cyprus	100.0	100.0

All of the Group's operations are conducted through subsidiaries that are 100% owned by Hafnia Tankers Ltd.'s direct subsidiary, Hafnia Tankers LLC, a Marshall Islands limited liability company. Hafnia Tankers LLC's share capital consists of three classes of interests, the Class A Units, the Class B Units and the Class C Units. Each class of interest is economically equivalent. Hafnia Tankers Ltd. owns 100% of the Class A Units of Hafnia Tankers LLC and has a controlling financial interest in Hafnia Tankers LLC through its investment. The Class B and Class C Units are reflected as non-controlling interest in the consolidated financial statements. Based on the number of total units of Hafnia Tankers LLC outstanding as of December 31, 2018, the Company owns a 64.9% economic interest in Hafnia Tankers LLC.

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests (Hafnia Tankers LLC) is set out below. The summarized financial information below represents amounts before intercompany eliminations.

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Revenue	329,170	194,705
(Loss)/Profit	(176,307)	12,198
Total comprehensive	(176,062)	14,014
Current assets	122,504	132,035
Non-current assets	867,500	1,041,040
Current liabilities	(90,682)	(60,517)
Non-current liabilities	(491,208)	(497,443)

14 - Related party disclosure and ownership

BW Group controls Hafnia Tankers Ltd. through the right to designate the majority of its Board of Directors until an initial public offering occurs. BW Group and its affiliates, associates and joint ventures are therefore considered related parties. BW Group is ultimately controlled by the Sohmen-Pao family.

Also, shareholders with significant influence in Hafnia Tankers Ltd. and affiliates of shareholders with significant influence are considered to be related parties of the Group.

Other related parties include the key management personnel of the Group which consists of the Board of Directors and the executive management team. The executive management team of the Group consist of individuals who are directors and key management of Hafnia Tankers Ltd. and subsidiaries.

The Group's associate Hafnia Management A/S and their fully owned subsididaries Hafnia Handy Pool Management ApS, Hafnia MR Pool Management ApS and Hafnia Bunkers ApS are considered to be related parties. The Group's associate K/S Straits Tankers is also considered to be a related party.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year, entities within the Group entered into the following transactions with related parties who are not part of the Group:

	For the years ended December 31			
	2018	2017	2018	2017
	(in thousands of U.S. dollars)			
	Sale of services		Purchase of services	
Hafnia Handy Pool Management ApS	-	-	-	-
Hafnia Management A/S	58	69	210	231
	Amounts owed by related parties		Amounts owed to related parties	
Hafnia Handy Pool Management ApS	-	-	-	-
Hafnia Management A/S	-	-	8,530	1,000

Purchase of services primarily consists of fees for services rendered. Amounts owed by related parties primarily consists of deposit of working capital to the pools (see note 5) and accounts receivable from the pools (see note 6).

Key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	For the years ended December 31	
	2018	2017
	(in thousands of U.S. dollars)	
Short-term employee benefits (salaries)	1,629	1,714
Contributions to defined contribution	68	90
Share-based compensation	1,741	1,209
	3,438	**3,013**

Key management personnel have termination conditions with 19-30 months of severance pay totaling USD 1,990 (2017: USD 2,175).

15 - Tax

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Tonnage taxes	(92)	(104)
Other taxes	(243)	(105)
	(335)	**(209)**

The Group's shipping activities are generally taxed under tonnage based tax schemes. In 2018, the Group's income was primarily generated by Hafnia Tankers Singapore, which is subject to the tax rules of Singapore, Hafnia Tankers Malta, which is subject to tax rules of Malta and Hafnia Tankers ApS and Hafnia Tankers Shipholding Denmark 1, which are subject to the tax rules of Denmark.

The Group's non-shipping activities are subject to corporate income tax.

The Group has recognized a deferred tax asset. The deferred tax asset consists of losses carried forward that can be deducted against future earnings in Denmark, including the Danish tonnage tax. As of December 31, 2018, USD 36 of the deferred tax asset remains.

16 - Bank Loans

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Current portion	43,881	48,951
Non-current portion	395,782	485,254
Carrying amount	**439,663**	**534,205**

We consider that the carrying amount of the bank loans to approximate their fair value due to the interest rates being at floating rates.

Summary of borrowing arrangements

During the year ended 31, December 2018 the Group repaid USD 31,950 as part of Sale and Leaseback transactions for 2 LR1 vessels. Subsequently the group has entirely repaid its senior credit facility of USD 86,000, that was associated with the Vessels.

Furthermore the Group paid installments amounting to USD 46,878 in total across the Group's outstanding loans. The Carrying amount as of December 31, 2018 has a non-cash impact related to amortization of financing fees across the Group's loan facilities, amounting to USD 3,636.

Summary of borrowing arrangements
The outstanding amounts, drawn to finance vessels and secured by first priority mortgage on vessels are subject to the following significant financial covenants:

- Working Capital above zero
- A minimum liquidity above USD 10,000 and above 5% of total debt
- Equity above USD 100,000 and above 30% of the total assets

The Group was fully compliant with all loan covenants at December 31, 2018.

The Group is subject to a minimum security value clause under which the vessel values must not exceed a percentage of the debt. The Group was fully compliant with this clause at December 31, 2018.

Below tables summarize the significant terms of the bank loans:

2018	Average nominal interest rate	Carrying amount
		(in thousands of U.S. dollars)
Bank loans		
Floating rate debt	3.66%	439,663
Total bank loans		**439,663**

2017	Average nominal interest rate	Carrying amount
		(in thousands of U.S. dollars)
Bank loans		
Floating rate debt	3.17%	534,205
Total bank loans		**534,205**

The following table summarizes the current contractual maturities of the Group's bank loans and presents the total principal amount based on the earliest date on which the Group can be required to pay.

As of December 31, 2018	<1 year	1-5 years	>5 years	Total
(in thousands of U.S. dollars)				
Bank loans	43,881	395,782	-	**439,663**

As of December 31, 2017	<1 year	1-5 years	>5 years	Total
(in thousands of U.S. dollars)				
Bank loans	48,951	298,934	186,320	**534,205**

17 - Accounts payable

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Accounts payable	6,872	4,547
Voyage payables	13,826	13,151
	20,698	**17,698**

The majority of accounts payable are settled with a cash payment within 60 days. No interest is charged on accounts payable. The Group considers that the carrying amount of accounts payable approximates their fair value.

18 - Accrued expenses

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Suppliers	5,949	4,259
Salary related expenses	1,484	766
Interest on bank loans	2,333	2,160
Other	440	466
	10,206	**7,651**

19 - Common Shares

Hafnia Tankers Ltd.'s share capital consists of two classes of interests, common shares and preferred shares.

	As of December 31, 2018		
	Number of shares	Share capital	Additional paid in capital
		(in thousands of U.S. dollars)	
Common shares (200,000,000 shares authorized)	33,945,909	339	354,470
Preferred shares (50,000,000 shares authorized)	18,191,712	-	-
	52,137,621	**339**	**354,470**

The following table shows the number of shares outstanding during the period:

	2018	**2017**
Common shares		
Balance at January 1	33,945,909	33,945,909
Share capital increase	-	-
	33,945,909	**33,945,909**
Preferred shares		
Balance at January 1	18,191,712	18,191,712
Share capital increase	-	-
	18,191,712	**18,191,712**

Common Shares

Each common share, par value USD 0.01 per share, entitles the holder to one vote on all matters submitted to a vote of the Company's shareholders. Holders of common shares vote along with the holders of Series A Voting Preferred Stock on all such matters (see below for special voting rights of the Series A Voting Preferred Stock). Holders of common shares do not have conversion, redemption or preemptive rights to subscribe for any of the Company's securities. As of December 31, 2018, 37,096 of our common shares are being held as treasury shares.

Preferred Shares

The Series A Voting Preferred Stock has de minimis economic value and entitles its holders to vote along with the holders of the Company's common shares on all matters brought before the shareholders of the Company. In addition, the holders of the Series A Voting Preferred Stock may have limited special voting rights, including the right to appoint prior to an initial public offering of the Company's shares, a majority of the directors of the Company and, following such initial public offering, two directors of the Company. The consent of at least two-thirds of the holders of Series A Voting Preferred Stock is required for certain Company actions, such as the acquisition or disposition of material assets or the operation or ownership of any business other than Hafnia Tankers LLC.

20 - Revenue

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Voyage income	318,268	291,612
Pool model adjustment	(2,264)	2,916
Time charter revenue	12,686	18,614
Other	481	523
	329,170	**313,664**

The following table depicts committed time charter revenue as of December 31, 2018 that will be recognized in future periods, assuming no off-hire days:

Minimum time charter revenue	Contract end	Days	Rate	Total
			(in thousands of U.S. dollars)	
Vessel 1	9/14/2021	988	17.8	17,537
Vessel 2	8/29/2021	972	17.8	17,253
				34,790

Information About Major Customers

No single customer contributed 10% or more to the Groups revenue in 2018 or 2017.

21 - Voyage Expenses

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Voyage expenses	(153,202)	(124,427)
Pool model adjustment	1,804	(1,952)
	(151,398)	**(126,378)**

22 - Vessel Operating Cost

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Crew related expenses	(50,038)	(50,621)
Insurance	(4,321)	(4,998)
Stores	(3,801)	(3,299)
Spare parts and repairs	(12,960)	(10,036)
Food supplies	(2,570)	(2,508)
Lubricants, paints and chemicals	(4,521)	(3,887)
Other vessel operating costs	(6,859)	(7,422)
	(85,070)	**(82,771)**

23 - Charter hire

The table below shows the Group's time chartered-in vessel commitments as of December 31, 2018, assuming no off-hire days:

Type	Delivery	Earliest re-delivery	Optional extension period	Subject to profit split	Purchase option
MR	6/13/2017	5/14/2025	2 years	No	Yes
MR	7/11/2017	6/11/2025	2 years	No	Yes
LR1	9/9/2012	8/29/2018	No	No	No
LR1	6/15/2018	6/15/2019	No	No	No

The cost of Charter Hire recognized as expense in 2018 was USD 25,263 (2017: USD 23,931).

	Minimum charter hire
Year	*(in thousands of U.S. dollars)*
2019	16,655
2020	12,227
2021	11,607
2022	11,607
2023	11,607
2024	11,639
2025	4,706
2026	-
Total as of December 31, 2018	**80,049**
Total as of December 31, 2017	119,291

24 - General and Administrative Expenses

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Wages and salaries	(3,915)	(3,401)
Outsourced functions	(900)	(490)
Contributions to defined contribution plans	(193)	(198)
Other social security costs	(37)	(16)
Other administrative costs	(1,104)	(913)
Auditors, consultants and legal fees	(5,342)	(1,280)
	(11,491)	**(6,298)**
Share based compensation (non-cash)	(2,929)	(3,329)
	(2,929)	**(3,329)**
	(14,420)	**(9,627)**

25 - Financial expenses

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Interest on bank loans	(25,722)	(24,673)
Loss arising on interest rate cap designated as a cash flow hedge	(996)	(1,082)
Other finance costs	(4,698)	(575)
	(31,416)	**(26,330)**

Other finance costs primarily represent currency exchange losses.

26 - Financial income

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Other finance income	1,379	555
	1,379	**555**

Other financing income primarily represents currency exchange gains.

27 - Share-based compensation

During 2014, 2015 and 2017, the Group has established three share-based incentive programs. Under the first program 1,209,140 warrants were granted on August 11, 2014, and 1,090,860 warrants were granted on December 1, 2014. Under the second program 100,000 options were granted on December 1, 2014, 100,000 options were granted on November 1, 2015 and 100,000 options were granted on November 1, 2017. Under the third program 16,434 Restricted Share Units were granted on October 1, 2015, 17,857 Restricted Share Units were granted on March 17, 2017 and 873 Restricted Share Units were granted on December 14, 2017.

Warrant Program

The program comprises 13 tranches with various vesting conditions. The warrants vest at the latter of completion of a specified minimum service period and volume weighted average share price above a pre-defined share price as set out in the vesting schedule shown below, i.e. there is no predetermined vesting period provided that the employment has not ceased at this point in time. Under the terms of the warrant program, warrants are granted at an exercise price of USD 10.0.

The vesting conditions of the respective tranches

Number of warrants granted	Minimum service period to complete from November 1, 2013	Share price threshold
300,000	5 years	N/A
166,667	1 year	12.5 USD
166,667	2 years	12.5 USD
166,667	3 years	12.5 USD
166,667	1 year	16.0 USD
166,667	2 years	16.0 USD
166,667	3 years	16.0 USD
166,667	1 year	18.5 USD
166,667	2 years	18.5 USD
166,666	3 years	18.5 USD
166,666	1 year	40.0 USD
166,666	2 years	40.0 USD
166,666	3 years	40.0 USD
2,300,000		

The warrants can only be settled through delivery of shares, and the program is therefore classified as an equity award. The warrant program contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the warrants being exercised.

The weighted average remaining contractual life of the warrant program for the year ended December 31, 2018, was 2.87 years. There has been no exercises during the year. As of December 31, 2018, none of the warrants were exercisable.

Valuation of the Warrants

The fair value of the warrants, taking into account the share price condition, has been determined using a Monte Carlo valuation model. Each tranche has been valued individually subject to its unique combination of vesting conditions. Furhermore, the valuations have been done separately for each participant due to differences in expected exercise periods.

Due to the warrants being open-ended, the expected duration of the warrants has been estimated by applying an expected exercise threshold. The exercise threshold is assumed to renounce at the time of retirement due to a change in cash requirements and increased risk averseness, whereby vested awards will be exercised immediately provided they are in the money. Following retirement, remaining awards are assumed exercised simultaneously with vesting.

As a final cut-off point, the valuation model applies the file expectancy of the participants, based on average life expectancies. The shares price applied in the valuation is based on a Net Asset Value (NAV). The estimated share prices represent a best estimate of the fair market value as at August 11, 2014 and December 1, 2014 respectively.

Estimated volatility is based on the median volatility in a peer group of comparable listed entities.

The valuations are based on the following main assumptions as of the grant date:

	For warrants granted on	
	December 1, 2014	**August 11, 2014**
Valuation assumptions:		
Share-price after dilution	10.41 USD	10.75 USD
Risk free interest rate	1.7-2.3%	1.6-2.6%
Expected volatility	39.9%	41.1%
Expected exercise threshold	80%	80%

The total fair value of the 2,300,000 warrants granted is estimated to be USD 13,074. The expense recognized in 2018 amounts to USD 1,607 (2017: USD 3,000). The Warrant Program has subsequently, in its entirity, been settled.

Option Program

The option program comprises 12 tranches with various vesting conditions. The options vest at the latter of completion of a specified minimum service period and volume weighted average share price above a defined share price as set out in the vesting schedule shown below. The options expires at the end of a 3-year exercise period afther the options have vested. Options are granted at an exercise price of USD 10 or USD final offer price per share when the Company's shares become listed, if higher. The options were in their entirity settled during the financial year ended 31, December 2018.

Restricted Share Unit Program

The Restricted Share Units granted in 2015 and 2016 vest after the completion of a three year minimum service period. The Restricted Share Units can be settled through delivery of shares or with cash or part cash and part shares. The settlement in either shares, cash or a combination is solely decided by the Group and the program is therefore classified as an equity award. The Restricted Share Unit progrm contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the Restricted Share Units vesting.

The weighted average remaining contractual life of the Restricted Share Unites Granted in 2015 is 1,75 years.

The weighted average remaining contractual life of the Restricted Share Units Granted in 2016 is 2.34 years.

Restricted Share Units amounting to 18,466 were settled in the financial year ended 31, December 2018

Valuation of the Restricted Share Units

The total fair value of the 12,949 Restricted Share Units granted on October 1, 2015 is estimated to be USD 158.

The expense recognized in 2018 amounts to USD 87 (2017: USD 117). For the year ended December 31, 2018, 12,949 Restricted Share Units are outstanding.

28 - (Loss) / Earnings Per Share

	For the years ended December 31	
	2018	**2017**
(Loss) / profit for the year (USD thousand)	(176,307)	(11,565)
Consolidated (loss) / profit attributable to non-controlling interests (USD thousands)	(61,866)	(4,058)
(Loss) / profit attributable to equity holders of the parent (USD thousand)	(114,441)	(7,507)
Weighted average number of shares (in thousands)	33,946	33,946
Diluted weighted average number of shares in issue (in thousands)	33,946	33,946
(Loss) / earnings per share (USD)	**(3.37)**	**(0.22)**
Diluted (loss) / earnings per share (USD)	**(3.37)**	**(0.22)**

During the financial year ended December 31, 2018 the Class B Units and the Class C Units, which include 18,191,712 and 162,911 respectively (December 31, 2017: 18,191,712 Class B Units and 162,911 Class C Units), have not had a dilutive effect. The Class B Units and the Class C Units are exchangeable on a one-for-one basis for the Company's common shares. The Class B Units and the Class C Units are considered in computing diluted profit or loss per share on an "if-converted" basis. As of December 31, 2018, a total of 2,300,000 warrants, 300,000 options and 35,164 Restricted Stock Units with no dilutive effect has been granted to employees (December 31, 2017: 2,300,000 warrants, 300,000 options and 35,164 Restricted Stock Units). The warrant and options have not had a dilutive effect in 2018 as they are not in the money.

29 - Financial Risks and Financial Instruments

We have identified below the main risk categories in which the Group's activities can be categorized under:

- Operational risks
- Liquidity risk
- Interest risk
- Foreign currency risk
- Credit risk

Operational Risks

Freight Rate

The Group's activities expose it to price risk associated with changes in the freight rate. The daily freight rate (the spot rate) measured in USD per day, has historically been very volatile. The volatility influences day-to-day operations in following ways:

- When rates are low the Group sees it as an opportunity to increase market exposure, and
- When rates are high the Group will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

In addition, the Group trades its spot exposed vessels in different pools that reduces the sensitivity to freight rate volatility by economies of scale and optimization of the fleet's geographical position.

The following table reflects the Group's sensitivity to change in daily freight rates of USD 1,000 per day:

Sensitivity to a change in freight rates of USD 1,000 per day

	2018	**2017**
	(in thousands of U.S. dollars)	
Change in net Income / Loss	15,049	13,357
Change in Equity	15,049	13,357

Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet the financial obligations as they fall due. The Group manages the liquidity risk by maintaining adequate reserves and borrowing facilities and by continously monitoring forecast and actual cash flows. The Group does not have significant liquidity risk as cash and other current assets exceed short term liabilities significantly as of December 31, 2018.

The following table details the Group's contractual maturities of its financial liabilities. The table has been prepared based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both estimated interest and principal cash out flows. Variable future interest payments were determined based on an average LIBOR plus the margins applicable to the Group's loans at the end of each year presented.

2018	Weighted average interest rate	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
			(in thousands of U.S. dollars)				
Variable interest bearing	3.66%	448,193	522,133	74,855	64,092	383,186	-
Acounts payable, non-interest bearing	-	6,872	6,872	6,872	-	-	-
Accrued expenses and other payables *	-	7,433	7,433	7,433	-	-	-
		462,498	**536,438**	**89,160**	**64,092**	**383,186**	**-**

2017	Weighted average interest rate	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
			(in thousands of U.S. dollars)				
Variable interest bearing	3.17%	534,205	619,190	70,614	68,675	291,739	188,162
Shareholder loan, non-interest bearing	-	4,547	4,547	4,547	-	-	-
Accrued expenses and other payables*	-	5,025	5,025	5,025	-	-	-
		543,777	**628,762**	**80,186**	**68,675**	**291,739**	**188,162**

* Accrued interest is part of "Accrued expenses" in note 18, however in the above table "Accrued expenses" are included in "variable interest bearing".

2017 Contractual cash flows over time has been updated due to an erroneous presentation in the 2017 financial statement, caused by a missing update. The changes has no efftect on the carrying amount liability as of 31, December 2017.

As at December 31, 2018, the Group had zero available borrowing capacity unders its credit facilities (2017: USD 67,243). As at December 31, 2018, the Group had no undrawn facilities (2017: USD 2,400).

Interest Rate Risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its borrowings. Financial instruments issued at variable rates expose the Group to cash flow interest rate risk. Financial instruments issued at fixed rates expose the Group to fair value interest rate risk.

At the reporting date the interest rate profile of interest bearing financial instruments was:

	2018	2017
Variable rate instruments	*(in thousands of U.S. dollars)*	
Bank loans	439,663	534,205
	439,663	**534,205**

Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting year. The analysis is prepared assuming the amount of long-term bank borrowings and liabilities outstanding at the statement of financial position date were outstanding for the whole year.

An increase of 100 basis points in interest rates at year end would (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables remain constant including no fair value changes on our cash flow hedges.

	2018	2017
	(in thousands of U.S. dollars)	
Bank loans	(4,397)	(5,342)
	(4,397)	**(5,342)**

The board of directors has adopted a Risk Management Policy for interest rate exposure. The objective of Hafnia's interest rate policy is to enable Hafnia to achieve a high level of certainty that any adverse movements in interest rates will not affect the Groups cash flow, while still allowing the Group to benefit from the current low interest rate market.

The Groups interest rate risk is hedged in accordane with the following targets:

- Up to 75 per cent of the Group's total debt shall be hedged
- The duration of the Group's total hedge, shall reflect the combined Group loans
- The tenors of the hedges shall not exceed the tenors of the combinded Group loans

See note 30 for further information on hedge.

Foreign Currency Risk

The Group’s operating cash inflows are substantially derived from its shipping activities, which are almost entirely priced in US dollars whilst costs are also mostly in US dollars, thus creating a natural hedge. The Group’s general and administrative costs are mainly incurred in Euro. These expenses are susceptible to foreign currency movements between USD and the Euro. However, we do not expect the impact of any fluctuations in foreign currency to be material. An insignificant part of the Group’s transactions in Hafnia Tankers ApS will be subject to exposure to foreign currency risk related to Danish Kroner (“DKK”).

Credit Risks

Credit risk primarily refers to the risk that a pool member or a customer default on its obligations resulting in a financial loss for the Group. The Group has not experienced any losses in 2018. The Group focuses on choosing pools with a solid reputation and a history of distributing revenue on a predictable basis.

The credit risk on liquid funds is limited as the banks used have a high credit rating (minimum a long-term A) assigned by international credit rating agencies.

Capital Structure

The capital structure of the Group is reviewed on an ongoing basis to ensure that the capital structure is in alignment with the strategic ambition of an increased fleet. The Group expects to continue to finance vessel acquisition through a combination of traditional vessel financing and equity raises.

Categories of Financial Instruments

	As of December 31	
	2018	**2017**
Financial assets	*(in thousands of U.S. dollars)*	
Cash and cash equivalents	33,536	48,127
Receivables	76,546	39,354
Financial liabilities		
Bank loans	439,663	534,205
Financial liabilities measured at amortised cost	31,149	13,548
Derivative instruments in designated hedge accounting relationships	2,816	639

30 - Hedging

As all of the Groups debt has variable interest rates, the Group is exposed to fluctuations in interest rates.

Therefore , in order to protect the Group from significant increases in interest rates, the Group has entered into several interest rate caps with a strike of 3% against the three months Libor rate. The interest rate caps has a notional amount of USD 300,000 (representing 50% of peak debt) with the last cap expiring in 2023.

The underlying risk of the interest rate cap is the three months Libor, which is identical to the hedged risk component (i.e. the variable interest rate on the debt).

The hedge ratio of the hedging relationship was determined based on the policy to hedge up to 75% of the exposure at the time the hedge was established, and on the fact that Management believe that there is some correlation between freight rates and interest rates.

The Group does not consider the hedge relationship to include sources of inefficiency, as there is no difference in interest rate benchmark, or credit risk between the interest rate cap and the debt, the nominal amount of the hedging instrument represents 50% of the exposure, and hence there is no risk of over hedging, and the term of the hedging instrument does no exceed the term of the loans.

The Group pays quarterly interests on the interest rate cap. The fair market value of the total hedging agreements as of December 31, 2018 was a liability of USD 2,816. The fair market value of the hedging agreement is comprised of discounted premiums, a liability of USD 5,097, and the value of the hedging instruments, USD 2,280.

The impact of the hedging instruments designated in a hedging relationship as of December 31, 2018 on the statement of financial position of the Group is, as follows:

Cash flow hedges *(in thousands of U.S. dollars)*	Notional amount	Carrying amount	Line in the statement of financial position	Change in fair value used to measure ineffectiveness
Interest rate risk:				
Pay fixed / receive variable interest rate cap with a strike of 3%	300,000	(2,816)	Derivatives	-

The impact of the hedged items designated in a hedging relationship as of December 31, 2018 on the statement of financial position of the Group is, as follows:

Cash flow hedges *(in thousands of U.S. dollars)*	Change in fair value used to ineffectiveness	Cash flow hedge reserve
Interest rate risk:		
Forecast interest rate payments	-	(2,816)

The above hedging relationships affected profit or loss and other comprehensive income, as follows:

Cash flow hedges	Hedging gain or loss recognized in Other Comprehensive Income	Ineffectiveness recognized in profit or loss	Line item in the statement of profit or loss	Amount reclassified from Other Comprehensive Income to profit or loss	Line item in the statement of profit or loss
Interest rate risk:					
Forecast interest rate payments	(751)	-	N/A	(996)	Financial expenses

31 - Finance lease

2018	**Lease liability**	**<1 year**	**1-5 years**	**>5 years**
		(in thousands of U.S. dollars)		
LR1 Leaseback				
Minimum lease payments due	112,901	9,569	52,295	51,037
Future finance charges	(16,476)			
	96,425	**9,569**	**52,295**	**51,037**
Finance lease liability, current portion	5,911			
Finance lease liability, non-current portion	90,514			
	96,425			

32 - Fair value measurement

Except for the hedge agreements entered into in the second quarter of 2015 and the first quarter of 2017, no assets or liabilities are measured at fair value after initial recognition, and the carrying values of financial instruments approximate their respective fair values. Therefore, no additional disclosure related to fair value measurement has been provided in these financial statements.

33 - Subsequent events

Except for the below, there has not been any significant events after the balance sheet date at December 31, 2018.

The Group has paid Installments through its commitment and participation in a Joint Venture of USD 30,000. The Group took delivery of 2 LR1 vessels trough its 50:50 participation in a Joint Venture in Q1 2019.

Effective 16, January 2019 Hafnia Tankers Ltd. and BW Tankers Limited concluded a merger and the combined surviving entity was subsequently registered as Hafnia Limited.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors on March 21, 2019.

APPENDIX F

CONSOLIDATED FINANCIAL STATEMENTS FOR HAFNIA TANKERS LIMITED AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

Hafnia Tankers Ltd.

Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

Statement by Management on the Consolidated Financial Statements

The Board of Directors have today, March 21, 2018, discussed and approved the Consolidated financial statements of Hafnia Tankers Ltd. and subsidiaries (the "Group") for the financial years 2017 and 2016.

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

It is our opinion that the Consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2017 and 2016 and of the results of the Group's operations and cash flows for the financial years January 1–December 31, 2017 and 2016.

Board of Directors

Erik Bartnes	Peter Stokes	Jesper Kjaedegaard
Robert Jordan	Jasvinder Khaira	Ted Kalborg
Octavian Popescu	Greg Geiling	

Report of independent registered public accounting firm

To the Shareholders and Board of Directors of Hafnia Tankers Ltd.
Majuro, Marshall Islands

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hafnia Tankers Ltd. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of profit and loss, comprehensive income, changes in equity and cash flow for each of the two years in the period ended December 31, 2017 and 2016, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017 and 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Copenhagen, Denmark
/s/ Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56

/s/ Henrik Kjelgaard
State Authorised
Public Accountant
March 21, 2018

We have served as the Company's auditor since 2013.

Hafnia Tankers Ltd.
Consolidated Balance Sheet

	Note	As of December 31 2017	As of December 31 2016
		(in thousands of U.S. dollars)	
ASSETS			
Current assets			
Cash and cash equivalents	3	48,127	95,488
Accounts receivable	4	21,724	9,960
Prepaid expenses and other receivables	5	8,712	10,605
Inventories	6	4,899	4,484
Total current assets		**83,462**	**120,537**
Non-current assets			
Vessels and dry dock	8	1,031,221	963,476
Vessels under construction	8	-	42,893
Goodwill	7	6,003	6,003
Sale and leaseback - initial direct costs		297	-
Time charters acquired	7	-	405
Contract values vessels under construction	7	-	230
Interests in associates	9	2,205	1,940
Loans receivables		1,850	-
Pool working capital deposit	12	31,200	26,000
Deferred tax		58	93
Total non-current assets		**1,072,834**	**1,041,040**
Total assets		**1,156,296**	**1,161,577**
LIABILITIES & EQUITY			
Current liabilities			
Bank loans	14	48,951	47,713
Accounts payable	15	4,547	1,733
Accrued expenses and other payables	16	7,651	9,822
Finance lease liability	28	1,479	-
Deferred revenue		1,101	1,212
Short-term debt to associates		1,000	-
Tax payable		51	47
Total current liabilities		**64,780**	**60,527**
Non-current liabilities			
Bank loans	14	485,254	496,804
Derivatives	27	3,061	639
Finance lease liability	28	24,013	-
Total non-current liabilities		**512,328**	**497,443**
Total liabilities		**577,108**	**557,970**
Shareholders' equity			
Issued, authorized and paid in share capital			
Share capital		339	339
Additional paid in capital	17	352,423	352,423
Treasury shares		(14,038)	(258)
Accumulated profits		37,359	42,705
Cash flow hedging reserve		(2,033)	(473)
Translation reserve		(34)	(34)
Equity holders of the parent		374,016	394,702
Non-controlling interests		205,172	208,905
Total equity		**579,188**	**603,607**
Total liabilities and equity		**1,156,296**	**1,161,577**

Hafnia Tankers Ltd.
Consolidated Statement of Profit and Loss

	Note	For the years ended December 31 2017	2016
		(in thousands of U.S. dollars)	
Revenue			
Revenue	18	187,286	194,705
		187,286	**194,705**
Operating expenses			
Vessel operating costs	19	(81,939)	(71,740)
Technical management fee		(5,698)	(4,868)
Charter hire	20	(24,336)	(32,159)
Voyage expenses		(832)	(635)
Depreciation	8	(53,021)	(44,858)
General and administrative expenses	21	(9,627)	(11,927)
Total operating expenses		**(175,453)**	**(166,187)**
Other operating income			
Other operating income		1,870	4,937
Share of associates profit	9	716	918
		2,586	**5,855**
Operating profit		**14,419**	**34,373**
Financial expenses and income			
Financial expenses	22	(26,330)	(21,323)
Financial income	23	555	75
(Loss) / profit before tax		**(11,356)**	**13,125**
Taxes	13	(209)	(1,104)
(Loss) / profit for the year		**(11,565)**	**12,021**
Attributable to:			
Equity holders of the parent		(7,507)	7,803
Non-controlling interests		(4,058)	4,218
		(11,565)	**12,021**
(Loss) / Earnings per share attributable to equity holders of the parent:			
Basic (loss) / earnings per share (USD)	25	(0.22)	0.23
Diluted (loss) / earnings per share (USD)	25	(0.22)	0.23
Shares used in computing earnings per share attributable to equity holders of the parent:			
Basic (in thousands)	25	33,946	33,946
Diluted (in thousands)	25	33,946	33,977

Hafnia Tankers Ltd.
Consolidated Statement of Comprehensive Income

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
(Loss) / profit for the year	**(11,565)**	**12,021**
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit or (loss):		
Fair value (losses) on cash flow hedges	(3,504)	982
Reclassification to profit or (loss) related to cash flow hedges	1,082	1,081
Exchange differences on translating foreign operations	19	(70)
Other comprehensive (loss) / income after tax	**(2,403)**	**1,993**
Total comprehensive (loss) / income	**(13,968)**	**14,014**
Attributable to:		
Equity holders of the parent	(9,067)	9,096
Non-controlling interests	(4,901)	4,918
	(13,968)	**14,014**

Hafnia Tankers Ltd.
Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the parent								
(in thousands of U.S. dollars)	**Share capital nominal**	**Additional paid in capital**	**Accumulate profits**	**Treasury shares**	**Cash flow hedging reserve**	**Translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance as of January 1, 2016	339	351,743	53,077	(200)	(1,767)	(34)	403,158	213,445	616,603
Profit for the year	-	-	7,803	-	-	-	7,803	4,218	12,021
Other comprehensive (loss) for the year	-	-	-	-	1,294	-	1,294	699	1,993
Total comprehensive income	-	-	7,803	-	1,294	-	9,097	4,917	14,014
Write-off of prepaid costs relating to future share issuance	-	1,048	-	-	-	-	1,048	-	1,048
Purchase of treasury shares	-	-	-	(58)	-	-	(58)	-	(58)
Share-based compensation	-	-	2,947	-	-	-	2,947	-	2,947
Dividend paid	-	-	(30,947)	-	-	-	(30,947)	-	(30,947)
Reallocation of non-controlling interests	-	(368)	9,825	-	-	-	9,457	(9,457)	-
	-	680	(18,175)	(58)	-	-	(17,553)	(9,457)	(27,010)
Balance as of December 31, 2016	**339**	**352,423**	**42,705**	**(258)**	**(473)**	**(34)**	**394,702**	**208,905**	**603,607**
Balance as of January 1, 2017	339	352,423	42,705	(258)	(473)	(34)	394,702	208,905	603,607
Loss for the year	-	-	(7,507)	-	-	-	(7,507)	(4,058)	(11,565)
Other comprehensive (loss) for the year	-	-	-	-	(1,560)	-	(1,560)	(843)	(2,403)
Total comprehensive (loss)	-	-	(7,507)	-	(1,560)	-	(9,067)	(4,901)	(13,968)
Purchase of treasury shares	-	-	-	(13,780)	-	-	(13,780)	-	(13,780)
Share-based compensation	-	-	3,329	-	-	-	3,329	-	3,329
Reallocation of non-controlling interests	-	-	(1,168)	-	-	-	(1,168)	1,168	-
	-	-	2,161	(13,780)	-	-	(11,619)	1,168	(10,451)
Balance as of December 31, 2017	**339**	**352,423**	**37,359**	**(14,038)**	**(2,033)**	**(34)**	**374,016**	**205,172**	**579,188**

Hafnia Tankers Ltd.
Consolidated Statement of Cash Flow

	Note	For the year ended December 31 2017	2016
		(in thousands of U.S. dollars)	
Operating activities			
(Loss) / profit for the year		(11,565)	12,021
Depreciation	8	53,021	44,858
Amortization of time charters acquired	7	405	3,736
Share-based compensation		3,329	2,947
Write-off of prepaid cost relating to future share issuance		-	1,048
Financial expenses	22	26,330	21,323
Tax expense	13	209	1,104
Share of associates profit	9	(246)	2,102
		71,483	**89,139**
Changes in assets and liabilities:			
(Increase) / decrease in inventories	6	(415)	12
(Increase) / decrease in accounts receivable	4	(11,764)	2,955
(Increase) / decrease in prepaid expenses and other receivables	5	(2,240)	1,432
(Increase) in initial direct costs - finance lease		(297)	-
(Increase) in loans receivables		(1,850)	-
(Increase) in pool working capital deposit	12	(5,200)	(1,600)
Decrease in amortized financing fees		3,583	2,517
Increase / (decrease) in accounts payable	15	2,797	(1,678)
Increase in short-term debt to associates		1,000	-
(Decrease) in accrued expenses and other payables	16	(1,914)	(1,290)
(Decrease) / increase in deferred income		(111)	1,212
		(16,411)	**3,560**
Financial expenses paid		(26,587)	(22,472)
Taxes paid		(170)	(880)
Net cash inflow from operating activities		**28,315**	**69,347**
Investing activities			
Payments for vessels under construction		(71,140)	(99,033)
Payments for vessels including drydock		(6,503)	(6,507)
Net cash (outflow) from investing activities		**(77,643)**	**(105,540)**
Financing activities			
Bank loan repayment		(69,993)	(69,394)
Draw down on credit facility		60,375	113,717
Prepaid financing fee		(144)	(4,471)
Dividend paid		-	(30,947)
Increase / (decrease) in lease liability		25,492	-
Purchase of treasury shares		(13,780)	(58)
Net cash inflow from financing activities		**1,950**	**8,847**
Net cash flow from operating, investing and financing activities		**(47,378)**	**(27,346)**
Cash and cash equivalents at January 1	3	95,488	122,856
Effects of exchange rate changes on the balance of cash held in foreign currencies		17	(22)
Cash and cash equivalents at December 31	3	**48,127**	**95,488**

Consolidated Financial Statements

1 - General information

Hafnia Tankers Ltd. (the "Company") is a private limited company incorporated on October 15, 2013 in the Republic of the Marshall Islands.

The Company and its subsidiaries (together, the "Group") provide seaborne transportation of petroleum products worldwide.

The Company currently holds Class A Units representing approximately 64.9% of the outstanding membership interests of the Company's direct subsidiary Hafnia Tankers LLC, while the balance of Hafnia Tankers LLC's outstanding membership interests consists of exchangeable Class B and Class C Units held by existing investors representing an interest of approximately 34.8% and 0.3%, respectively, which are presented as non-controlling interests in the Company's financial statements.

2 - Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
• Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
• Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgments that affect the recognition and measurement of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported performance. Management bases its estimates and judgments on historical data and other assumptions and sources that are considered reasonable. Actual results could differ from those estimates and judgments. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group has identified the following significant accounting estimates and judgments used in the preparation of its consolidated financial statements.

Impairment of vessels and dry docks

The Group reviews its vessels including the dry dock component for impairment whenever events or circumstances indicate the carrying value of an asset, including the carrying value of the related time charter contract, if any, under which the vessel is employed, may not be recoverable. In the event of indication of impairment, the recoverable amount of the vessels, being the higher of value in use and fair value less cost to sell, is assessed. If the recoverable amount is estimated to be less than its carrying amount, the carrying value of the asset is written down to its recoverable amount. Fair value less cost to sell is estimated by use of independent broker valuations, and value in use is calculated as net present value of future cash flows to be derived from the vessels during their useful life. In determining the value in use calculation, certain assumptions relating to the estimates of future cash flows are more predictable by their nature, including estimated revenue under existing contract terms. Certain assumptions relating to the estimates of future cash flows require more discretion and are inherently less predictable, such as future charter rates beyond the firm period of existing contracts and vessel residual values, due to factors such as the volatility in vessel charter rates and vessel values.

Vessels and dry dock

The carrying value of each of the Group's vessels represents its original cost at the time it was delivered or purchased (except for vessels acquired in a business combination, which are measured at fair value at the date of acquisition) less depreciation and impairment. The vessels are depreciated to their residual value on a straight-line basis over their estimated useful lives, commencing at the date the vessels were originally delivered to the Group. The estimated useful life of the Group's vessels is 25 years from the date of the vessels' initial completion from the shipyard, which is consistent with industry practice for similar vessels. The estimated useful life of the vessels also takes into account design life, commercial considerations and regulatory restrictions.

The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton which has been estimated at USD 300 per ton. The estimated residual value of the vessels may not represent the market value at any one time since market prices of scrap values tend to fluctuate.

An increase in the estimated useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or residual value would have the effect of increasing the annual depreciation charge.

Dry dock costs are recognized as a separate component of each vessel's carrying amount and depreciated on a straight-line basis over the estimated period until the next dry dock.

The Group must periodically dry dock each of its vessels for inspection, repairs and any modifications. At the time of delivery of a vessel, an estimate of the dry docking component of the cost of the vessel is determined, representing estimated costs to be incurred during the first dry docking at the dry dock yard for a special survey and parts and supplies used in making required major repairs that meet the recognition criteria, based on the Group's historical experience with similar types of vessels. The Group only includes in deferred dry docking costs those direct costs that are incurred as part of the dry docking to meet regulatory requirements, or are expenditures that extend the economic life of the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs, hull preparation and painting, inspection of hull structure and mechanical components, steelworks, machinery works, and electrical works. Expenditures for normal maintenance and repairs are expensed as incurred.

Management uses judgment when estimating the period between dry dockings performed, which can result in adjustments to the estimated depreciation of the dry docking expense. If a vessel is disposed of before its next dry docking, the remaining balance of the deferred dry dock is written off and forms part of the gain or loss recognized upon disposal of vessels in the period when contracted. The Group expects that its vessels will be required to be dry docked approximately every 60 months where the vessels will be required to undergo special or intermediate surveys and be dry docked for major repairs and maintenance that cannot be performed while the vessels are operating.

The Group depreciates its estimated dry docking expenses for the first special survey over five years, but this estimate might be revised in the future.

Share-based compensation

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (warrants, options and Restricted Share Units) of the Group. The fair value of the employee services received in exchange for the grant of the warrants, options and Restricted Share Unit plans is recognized as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value at the grant date of the warrants and options granted including any market performance conditions such as a share-price trigger excluding the impact of any service vesting conditions, as the fair value of the services cannot be estimated reliably.

Service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified service vesting conditions are to be satisfied.

The determination of the grant date fair value of the warrants and options is affected by the estimated fair value of the Company's underlying shares, as well as assumptions regarding a number of other complex and subjective variables. The fair values of the Company's common shares underlying the share-based awards were estimated on each grant date based on a net asset value of the Company.

Significant Accounting Policies

Basis for segmentation

Each of the Group's vessels serve the same type of customer, have similar operations and maintenance requirements, operate in the same regulatory environment, and are subject to similar economic characteristics. Based on this, the Group has determined that it operates in one reportable segment, the international transportation of petroleum products with its fleet of vessels.

Further, as the operations are not limited to specific parts of the world, it is therefore not possible to provide geographical information on revenue and non-current assets.

Business combinations

Newly acquired entities are recognized in the financial statements on the acquisition date, which is the date on which control over the entity is transferred.

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities are measured at fair value at the acquisition date. The cost of a business combination is measured as the fair value of the consideration paid, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition costs are recognized in profit or loss as incurred.

Goodwill is recognized where the cost of the business combination exceeds the fair value of the acquired assets, liabilities and contingent liabilities.

Share-based payment

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (warrants, options and Restricted Share Units) of the Group. The fair value of the employee services received in exchange for the grant of the warrants, options and Restricted Share Unit plans is recognized as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value at the grant date of the warrants and options granted including any market performance

as the fair value of the services cannot be estimated reliably. Service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified service vesting conditions are to be satisfied.

Non-controlling interests

Non-controlling interests are measured initially at either their proportionate share of the acquiree's net assets at the acquisition date or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in other IFRS.

Changes in the Group's interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity-accounted investees

The Group's interest in equity accounted investees comprises associates.

Associates are those entities in which the Group has significant influence, but not control or joint control. Interest in associates are accounted for using the equity method from the date at which significant influence exists.

At initial recognition the investment is measured at cost, which includes transaction costs. On acquisition, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss, and other comprehensive income until the date on which significant influence ceases to exist.

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency at the exchange rate of the date when initially recognized. Gains and losses arising between the exchange rate of the transaction date and that of the settlement date are recognized in the income statement under financial income or financial expense.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates then prevailing. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in the statement of profit or loss under financial income or financial expense.

Revenue

Revenue is recognized when an agreement exists, the vessel is made available to the charterer or services are provided, the charter hire is determinable and collection of the related revenue is reasonably assured.

Time charter

The Group recognizes revenues from time charters daily over the term of the charter. The Group does not recognize revenue during days that the vessel is off-hire.

Participation in pools

Most of the Group's vessels participate in commercial pools in which other vessel owners with similar, high-quality, modern and well-maintained vessels also participate. Pools employ experienced commercial charterers and operators who have established relationships with customers and brokers, while technical management is arranged by each vessel owner. The managers of the pools negotiate charters with customers primarily in the spot market. The earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or Pool Points, which reflect comparative voyage results on hypothetical benchmark routes. The Pool Point system is generally weighted by attributes such as size, fuel consumption, class notation and other capabilities. Pool revenues are recognized when the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

Other operating income

Other operating income is recognized when an agreement exists, the amount is determinable and collection is reasonably assured.

Vessel operating costs

Vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses, are expensed as incurred. The procurement of these services is managed on behalf of the Group by the respective technical managers.

Technical management fee

Technical management fees are expensed as incurred.

General and administrative expenses

General and administrative expenses which include costs of auditors, salary, office expenses and external assistance are expensed as incurred.

Financial income and expense

Financial income and expense include interest income and expense, realized and unrealized exchange gains and losses and other financial income and expenses and are recognized as incurred on the accrual basis.

Vessels and dry dock

Vessels including the dry dock component are measured at cost less accumulated depreciation and accumulated impairment losses. The basis of depreciation is calculated as the excess of cost over the estimated residual value.

The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton which has been estimated at USD 300 per ton. The estimated residual value of the vessels may not represent the market value at any one time since market prices of scrap values tend to fluctuate. The basis for depreciation is allocated on a straight-line basis over the vessels expected useful life which is estimated to be 25 years.

The vessels are required to undergo planned dry docks for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 60 months depending on the nature of work and external requirements. These dry dock costs are capitalized as a component of the vessels and depreciated on a straight-line basis over the estimated period until the next dry dock. We only include in deferred dry docking those direct costs that are incurred as part of the dry docking to meet regulatory requirements, or are expenditures that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs as well as the costs of placing the vessel in the shipyard. Expenditures for normal maintenance and repairs are expensed as incurred.

For an acquired or newly built vessel, a notional dry dock is allocated from the vessel's cost. The notional dry dock cost is estimated by us, based on the expected costs related to the next dry dock, which is based on experience and past history of similar vessels, and is accounted as a separate component from the vessel component. Subsequent dry docks are recorded at actual cost incurred. The dry dock asset is depreciated on a straight-line basis to the next estimated dry dock. The estimated depreciation period for dry dock is based on the estimated period between dry docks. We estimate the period between dry docks to be 60 months. When the dry dock expenditure is incurred prior to the expiry of the period, the remaining balance is expensed.

Vessels under construction

Vessels under construction are measured at cost and include costs incurred that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs include installment payments made to the shipyards, professional fees and other costs deemed directly attributable to the construction of the asset.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the assets estimated useful lives, which for contract values vessels under construction and contract values undelivered vessels are the remaining term of the contracts. The estimated useful lives for favorable time charters acquired is the contracted period including optional extension periods, when there is evidence to support renewal by the entity without significant cost. The estimated useful life and amortization method are reviewed at the end of each annual reporting period taking into account any changes in assessment in the future.

Amortization is recognized in profit or loss unless the future economic benefits embodied in the intangible asset are absorbed in producing other assets, in which case, the amortization charge constitutes part of the cost of the other asset and is included in its carrying amount.

Impairment of tangible and intangible assets other than goodwill

Other intangible and tangible assets are tested for impairment at each balance sheet date if there are any indications that those assets have suffered an impairment loss. If any impairment indications exist for other intangible or tangible assets, the recoverable amount of the asset is estimated in order to determine the extent of a potential impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount.

Any impairment loss is recognized as an expense immediately. Where an impairment loss for other intangible and tangible assets subsequently reverses the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventory

Lubricating oils and other inventories are stated at the lower of cost and net realizable value. Cost is determined using the first in first out method.

Receivables

Amounts due from the pools and other receivables that have fixed or determinable payments are classified as accounts receivable. Accounts receivable are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value less provision for bad debts.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Prepaid expenses and other receivables

Prepaid expenses include payments relating to goods or services that are made in advance of when the related goods or services will be incurred. The main prepaid expenses are related to technical management, where it is common practice to pay in advance, and prepaid financing fees. Other receivables are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value.

Other assets

Other assets include deposits of working capital to pools. Other assets are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash and cash equivalents are measured at the nominal amounts.

Bank loans

Bank loans are initially recognized at fair value, which is normally equal to the proceeds received, less directly attributable transaction costs. Subsequently, bank loans are measured at amortized cost using the effective interest rate method, such that the difference between the proceeds and the redemption value is recognized in the income statement over the life of the loan.

Accounts payable and other payable

Trade payables are initially measured at fair value and subsequently at amortized cost.

Deferred income

Deferred income includes prepayments received relating to income in periods after the balance sheet date. Deferred income is measured at cost.

Tax

The Group's shipping activities are generally taxed under a tonnage based tax scheme. The Group participates in the tonnage tax scheme in Singapore, Cyprus, Denmark and Malta. Under the tonnage tax scheme, the Group's applicable tonnage tax expense and liability is estimated based on the weight (measured in tonnage) of the vessels and the number of days during the year that the vessels are at the Group's disposal, excluding time for repairs. No deductions, including depreciation of the vessels, are included when calculating tonnage tax payable. As the tonnage tax is not accounted for as an income tax and the Group intends to continue to remain under the scheme for the foreseeable future, no deferred tax assets and liabilities are recognized in relation to its shipping activities.

The subsidiary Hafnia Tankers ApS is subject to corporate income tax, and has a balance of tax losses that may be carried forward as deductions in future earnings in Denmark, including the Danish tonnage tax, for which a deferred tax asset has been recognized.

Tonnage taxes are presented within Taxes in the Statement of Profit and Loss.

Lease arrangements

The Group may enter into either time charter or bareboat arrangements. In a time charter arrangement the vessel's owner is responsible for crewing and other vessel operating costs whereas in a bareboat arrangement the lessee has these responsibilities.

For accounting purposes, lease obligations are divided into finance and operating leases. Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Time charter arrangements are normally accounted for as operating leases and bareboat arrangements may be classified as either a finance or an operating lease depending the fact and circumstances of the individual arrangement.

The Group as lessee

Agreements to charter in vessels, where the Group has substantially all the risks and rewards of ownership, are recognized in the balance sheet as finance leases. Lease assets are measured at the lower of fair value and the present value of minimum lease payments determined in the leases.

For the purpose of calculating the present value, the interest rate implicit in the lease or an incremental borrowing rate is used as discount factor. The lease assets are depreciated and written down under the same accounting policy as the vessels owned by the Group or over the lease period depending on the lease terms.

The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are apportioned between finance expenses and reduction in the lease obligation so as to achieve a constant rate of interest on the lease obligation. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Other charter agreements concerning vessels and other leases are classified as operating leases, and the minimum lease payments are recognized in profit or loss on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. The obligation for the remaining lease term is disclosed in the notes to the financial statements.

The Group as lessor

Agreements to charter out vessels, where substantially all the risks and rewards of ownership are transferred to the lessee, are classified as finance leases, and an amount equal to the net investment in the lease is recognized and presented in the balance sheet as a receivable. The carrying amount of the vessel is de-recognized and any gain or loss on disposal is recognized in the income statement.

Other agreements to charter out vessels are classified as operating leases, and minimum lease payments are recognized as revenue in the income statement on a straight-line basis over the lease term. Contingent payments are recognized as an income when incurred.

Earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit or loss for the year available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the consolidated profit or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect of including them would be to increase earnings per share or reduce a loss per share.

Adoption of new or amended IFRSs

The Group has implemented the standards and interpretations effective for 2017. The implementation of the standards and interpretations has not had a material effect on the financial statements.

Accounting standards and interpretations not yet adopted
The International Accounting Standards Board ("IASB") has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect:

• IFRS 15 "Revenue from contracts with customers"
IFRS 15 is effective from January 1, 2018. The Group's current practice for recognizing revenue complies in all material aspects with the concepts and principles encompassed by the new standard.

• IFRS 16 "Leases"
IFRS 16 is effective from January 1, 2019. The standard will change the recognition of leases. The standard is not expected to have a material effect on the Group's financial statement. The Group currently carries 2 Time-Charter contracts as operating leases, which will result in a right of use asset and related lease liability being recorded as IFRS 16 comes to effect. This will result in a reclassification of costs associated with these operating leases from "Charter Hire" to either "Depreciations" and/or "Financial expenses".

Amendments:
• IAS 7 "Disclosure Initiatives"
• IAS 12 "Recognition of deferred tax assets for unrealized losses"
• IFRS 10/IAS 28 "Sale or Contribution of Assets between an investor and its Associate or Joint Venture"
• IAS 40 "Clarification of transfers or property to, or from, investment property"
• Changes from Annual Improvements to IFRS 2014-2016
The adoption of the amendments is not expected to have a material effect on the consolidated financial statements.

3 - Cash and cash equivalents

	As of December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Cash at banks	47,741	95,098
Cash onboard vessels	386	390
	48,127	**95,488**

The table below shows a breakdown of cash held at banks:

2017					
Bank	**Country**	**Rating***	**Amount in USD**	**Pct. of total cash**	**Currency**
SEB	GB	A+	47,178	98.8%	USD
Nordea Bank Danmark A/S	DK	AA-	55	0.1%	USD
SEB	DK	A+	96	0.2%	DKK
SEB	GB	A+	327	0.7%	Various
HSH	Cyprus	Various	85	0.2%	USD
			47,741		

2016					
Bank	**Country**	**Rating***	**Amount in USD**	**Pct. of total cash**	**Currency**
Nordea Bank AB (publ.)	GB	AA-	89,992	94.6%	USD
Nordea Bank Danmark A/S	DK	AA-	4,112	4.3%	USD
Nordea Bank Danmark A/S	DK	AA-	692	0.7%	DKK
Other	Various	Various	302	0.4%	Various
			95,098		

* Standard & Poor's

4 - Accounts receivable

	As of December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Receivables from pools	21,373	9,916
Other accounts receivable	351	44
	21,724	**9,960**

The Group considers that the carrying amounts of accounts receivable approximates their fair value due to their short term nature. As at December 31, 2017 and 2016, no amounts are overdue or impaired. Accounts receivable are non-interest bearing.

5 - Prepaid expenses and other receivables

	As of December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Vessel related prepaid expenses	4,678	2,548
Prepaid financing fee	142	4,275
Prepaid insurance	1,551	388
Other short term receivables	2,341	3,394
	8,712	**10,605**

The Group considers that the carying amounts of other short term receivables approximate their fair value due to their short term nature. As at December 31, 2017 and 2016, no amounts are overdue or impaired. These receivables are non-interest bearing.

6 - Inventories

	As of December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Lubricating oils	3,424	3,035
Paint, chemicals and food supplies	1,475	1,449
	4,899	**4,484**

The cost of lubricating oils and other inventories recognized as expense in 2017 was USD 6,395 (2016: USD 5,394).

7 - Intangible Assets

(in thousands of U.S. dollars)	Goodwill	Contract values vessels under construction	Time charters acquired	Total
Cost				
Balance at January 1, 2016	6,003	26,549	12,333	44,885
Addition	-	-	-	-
Disposals	-	-	(9,501)	(9,501)
Cost at December 31, 2016	**6,003**	**26,549**	**2,832**	**35,384**
Accumulated amortization				
Balance at January 1, 2016	-	(22,270)	(8,192)	(30,462)
Amortization	-	(4,049)	(3,736)	(7,785)
Disposals	-	-	9,501	9,501
Accumulated amortization at December 31, 2016	**-**	**(26,319)**	**(2,427)**	**(28,746)**
Carrying amount at December 31, 2016	**6,003**	**230**	**405**	**6,638**
Cost				
Balance at January 1, 2017	6,003	26,549	2,832	35,384
Disposals	-	(26,549)	(2,832)	(29,381)
Cost at December 31, 2017	**6,003**	**-**	**-**	**6,003**
Accumulated amortization				
Balance at January 1, 2017	-	(26,319)	(2,427)	(28,746)
Amortization	-	(230)	(405)	(635)
Disposals	-	26,549	2,832	29,381
Accumulated amortization at December 31, 2017	**-**	**-**	**-**	**-**
Carrying amount at December 31, 2017	**6,003**	**-**	**-**	**6,003**

Goodwill has been allocated for impairment testing purposes to the following cash-generating units (CGUs): short-range ("SR"), medium-range ("MR") and long-range 1 ("LR1"). As of December 31, 2017, the value in use test for the SR, MR and LR1 CGUs was greater than its carrying amount and thus no impairment losses have been recognized during the financial year ended December 31, 2017.

Contract values for vessels under construction are related to newbuild contracts which were acquired as a result of the merger between BTS Tanker Partners Limited and Hafnia Tankers LLC on December 31, 2013 (the "Combination"). The value of the contracts was added to the cost of vessels under construction on a straight line until the time when the vessels were delivered. The final vessel was delivered in the second quarter of 2017.

Time charters acquired are related to time charter contracts which were acquired as a result of the Combination. The value of the contracts was amortized on a straight line over the remaining contract period. The amortization expense of USD 405 for the period ended December 31, 2017 is recognized as charter hire. The final time charter contract acquired ran until the second quarter of 2017.

8 - Tangible Assets

(in thousands of U.S. dollars)	Vessels	Dry dock	Vessels under construction	Total
Cost				
Balance at January 1, 2016	890,029	24,636	96,393	1,011,058
Additions	751	5,756	103,082	109,589
Transfers	153,382	3,200	(156,582)	-
Disposals	-	(2,574)	-	(2,574)
Cost at December 31, 2016	**1,044,162**	**31,018**	**42,893**	**1,118,073**
Accumulated depreciation				
Balance at January 1, 2016	(62,226)	(7,194)	-	(69,420)
Depreciation	(39,185)	(5,673)	-	(44,858)
Disposals	-	2,574	-	2,574
Accumulated depreciation at December 31, 2016	**(101,411)**	**(10,293)**	**-**	**(111,704)**
Carrying amount at December 31, 2016	**942,751**	**20,725**	**42,893**	**1,006,369**
Cost				
Balance at January 1, 2017	1,044,162	31,018	42,893	1,118,073
Additions	295	6,208	71,370	77,873
Transfers	111,863	2,400	(114,263)	-
Disposals	-	(2,752)	-	(2,752)
Cost at December 31 2017	**1,156,320**	**36,874**	**-**	**1,193,194**
Accumulated depreciation				
Balance at January 1, 2017	(101,411)	(10,293)	-	(111,704)
Depreciation	(45,913)	(7,108)	-	(53,021)
Disposals	-	2,752	-	2,752
Accumulated depreciation at December 31, 2017	**(147,324)**	**(14,649)**	**-**	**(161,973)**
Carrying amount at December 31, 2017	**1,008,996**	**22,225**	**-**	**1,031,221**

Vessels are pledged to secure the bank loans of the Group.

In accordance with IAS 36 Impairment of Assets, the Company has determined its cash-generating units (CGUs) based on the vessel classes, namely SR, MR and LR1. As of December 31, 2017, the fair value less cost to sell of the SR, MR and LR1 vessels were less than their carrying amounts and accordingly, a value in use calculation was performed. The significant assumptions applied in determining the value in use of the SR, MR and LR1 fleet are the future charter rates, vessel operating expenses and the discount rate. The Company estimated the future cash flows of the SR, MR and LR1 CGUs based on a combination of the current time charter rates for the next three years and the most recent ten-year historical average for one-year time charter rates for periods thereafter. The Company estimated the operating expenses based on budgets agreed with third party technical managers for 2018, adjusted for an escalation factor. The future cash flows were then discounted to their present value.

The value in use calculation was greater than the carrying amount for SR, MR and LR1 vessels, and as a result of this testing, no impairment charge was recorded.

As of December 31, 2017, the Company had nil vessel under construction. The final vessel was delivered in the second quarter of 2017.

9 - Interests in Associates

Financial information of Hafnia Management A/S

The Group, through its wholly owned subsidiary Hafnia Tankers ApS, has a 40% interest in Hafnia Management A/S and through its wholly owned subsidiary Hafnia Tankers Singapore Pte. Ltd. a 20% interest in K/S Straits Tankers.

Hafnia Management A/S has a 100% interest in Hafnia MR Pool Management ApS that commercially operates the Hafnia MR pool, a 100% interest in Hafnia Handy Pool Management ApS (previously owned 40% directly by Hafnia Tankers ApS), that commercially operates the Hafnia SR pool, a 100% interest in the Hafnia Bunkers ApS company, that is in charge for bunkering purchases for above stated pools. Hafnia Management A/S also has a 60% interest in K/S Straits Tankers.

K/S Straits Tankers has a 50% interest in Straits Tankers Pte. Ltd. that commercially operates the LR1 pool.

The remaining 60% of Hafnia Management A/S and the remaining 20% of K/S Straits Tankers is owned by other vessel owners participating in the pools. The Group accounts for its investment in Hafnia Management A/S and K/S Straits Tankers under the equity method.

The profit for the year and other financial information according to the latest financial statements for Hafnia Management A/S is shown below for the years ended December 31, 2017 and 2016:

	Hafnia Management A/S, Hellerup Denmark	
	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Gross profit	6,793	7,812
Profit for the year after tax	766	2,007
Dividends paid out	-	6,000
Non-current assets	1,007	749
Cash and cash equivalents	2,910	2,567
Other current assets	3,613	2,371
Current liabilities	(3,790)	(2,759)
Equity	3,740	2,928

A reconciliation of the above summarized information to the carrying amount of the interest and the share of the associated profit in the consolidated financial statements is presented in the tables below.

	Hafnia Management A/S, Hellerup Denmark	
	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Share of equity	1,496	1,171
Acquired goodwill	600	600
Acquired customer relationships	89	137
	2,185	**1,908**
	(in thousands of U.S. dollars)	
Share of profit for the year after tax	306	803
Amortization of acquired customer relationship	(48)	(48)
	258	**755**

The above table shows the assets which comprise interests in the associate. The Group's share of the net assets is 40%. At the acquisition date, a purchase price allocation was performed in order to allocate the difference between the carrying value and fair value of the net assets acquired. The positive difference between the cost of the investment in Hafnia Management A/S and the Group's share of the net fair value of Hafnia Management A/S's identifiable assets and liabilities is accounted for as notional goodwill, which is included within the carrying amount of the investment. Customer relationships are amortized on a straight-line basis over six years.

Financial information of K/S Straits Tankers

	K/S Straits Tankers **2017**
	(in thousands of U.S. dollars)
Gross loss	(3)
Loss for the period after tax	(3)
Dividends paid out	470
Non-current assets	463
Cash and cash equivalents	-
Other current assets	1
Current liabilities	362
Equity	102

	K/S Straits Tankers **2017**
	(in thousands of U.S. dollars)
Share of Equity	20
	20

	(in thousands of U.S. dollars)
Share of (loss) for the year after tax	(12)
Dividend received	470
	458

10 - Subsidiaries

Information about the composition of the Group is included in the following table:

Name	Registered office	Ownership as of December 31 2017	2016
		(pct.)	
Hafnia Tankers Ltd.	Marshall Islands		
Hafnia Tankers LLC	Marshall Islands	64.9	64.9
Hafnia Tankers Marshall Islands LLC	Marshall Islands	100	N/A
Hafnia Tankers Singapore Pte Ltd.	Singapore	100	100
Hafnia Tankers Shipholding Singapore Pte Ltd.	Singapore	100	100
Hafnia Tankers Shipholding 2 Singapore Pte Ltd.	Singapore	100	100
Hafnia Tankers Chartering Singapore Pte Ltd.	Singapore	100	N/A
Hafnia Tankers Services Singapore Pte Ltd.	Singapore	100	N/A
Hafnia Tankers International Chartering Inc.	Marshall Islands	100	100
Hafnia Tankers Malta Ltd.	Malta	100	100
Hafnia Tankers Shipholding Malta Ltd.	Malta	100	100
Hafnia Tankers ApS	Denmark	100	100
Hafnia Tankers Shipholding Denmark 1 ApS	Denmark	100	100
Hafnia Tankers Cyprus Limited (under liquidation)	Cyprus	N/A	100
Akouna Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Akortio Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Absolute Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Rosalia Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Secero Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Ralia Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Baltic Sun Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Uniwide Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Navmore Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100

All of the Group's operations are conducted through subsidiaries that are 100% owned by Hafnia Tankers Ltd.'s direct subsidiary, Hafnia Tankers LLC, a Marshall Islands limited liability company. Hafnia Tankers LLC's share capital consists of three classes of interests, the Class A Units, the Class B Units and the Class C Units. Each class of interest is economically equivalent. Hafnia Tankers Ltd. owns 100% of the Class A Units of Hafnia Tankers LLC and has a controlling financial interest in Hafnia Tankers LLC through its investment. The Class B and Class C Units are reflected as non-controlling interest in the consolidated financial statements. Based on the number of total units of Hafnia Tankers LLC outstanding as of December 31, 2017, the Company owns a 64.9% economic interest in Hafnia Tankers LLC.

Summarized financial information in respect fo the Group's subsidiary that has material non-controlling interests (Hafnia Tankers LLC) is set out below. The summarized financial information below represents amounts before intercompany eliminations.

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Revenue	187,286	194,705
(Loss)/Profit	(11,565)	12,198
Total comprehensive	(13,968)	14,014
Current assets	83,462	132,035
Non-current assets	1,072,834	1,041,040
Current liabilities	(64,780)	(60,517)
Non-current liabilities	(512,328)	(497,443)

11 - Related party disclosure and ownership

BTS Tanker Partners LLC controls Hafnia Tankers Ltd. through the right to designate the majority of its Board of Directors until an initial public offering occurs. BTS Tanker Partners LLC and its affiliates, associates and joint ventures are therefore considered related parties. BTS Tanker Partners LLC is ultimately controlled by Blackstone Group L.P. Following an initial public offering of the Company's common shares, BTS Tanker Partners LLC has the right to elect up to two members of the Company's Board of Directors.

Also, shareholders with significant influence in Hafnia Tankers Ltd. and affiliates of shareholders with significant influence are considered to be related parties of the Group.

Other related parties include the key management personnel of the Group which consists of the Board of Directors and the executive management team. The executive management team of the Group consist of individuals who are directors and key management of Hafnia Tankers Ltd. and subsidiaries.

The Group's associate Hafnia Management A/S and their fully owned subsididaries Hafnia Handy Pool Management ApS, Hafnia MR Pool Management ApS and Hafnia Bunkers ApS are considered to be related parties. The Group's associate K/S Straits Tankers is also considered to be a related party.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year, entities within the Group entered into the following transactions with related parties who are not part of the Group:

	For the years ended December 31			
	2017	2016	2017	2016
	(in thousands of U.S. dollars)			
	Sale of services		Purchase of services	
Hafnia Handy Pool Management ApS	-	-	-	2,024
Hafnia Management A/S	69	-	231	2,743
	Amounts owed by related parties		Amounts owed to related parties	
Hafnia Handy Pool Management ApS	-	10,036	-	-
Hafnia Management A/S	-	18,076	1,000	-

Purchase of services primarily consists of fees for services rendered. Amounts owed by related parties primarily consists of deposit of working capital to the pools (see note 12) and accounts receivable from the pools (see note 4).

Key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	For the years ended December 31	
	2017	2016
	(in thousands of U.S. dollars)	
Short-term employee benefits (salaries)	1,714	2,917
Contributions to defined contribution plans	90	92
Share-based compensation	1,209	1,212
	3,013	**4,221**

Key management personnel have termination conditions with 6-30 months of severance pay totaling USD 2,175 (2016: USD 2,467).

12 - Other Assests

	As of December 31	
	2017	2016
	(in thousands of U.S. dollars)	
Deposit of working capital to the pools, long term	31,200	26,000
	31,200	**26,000**

Participating in pools requires a deposit of working capital. The deposit ranges from USD 600 to USD 1,000 per vessel. The deposit is paid upon entrance to the pool and is repaid when the pool is exited. The amount is non-interest bearing.

13 - Tax

	For the years ended December 31	
	2017	**2016**
Tax	*(in thousands of U.S. dollars)*	
Tonnage taxes	(104)	(124)
Other taxes	(105)	(980)
	(209)	**(1,104)**

The Group's shipping activities are generally taxed under tonnage based tax schemes. In 2017, the Group's income was primarily generated by Hafnia Tankers Singapore, which is subject to the tax rules of Singapore, Hafnia Tankers Malta, which is subject to tax rules of Malta and Hafnia Tankers ApS and Hafnia Tankers Shipholding Denmark 1, which are subject to the tax rules of Denmark.

The Group's non-shipping activities are subject to corporate income tax.

The Group has recognized a deferred tax asset. The deferred tax asset consists of losses carried forward that can be deducted against future earnings in Denmark, including the Danish tonnage tax. As of December 31, 2017, USD 58 of the deferred tax asset remains.

14 - Bank Loans

	As of December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Current portion	48,951	47,713
Non-current portion	485,254	496,804
Carrying amount	**534,205**	**544,517**

We consider that the carrying amount of the bank loans to approximate their fair value due to the interest rates being at floating rates.

Summary of borrowing arrangements

During the year ended December 31, 2017 the Group drew down USD 60,375 on the USD 360,000 facility to finance newbuild vessels that were delivered in 2017. As of December 31, 2017 USD 311,654 was outstanding under this facility.

During the year ended December 31, 2017 the Group repaid USD 17,100 as part of a Sale and Leaseback transaction for a LR1 vessel.

During the year ended December 31, 2017 installments amounting to USD 52,893 were paid in total across the Group's outstanding loans. Furthermore the Carrying amount as of December 31, 2017 has a non-cash impact related to amortization of financing fees across the Group's loan facilities, amouting to USD 694.

For the year ended December 31, 2017, the Group drew down USD 60,375 on the USD 360,000 credit facility to finance newbuild vessels delivered during the year.

The interest rates on the drawn amounts are LIBOR plus a margin ranging from 2.25% to 2.60% and are to be repaid in quarterly installments with a balloon payment at the end of the seventh year.

The drawn amounts are secured by first priority mortgages on vessels.

The drawn amounts are subject to the following significant financial covenants:

- Working Capital above zero
- A minimum liquidity above USD 10,000 and above 5% of total debt
- Equity above USD 100,000 and above 30% of the total assets

The Group was fully compliant with all loan covenants at December 31, 2017.

The Group is subject to a minimum security value clause under which the vessel values must not exceed a percentage of the debt. The Group was fully compliant with this clause at December 31, 2017.

Below tables summarize the significant terms of the bank loans:

2017	**Average nominal interest rate**	**Carrying amount**
		(in thousands of U.S. dollars)
Bank loans		
Floating rate debt	3.66%	534,205
Total bank loans		**534,205**

2016	**Average nominal interest rate**	**Carrying amount**
		(in thousands of U.S. dollars)
Bank loans		
Floating rate debt	3.17%	544,517
Total bank loans		**544,517**

The following table summarizes the current contractual maturities of the Group's bank loans and presents the total principal amount based on the earliest date on which the Group can be required to pay.

As of December 31, 2017	**<1 year**	**1-5 years**	**>5 years**	**Total**
(in thousands of U.S. dollars)				
Bank loans	48,951	298,934	186,320	**534,205**

As of December 31, 2016	**<1 year**	**1-5 years**	**>5 years**	**Total**
(in thousands of U.S. dollars)				
Bank loans	47,713	191,134	305,670	**544,517**

15 - Accounts payable

	As of December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Accounts payable	4,547	1,733
	4,547	**1,733**

The majority of accounts payable are settled with a cash payment within 60 days. No interest is charged on accounts payable. The Group considers that the carrying amount of accounts payable approximates their fair value.

16 - Accrued expenses

	As of December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Suppliers	4,259	4,721
Salary related expenses	766	2,224
Interest on bank loans	2,160	2,417
Other	466	460
	7,651	**9,822**

17 - Common Shares

Hafnia Tankers Ltd.'s share capital consists of two classes of interests, common shares and preferred shares.

	As of December 31, 2017		
	Number of shares	Share capital	Additional paid in capital
		(in thousands of U.S. dollars)	
Common shares (200,000,000 shares authorized)	33,945,909	339	352,423
Preferred shares (50,000,000 shares authorized)	18,191,712	-	-
	52,137,621	**339**	**352,423**

The following table shows the number of shares outstanding during the period:

	2017	**2016**
Common shares		
Balance at January 1	33,945,909	33,945,909
Share capital increase	-	-
	33,945,909	**33,945,909**
Preferred shares		
Balance at January 1	18,191,712	18,191,712
Share capital increase	-	-
	18,191,712	**18,191,712**

Common Shares

Each common share, par value USD 0.01 per share, entitles the holder to one vote on all matters submitted to a vote of the Company's shareholders. Holders of common shares vote along with the holders of Series A Voting Preferred Stock on all such matters (see below for special voting rights of the Series A Voting Preferred Stock). Holders of common shares do not have conversion, redemption or preemptive rights to subscribe for any of the Company's securities. As of December 31, 2017, 37,096 of our common shares are being held as treasury shares.

Preferred Shares

The Series A Voting Preferred Stock has de minimis economic value and entitles its holders to vote along with the holders of the Company's common shares on all matters brought before the shareholders of the Company. In addition, the holders of the Series A Voting Preferred Stock may have limited special voting rights, including the right to appoint prior to an initial public offering of the Company's shares, a majority of the directors of the Company and, following such initial public offering, two directors of the Company. The consent of at least two-thirds of the holders of Series A Voting Preferred Stock is required for certain Company actions, such as the acquisition or disposition of material assets or the operation or ownership of any business other than Hafnia Tankers LLC.

18 - Revenue

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Pool revenue	168,149	170,378
Time charter revenue	18,614	23,938
Other	523	389
	187,286	**194,705**

The following table depicts committed time charter revenue as of December 31, 2017 that will be recognized in future periods, assuming no off-hire days:

Minimum time charter revenue	Contract end	Days	Rate	Total
			(in thousands of U.S. dollars)	
Vessel 1	9/14/2021	1,353	17.8	24,016
Vessel 2	8/29/2021	1,337	17.8	23,732
				47,748

Information About Major Customers

No single customer contributed 10% or more to the Groups revenue in 2017 or 2016.

19 - Vessel Operating Cost

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Crew related expenses	(50,621)	(44,208)
Insurance	(4,998)	(5,030)
Stores	(3,299)	(2,659)
Spare parts and repairs	(10,036)	(8,488)
Food supplies	(2,508)	(2,164)
Lubricants, paints and chemicals	(3,887)	(3,230)
Other vessel operating costs	(6,590)	(5,961)
	(81,939)	**(71,740)**

20 - Charter hire

The table below shows the Group's time chartered-in vessel commitments as of December 31, 2017, assuming no off-hire days:

Type	Delivery	Earliest re-delivery	Optional extension period	Subject to profit split	Purchase option
MR	6/13/2017	5/14/2025	2 years	No	Yes
MR	7/11/2017	6/11/2025	2 years	No	Yes
LR1	9/15/2012	9/5/2018	No	No	No
LR1	9/9/2012	8/29/2018	No	No	No
LR1	12/2/2016	8/4/2018	No	No	No
LR1*	10/26/2017	9/26/2029	No	No	Yes

*LR1 on lease back bareboat charter-in the vessel for up to 12 years with a purchase option during the bareboat charter from year 4 of the lease contract at our discretion and a purchase obligation at the end of Charter.

The cost of Charter Hire recognized as expense in 2017 was USD 23,931 (2016: USD 28,423).

The amortization expense of USD 405 (2016: USD 3,736), related to Time charters acquired as a result of a Business Combination transaction, for the period ended December 31, 2017 is recognized as charter hire.

	Minimum charter hire
Year	*(in thousands of U.S. dollars)*
2018	25,069
2019	14,545
2020	14,585
2021	14,545
2022	14,545
2023	14,545
2024	14,585
2025	6,872
Total as of December 31, 2017	**119,291**
Total as of December 31, 2016	122,400

21 - General and Administrative Expenses

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Wages and salaries	(3,401)	(4,822)
Outsourced functions	(490)	(411)
Contributions to defined contribution plans	(198)	(200)
Other social security costs	(16)	(24)
Other administrative costs	(913)	(994)
Auditors, consultants and legal fees	(1,280)	(2,529)
	(6,298)	**(8,980)**
Share based compensation (non-cash)	(3,329)	(2,947)
	(3,329)	**(2,947)**
	(9,627)	**(11,927)**

22 - Financial expenses

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Interest on bank loans	(24,673)	(19,553)
Loss arising on interest rate cap designated as a cash flow hedge	(1,082)	(1,081)
Other finance costs	(575)	(689)
	(26,330)	**(21,323)**

Other finance costs primarily represent currency exchange losses.

23 - Financial income

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Other finance income	555	75
	555	**75**

Other financing income primarily represents currency exchange gains.

24 - Share-based compensation

During 2014, 2015 and 2016, the Group has established three share-based incentive programs. Under the first program 1,209,140 warrants were granted on August 11, 2014, and 1,090,860 warrants were granted on December 1, 2014. Under the second program 100,000 options were granted on December 1, 2014, 100,000 options were granted on November 1, 2015 and 100,000 options were granted on November 1, 2016. Under the third program 16,434 Restricted Share Units were granted on October 1, 2015, 17,857 Restricted Share Units were granted on March 17, 2016 and 873 Restricted Share Units were granted on December 14, 2016.

Warrant Program

The program comprises 13 tranches with various vesting conditions. The warrants vest at the latter of completion of a specified minimum service period and volume weighted average share price above a pre-defined share price as set out in the vesting schedule shown below, i.e. there is no predetermined vesting period provided that the employment has not ceased at this point in time. Under the terms of the warrant program, warrants are granted at an exercise price of USD 10.0.

The vesting conditions of the respective tranches

Number of warrants granted	Minimum service period to complete from November 1, 2013	Share price threshold
300,000	5 years	N/A
166,667	1 year	12.5 USD
166,667	2 years	12.5 USD
166,667	3 years	12.5 USD
166,667	1 year	16.0 USD
166,667	2 years	16.0 USD
166,667	3 years	16.0 USD
166,667	1 year	18.5 USD
166,667	2 years	18.5 USD
166,666	3 years	18.5 USD
166,666	1 year	40.0 USD
166,666	2 years	40.0 USD
166,666	3 years	40.0 USD
2,300,000		

The warrants can only be settled through delivery of shares, and the program is therefore classified as an equity award. The warrant program contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the warrants being exercised.

The weighted average remaining contractual life of the warrant program for the year ended December 31, 2017, was 2.87 years. There has been no exercises during the year. As of December 31, 2017, none of the warrants were exercisable.

Valuation of the Warrants

The fair value of the warrants, taking into account the share price condition, has been determined using a Monte Carlo valuation model. Each tranche has been valued individually subject to its unique combination of vesting conditions. Furhermore, the valuations have been done separately for each participant due to differences in expected exercise periods.

Due to the warrants being open-ended, the expected duration of the warrants has been estimated by applying an expected exercise threshold. The exercise threshold is assumed to renounce at the time of retirement due to a change in cash requirements and increased risk averseness, whereby vested awards will be exercised immediately provided they are in the money. Following retirement, remaining awards are assumed exercised simultaneously with vesting.

As a final cut-off point, the valuation model applies the file expectancy of the participants, based on average life expectancies. The shares price applied in the valuation is based on a Net Asset Value (NAV). The estimated share prices represent a best estimate of the fair market value as at August 11, 2014 and December 1, 2014 respectively.

Estimated volatility is based on the median volatility in a peer group of comparable listed entities.

The valuations are based on the following main assumptions as of the grant date:

	For warrants granted on	
	December 1, 2014	**August 11, 2014**
Valuation assumptions:		
Share-price after dilution	10.41 USD	10.75 USD
Risk free interest rate	1.7-2.3%	1.6-2.6%
Expected volatility	39.9%	41.1%
Expected exercise threshold	80%	80%

The total fair value of the 2,300,000 warrants granted is estimated to be USD 13,074. The expense recognized in 2017 amounts to USD 3,000 (2016: USD 2,671).

Option Program

The option program comprises 12 tranches with various vesting conditions. The options vest at the latter of completion of a specified minimum service period and volume weighted average share price above a defined share price as set out in the vesting schedule shown below. The options expires at the end of a 3-year exercise period afther the options have vested. Options are granted at an exercise price of USD 10 or USD final offer price per share when the Company's shares become listed, if higher.

2014 grant:

The vesting conditions of the respective tranches

Number of options granted	Minimum service period to complete from December 1, 2014	Share price threshold
8,334	1 year	Exercise price plus 25%
8,334	2 years	Exercise price plus 25%
8,334	3 years	Exercise price plus 25%
8,334	1 year	Exercise price plus 60%
8,333	2 years	Exercise price plus 60%
8,333	3 years	Exercise price plus 60%
8,333	1 year	Exercise price plus 85%
8,333	2 years	Exercise price plus 85%
8,333	3 years	Exercise price plus 85%
8,333	1 year	Exercise price plus 300%
8,333	2 years	Exercise price plus 300%
8,333	3 years	Exercise price plus 300%
100,000		

2015 grant:

The vesting conditions of the respective tranches

Number of options granted	Minimum service period to complete from November 1, 2015	Share price threshold
8,334	1 year	Exercise price plus 25%
8,334	2 years	Exercise price plus 25%
8,334	3 years	Exercise price plus 25%
8,334	1 year	Exercise price plus 60%
8,333	2 years	Exercise price plus 60%
8,333	3 years	Exercise price plus 60%
8,333	1 year	Exercise price plus 85%
8,333	2 years	Exercise price plus 85%
8,333	3 years	Exercise price plus 85%
8,333	1 year	Exercise price plus 300%
8,333	2 years	Exercise price plus 300%
8,333	3 years	Exercise price plus 300%
100,000		

2016 grant:

The vesting conditions of the respective tranches

Number of options granted	Minimum service period to complete from November 1, 2016	Share price threshold
8,334	1 year	Exercise price plus 25%
8,334	2 years	Exercise price plus 25%
8,334	3 years	Exercise price plus 25%
8,334	1 year	Exercise price plus 60%
8,333	2 years	Exercise price plus 60%
8,333	3 years	Exercise price plus 60%
8,333	1 year	Exercise price plus 85%
8,333	2 years	Exercise price plus 85%
8,333	3 years	Exercise price plus 85%
8,333	1 year	Exercise price plus 300%
8,333	2 years	Exercise price plus 300%
8,333	3 years	Exercise price plus 300%
100,000		

The options can only be settled through delivery of shares, and the program is therefore classified as an equity award. The option program contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the options being exercised.

The weighted average remaining contractual life of the options granted December 1, 2014, was 5.40 years. There have been no exercises during the year. As of December 31, 2017, none of the options were exercisable.

The weighted average remaining contractual life of the options granted November 1, 2015, was 6.04 years. There have been no exercises during the year. As of December 31, 2017, none of the options were exercisable.

The weighted average remaining contractual life of the operations granted November 1, 2016, was 7.36 years. There have been no exercises during the year. As of December 31, 2017, none of the options were exercisable.

Valuation of the Options

The fair value of the options, taking into account the share price condition, has been determined using a Monte Carlo valuation model. Each tranche has been valued individually subject to its unique combination of vesting conditions.

The expected duration of the options within the 3-year exercise period after the options have vested has been estimated by applying an expected exercise threshold. The exercise threshold is assumed to renounce at the time of retirement due to a change in cash requirements and increased risk averseness, whereby vested awards will be exercised immediately provided they are in the money. Following retirement, remaining awards are assumed exercised simultaneously with vesting.

As a final cut-off point, the valuation model applies the life expectancy of the participants, based on average Danish life expectancies. The shares price applied in the valuation is based on a NAV estimate. The estimated share prices represents a best estimate of the fair market value as at December 1, 2014, November 1, 2015 and November 1, 2016 respectively.

Estimated volatility is based on the median volatility in a peer group of comparable listed entities.

The valuations are based on the following main assumptions as of the grant date:

	For options granted on		
	November 1, 2016	**November 1, 2015**	**December 1, 2014**
Valuation assumptions:			
Share-price after dilution	8.98 USD	12.01 USD	10.41 USD
Risk free interest rate	1.5-1.9%	1.7-2.3%	2.0-2.4%
Expected volatility	39.3%	37.7%	39.9%
Expected exercise threshold	80%	80%	80%

The total fair value of the 300,000 options granted is estimated to be USD 1,634. The expense recognized in 2017 amounts to USD 207 (2016: USD 159).

Restricted Share Unit Program

The Restricted Share Units can be settled through delivery of shares or with cash or part cash and part shares. The settlement in either shares, cash or a combination is solely decided by the Group and the program is therefore classified as an equity award. The Restricted Share Unit progrm contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the Restricted Share Units vesting.

The weighted average remaining contractual life of the Restricted Share Unites Granted in 2015 is 1,75 years.

The weighted average remaining contractual life of the Restricted Share Units Granted in 2016 is 2.34 years.

No Restricted Share Unit has vested during the year.

Valuation of the Restricted Share Units

The total fair value of the 16,434 Restricted Share Units granted on October 1, 2015 is estimated to be USD 200. The total fair value of the 17,857 Restricted Share Units granted on March 17, 2016 is estimated to be USD 225. The total fair value of the 873 Restricted Share Units granted on December 14, 2016 is estimated to be USD 7.

The expense recognized in 2017 amounts to USD 122 (2016: USD 117). For the year ended December 31, 2017, 31,415 Restricted Share Units are outstanding.

25 - (Loss) / Earnings Per Share

	For the years ended December 31	
	2017	**2016**
(Loss) / profit for the year (USD thousand)	(11,565)	12,021
Consolidated (loss) / profit attributable to non-controlling interests (USD thousands)	(4,058)	4,218
(Loss) / profit attributable to equity holders of the parent (USD thousand)	(7,507)	7,803
Weighted average number of shares (in thousands)	33,946	33,946
Diluted weighted average number of shares in issue (in thousands)	33,946	33,977
(Loss) / earnings per share (USD)	**(0.22)**	**0.23**
Diluted (loss) / earnings per share (USD)	**(0.22)**	**0.23**

During the financial year ended December 31, 2017 the Class B Units and the Class C Units, which include 18,191,712 and 162,911 respectively (December 31, 2016: 18,191,712 Class B Units and 162,911 Class C Units), have not had a dilutive effect. The Class B Units and the Class C Units are exchangeable on a one-for-one basis for the Company's common shares. The Class B Units and the Class C Units are considered in computing diluted profit or loss per share on an "if-converted" basis. As of December 31, 2017, a total of 2,300,000 warrants, 300,000 options and 35,164 Restricted Stock Units with no dilutive effect has been granted to employees (December 31, 2016: 2,300,000 warrants, 300,000 options and 35,164 Restricted Stock Units). The warrant and options have not had a dilutive effect in 2017 as they are not in the money.

26 - Financial Risks and Financial Instruments

We have identified below the main risk categories in which the Group's activities can be categorized under:

- Operational risks
- Liquidity risk
- Interest risk
- Foreign currency risk
- Credit risk

Operational Risks

Freight Rate

The Group's activities expose it to price risk associated with changes in the freight rate. The daily freight rate (the spot rate) measured in USD per day, has historically been very volatile. The volatility influences day-to-day operations in following ways:

- When rates are low the Group sees it as an opportunity to increase market exposure, and
- When rates are high the Group will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

In addition, the Group trades its spot exposed vessels in different pools that reduces the sensitivity to freight rate volatility by economies of scale and optimization of the fleet's geographical position.

Sensitivity to a change in freight rates of USD 1,000 per day

	2017	**2016**
	(in thousands of U.S. dollars)	
Change in net Income / Loss	14,791	13,357
Change in Equity	14,791	13,357

Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet the financial obligations as they fall due. The Group manages the liquidity risk by maintaining adequate reserves and borrowing facilities and by continously monitoring forecast and actual cash flows. The Group does not have significant liquidity risk as cash and other current assets exceed short term liabilities significantly as of December 31, 2017.

The following table details the Group's contractual maturities of its financial liabilities. The table has been prepared based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both estimated interest and principal cash out flows. Variable future interest payments were determined based on an average LIBOR plus the margins applicable to the Group's loans at the end of each year presented.

2017	Weighted average interest rate	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
			(in thousands of U.S. dollars)				
Variable interest bearing	3.66%	534,205	619,190	70,614	68,675	291,739	188,162
Acounts payable, non-interest bearing	-	4,547	4,547	4,547	-	-	-
Accrued expenses and other payables *	-	5,025	5,025	5,025	-	-	-
		543,777	**628,762**	**80,186**	**68,675**	**291,739**	**188,162**

2016	Weighted average interest rate	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
			(in thousands of U.S. dollars)				
Variable interest bearing	3.17%	544,517	627,802	66,286	64,738	183,301	313,477
Shareholder loan, non-interest bearing	-	1,733	1,733	1,733	-	-	-
Accrued expenses and other payables*	-	6,945	6,945	6,945	-	-	-
		553,195	**636,480**	**74,964**	**64,738**	**183,301**	**313,477**

* Accrued interest is part of "Accrued expenses" in note 16, however in the above table "Accrued expenses" are included in "variable interest bearing".

2016 Contractual cash flows over time has been updated due to an erroneous presentation in the 2016 financial statement, caused by a missing update. The changes has no efftect on the carrying amount liability as of 31, December 2016.

As at December 31, 2017, the Group had zero available borrowing capacity unders its credit facilities (2016: USD 67,243). As at December 31, 2017, the Group had undrawn facilities totaling USD 2,400 (2016: USD 5,200) consisting of 6 separate loan agreements with Hafnia Management A/S covering 6 specific vessels. The loan agreements give the Group a loan facility of USD 400 per vessel, that can be used to finance the working capital deposit required to participate in the pool.

Interest Rate Risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its borrowings. Financial instruments issued at variable rates expose the Group to cash flow interest rate risk. Financial instruments issued at fixed rates expose the Group to fair value interest rate risk.

At the reporting date the interest rate profile of interest bearing financial instruments was:

	2017	2016
Variable rate instruments	*(in thousands of U.S. dollars)*	
Bank loans	534,205	544,517
	534,205	**544,517**

Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting year. The analysis is prepared assuming the amount of long-term bank borrowings and liabilities outstanding at the statement of financial position date were outstanding for the whole year.

An increase of 100 basis points in interest rates at year end would (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables remain constant including no fair value changes on our cash flow hedges.

	2017	2016
	(in thousands of U.S. dollars)	
Bank loans	(5,342)	(5,445)
	(5,342)	**(5,445)**

The board of directors has adopted a Risk Management Policy for interest rate exposure. The objective of Hafnia's interest rate policy is to enable Hafnia to achieve a high level of certainty that any adverse movements in interest rates will not afect the Groups cash flow, while still allowing the Group to benefit from the current low interest rate market.

The Groups interest rate risk is hedged in accordane with the following targets:

- Up to 75 per cent of the Group's total debt shall be hedged
- The duration of the Group's total hedge, shall reflect the combined Group loans
- The tenors of the hedges shall not exceed the tenors of the combinded Group loans

See note 27 for further information on hedge.

Foreign Currency Risk

The Group's operating cash inflows are substantially derived from its shipping activities, which are almost entirely priced in US dollars whilst costs are also mostly in US dollars, thus creating a natural hedge. The Group's general and administrative costs are mainly incurred in Euro. These expenses are susceptible to foreign currency movements between USD and the Euro. However, we do not expect the impact of any fluctuations in foreign currency to be material. An insignificant part of the Group's transactions in Hafnia Tankers ApS will be subject to exposure to foreign currency risk related to Danish Kroner ("DKK").

Credit Risks

Credit risk primarily refers to the risk that a pool member or a customer default on its obligations resulting in a financial loss for the Group. The Group has not experienced any losses in 2017. The Group focuses on choosing pools with a solid reputation and a history of distributing revenue on a predictable basis.

The credit risk on liquid funds is limited as the banks used have a high credit rating (minimum a long-term A) assigned by international credit rating agencies.

Capital Structure

The capital structure of the Group is reviewed on an ongoing basis to ensure that the capital structure is in alignment with the strategic ambition of an increased fleet. The Group expects to continue to finance vessel acquisition through a combination of traditional vessel financing and equity raises.

Categories of Financial Instruments

	As of December 31	
	2017	**2016**
Financial assets	*(in thousands of U.S. dollars)*	
Cash and cash equivalents	48,127	95,488
Receivables	55,265	39,354
Financial liabilities		
Bank loans	534,205	544,517
Financial liabilities measured at amortised cost	9,795	13,548
Derivative instruments in designated hedge accounting relationships	3,061	639

27 - Hedging

As all of the Groups debt has variable interest rates, the Group is exposed to fluctuations in interest rates.

Therefore , in order to protect the Group from significant increases in interest rates, the Group has entered into several interest rate caps with a strike of 3% against the three months Libor rate. The interest rate caps has a notional amount of USD 300,000 (representing 50% of peak debt) with the last cap expiring in 2023.

The underlying risk of the interest rate cap is the three months Libor, which is identical to the hedged risk component (i.e. the variable interest rate on the debt).

The hedge ratio of the hedging relationship was determined based on the policy to hedge up to 75% of the exposure at the time the hedge was established, and on the fact that Management believe that there is some correlation between freight rates and interest rates.

The Group does not consider the hedge relationship to include sources of inefficiency, as there is no difference in interest rate benchmark, or credit risk between the interest rate cap and the debt, the nominal amount of the hedging instrument represents 50% of the exposure, and hence there is no risk of over hedging, and the term of the hedging instrument does no exceed the term of the loans.

The Group pays quarterly interests on the interest rate cap. The fair market value of the total hedging agreements as of December 31, 2017 was a liability of USD 3,061. The fair market value of the hedging agreement is comprised of discounted premiums, a liability of USD 6,093, and the value of the hedging instruments, USD 3,032.

The impact of the hedging instruments designated in a hedging relationship as of December 31, 2017 on the statement of financial position of the Group is, as follows:

Cash flow hedges *(in thousands of U.S. dollars)*	Notional amount	Carrying amount	Line in the statement of financial position	Change in fair value used to measure ineffectiveness
Interest rate risk:				
Pay fixed / receive variable interest rate cap with a strike of 3%	300,000	(3,061)	Derivatives	-

The impact of the hedged items designated in a hedging relationship as of December 31, 2017 on the statement of financial position of the Group is, as follows:

Cash flow hedges *(in thousands of U.S. dollars)*	Change in fair value used to ineffectiveness	Cash flow hedge reserve
Interest rate risk:		
Forecast interest rate payments	-	(3,061)

The above hedging relationships affected profit or loss and other comprehensive income, as follows:

Cash flow hedges	Hedging gain or loss recognized in Other Comprehensive Income	Ineffectiveness recognized in profit or loss	Line item in the statement of profit or loss	Amount reclassified from Other Comprehensive Income to profit or loss	Line item in the statement of profit or loss
Interest rate risk:					
Forecast interest rate payments	(3,504)	-	N/A	(1,082)	Financial expenses

28 - Finance lease

2017	**Minimum lease payments**	**<1 year**	**1-5 years**	**>5 years**
		(in thousands of U.S. dollars)		
LR1* Leaseback	25,492	1,479	9,520	14,492
	25,492	1,479	9,520	14,492

*LR1 on lease back bareboat charter-in the vessel for up to 12 years with a purchase option during the bareboat charter from year 4 of the lease contract at our discretion and a purchase option at the end of Charter.

29 - Fair value measurement

Except for the hedge agreements entered into in the second quarter of 2015 and the first quarter of 2016, no assets or liabilities are measured at fair value after initial recognition, and the carrying values of financial instruments approximate their respective fair values. Therefore, no additional disclosure related to fair value measurement has been provided in these financial statements.

30 - Subsequent events

Except for the below, there have not been any significant events afther the balance sheet date at December 31, 2017.

On February 14, 2018, we concluded an agreement to the sale of an LR1 product tanker. As part of this agreement, we agreed to bareboat charter-in the vessel for up to 12 years with a purchase option during the bareboat charter from year 4 of the lease contract at our discretion and a purchase obligation at the end of Charter.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors on March 21, 2018.