2015 Annual Report

(2015.01.01 ~ 2015.12.31)

PAN OCEAN

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1. General Information of the Company

[1] Business Objectives

1. Marine transportation;
2. Trading business;
3. Multimodal logistics business;
4. Multimodal freight forwarding business;
5. Port operation business;
6 .Port facilities maintenance business;
7. In-land transportation business;
8. In-land freight forwarding business;
9. Cargo terminal business;
10. Storage business;
11. Grain silo business;
12. Real estate business;
13. Provision of services in relation to transportation;
14. Telecommunication business;
15. Trade agency business;
16. Agricultural and marine products, livestock products wholesale and retail sales;
17. Operation of training institutes;
18. Investment and financing in the businesses set forth in Items (1) through (17); and
19. Any other businesses incidental to the businesses set forth in Items (1) through (18).

[2] Major Businesses

<table>
<tr><th colspan="2">Business Divisions</th><th>Major Cargoes</th><th>Areas Of Operation</th></tr>
<tr><td rowspan="3">Dry Bulk Business</td><td>Breakbulk Liner Business</td><td>Steel Product, Wooden Product, Coal, Fertilizer</td><td>North America, South America, Europe, Middle East, East/Southwest Asia And Far East Russia</td></tr>
<tr><td>Tramper Business</td><td>Grain, Lumber, Fertilizer, Coal, Mineral, Raw Sugar, Wood Pulp</td><td>All Routes</td></tr>
<tr><td>Large Bulker Business</td><td>Iron Ore, Coal, Grain</td><td>U.S., Australia, South America, Asia, Middle East, Africa, Europe</td></tr>
</table>

Specialized Vessel Business	Tanker Business	Petroleum Product(CPP, DPP), Chemical Products, Oils & Fats	Asia, Pacific / Indian Ocean
	LNG Carrier Business	LNG	Middle East, Korea
	Heavy Lift Business	Machinery / Equipment, Tug Boat, Offshore Plant, Module	All Routes
Container Business		Container Cargo	Korea, China, Japan

[3] Domestic & Overseas Offices

Offices	Address
Head Office	98, Huam-ro, Jung-gu, Seoul, Korea
Busan	102, Jungang-daero, Jung-gu, Busan, Korea
Portland Office	1500 Ne Irving Street, Suite 320 Portland, OR, 97232, U.S.A.
Melbourne Office	Suite 408, 1 Queens Road Melbourne 3004 Vic, Australia

[4] Employees

(As of Dec. 31, 2015) (Unit: Persons)

Employees				Total
At Office	On-board		Sub Total	
	Korean Crews	Foreign Crews		
397	690	863	1,553	1,950

[5] Issued Shares

1) Types & No. of issued shares

Type of shares	No. of issued shares	Amount(KRW)	Proportion
Registered Common Shares	524,425,070	524,425,070,000	100%

2) Change in capital

(Unit : shares, KRW '000)

Date	Type	Change in No. shares	Change in amount(₩)	Capital after change	Remarks
2005.07.14	Common Shares	200,000,000	20,000,000	171,548,205	Listing in SGX
2007.09.21	Common Shares	343,096,410	34,309,641	205,857,846	Listing in KRX
2008.12.12	Common Shares	-1,852,720,614	-	205,857,846	Share consolidation
2012.04.30	Common Shares	571	571	205,858,417	Bonds with Warrants
2013.11.29	Common Shares	-113,571,107	-113,571,107	92,287,310	Capital reduction

2013.12.13	Common Shares	1,116,879,112	1,116,879,112	1,209,166,422	Debt-for-equity swap
2013.12.27	Common Shares	-1,088,278,881	-1,088,278,881	120,887,541	Capital reduction
2014.04.01	Common Shares	28,384,096	28,384,096	149,271,637	Debt-for-equity swap
2014.07.01	Common Shares	14,142,399	14,142,399	163,414,036	Debt-for-equity swap
2014.10.01	Common Shares	51,124,464	51,124,464	214,538,500	Debt-for-equity swap
2015.01.01	Common Shares	13,264,541	13,264,541	227,803,041	Debt-for-equity swap
2015.04.01	Common Shares	757,844	757,844	228,560,885	Debt-for-equity swap
2015.06.19	Common Shares	-46,159,739	-46,159,739	182,401,146	Capital reduction
2015.06.20	Common Shares	340,000,000	340,000,000	522,401,146	Capital increase
2015.07.01	Common Shares	518,789	518,789	522,919,935	Debt-for-equity swap
2015.10.01	Common Shares	1,505,135	1,505,135	524,425,070	Debt-for-equity swap

3) Affairs related to shares

Time of Settlement of accounts	31 December
Ordinary general meetings of shareholders	within three (3) months after the end of each fiscal year
Suspension of Entry of Alteration in the Register of Shareholders and Record Date	① the period from January 1st to January 15th of every year. ② If necessary for convening an extraordinary general meeting of shareholders or for other purposes, the Company may by a resolution of Board of Directors suspend the entry in the Register of Shareholders of any alterations.
Method of public notices	Internet homepage (http://www.panocean.com)
Type of share certificate	Share certificates(8 types) for 1 / 5 / 10 / 50 / 100 / 500 / 1,000 / 10,000
Share registrar and share transfer agent	(Korea) Korea Securities Depository (Singapore) Boardroom Corporate & Advisory Service Pte. Ltd.(Singapore)
Venue for dealing with share affairs	(Korea) 23 4gil Yeouinaru-ro, Yeongdeungpo-gu Seoul, Korea (Singapore) 50 Raffles Place, Singapore Land Tower #32-01, Sinagpore

[6] Corporate Bonds

(Unit : KRW mil.)

Purpose	Issuance Date	Amount	Outstanding Balance	Due Date
Unsecured private placement bond	June 20, 2015	157,950	40,000	June 20, 2020

2. The Business Review

[1] Market and Business Overview

Shipping business division consists of breakbulk liner service, tramper service, and long term contract service by operating dedicated vessels that transport specific cargoes for specific customers. Breakbulk liner service means the operation on a fixed schedule on designated routes. Thus, it needs several vessels on a timely basis since the operation has to follow the announced schedules. Therefore, settlement of breakbulk liner routes requires a huge amount of capital and freight rate is likely to be determined not in terms of changes in shipping industry but in terms of changes in competitive circumstances. The service also requires a relatively bigger fixed expenditure because periodic operations have to be offered regardless of quantity of cargoes.

On the other hand, tramper service offers transportation service beyond the ordinary routes and customers. It provides flexible services in terms of the needs of customers. It transports huge bulk cargoes such as raw materials and grain of which the freight rate is not relatively heavy. Transporting those kinds of cargoes requires irregular services in worldwide market and the routes even may have to be changed to meet customers' various needs. Therefore, the freight rates are determined in terms of demand and supply in a totally competitive market. Especially, since the supply of vessels in tramper service is inelastic compared to the change of worldwide transportation volume, it is impossible to see the perfect balance between demand and supply in the market. The tramper service market is based on a cycle of "rising freight rate → newbuildings → oversupply of vessels → falling freight rate → decreasing newbuildings and increasing scrapings → undersupply of vessels → rising freight rate."

Some bulk transportation are surely performed in a form of breakbulk liner service, however, most of those has more characteristics of tramper service.

To meet the needs of specific customers on certain cargoes such as fuel, LNG and cars, some contracts can be performed in long term forms with dedicated vessels on particular routes for certain time period. Besides those specialized cargoes, there are several transportation contracts of bulk cargoes with major steel mills and power plants such as POSCO and KEPCO that are also performed on longer term basis.

China has continued to evolve its structure of economic growth from an industrial to a services base. The average BDI for 2015 recorded 718, recording the lowest annual average BDI since 1999, due to low demand for raw material with structural changes in China. However, dry bulk market would revive as more bulkers are projected to be phased out by demolition this year.

Over-supply driven by huge new contracts of 2013 is the main reason for the current bearish market. 657 bulkers (49.2 Mil.DWT) were delivered in 2015 despite many owners to cancel the orders or to defer delivery schedule. And low bunker price made owners to halt slow steaming. However, 435 vessels (30.96 Mil. DWT) were phased

out by demolition thanks to more expensive regular maintenance and stricter environment regulations. As a consequence, the fleet growth has declined from 4.4% in 2014 to 2.7% in 2015(E) constantly.
There is a hope that could set off over-supply pressure. Maritime financing environment is tight which hindered new orders, and given the current low level of vessel time chartering rate, aged vessel will be put more pressure on increment of overage scrapping.

In demand side, China's imports of iron ore in 2015 reached new annual high, but its growth rate has declined from 15% in 2014 to 3% in 2015. Global coal import has decreased by 5% to 1.15 billion tones in 2015, reflecting falling oil price and unstable economy of the developing company. And this trend may not change in 2016. However, seaborne dry bulk trade will be revived since major countries are trying to boost their economy and grain export from S.America is expected to grow by 12.6% to 6.9 million tones in 2016.

According to IMF World Economic Outlook, world GDP growth forecast is to be accelerated to 3.4% in 2016 from 3.1% in 2015, and may to be further in 2017.

[2] Financial Results by operating segments

(Unit : KRW mil.)

Segment	Sales			Note
	50th	49th	48th	
Shipping related	1,760,574	1,577,162	2,512,698	
Others	58,739	68,409	169,326	Profit from Grain trading and Training center lease profit etc.
Total	1,819,313	1,645,571	2,682,024	

※ The above figure is the consolidated financial results including the Company and its subsidiary.

[3] Establishment and expansion of major facilities and financing status

1) Shipbuilding Investment

SHIP NAME	SIZE(DWT)	DELIVERY	TYPE
PAN COSMOS	208,000	2016	Bulker
PAN DELIGHT	208,000	2016	Bulker
PAN KOMIPO	150,200	2017	Bulker
PAN DANGJIN	150,200	2017	Bulker

2) Business Overview

(Unit : KRW mil.)

Type of Funding	Amount	Purpose	Remarks
Unsecured private company bond	157,950	Repayment of rehabilitation claims	Outstanding Balance: 40,000 million won
Vessel Financing (4 Vessels)	39,848	Shipbuilding	In case of Foreign debt, it was converted into Korea Won with the exchange rate of KRW 1,172.00 per dollar at 31 Dec. 2015

3. Parent company, subsidiary company and business combination etc.

[1] The status of Parent company

Name of Parent company	JEIL HOLDINGS CO., LTD.		
Address	229, Gobong-ro, Iksan-si, Jeollabuk-do, Korea		
Share Capital	KRW 25,443,655,000	Major Business	Business consulting of subsidiary
Shareholding	272,000,000 shares	Shareholding Ratio	51.87%
Major trading with Parent Company	-		

[2] The status of subsidiary

As of 31 December 2015

Status of Subsidiary				Relation with Pan Ocean		
Name	Address	Share Capital	Business	No of shareholding	Ratio	Reation
POS SM Co., Ltd	102, Jungang-daero, Jung-gu, Busan, Korea	KRW 2,000,000,000	Marine Service	Not issued	100%	Operation of vessels
Pan Ocean (China) Co., Ltd.	Room 2004, ZhongRongHengRui Int. Plaza West Building, 560 ZhangYang Road, Pudong District, Shanghai, China	USD 15,000,000	Marine Transportation	Not issued	100%	Supporting sales and operation in China and Providing market information
Pan Ocean Japan Corporation	4th Floor, Nishi Shimbashi Home Bldg, 1-12-10 Nishi Shimbashi, Minato-ku, Tokyo, Japan, 105-0003	JPY 100,000,000	Marine Transportation	70,600	100%	Supporting sales and operation in Japan
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	8 Shenton Way #40-03 AXA Tower Singapore	SGD 23,000,000	Marine Transportation	23,000,000	100%	Supporting sales and operation in Singapore

Status of Subsidiary				Relation with Pan Ocean		
Name	Address	Share Capital	Business	No of shareholding	Ratio	Reation
Pan Ocean Brasil Apoio Maritimo Ltda.	Alameda Joaquim Eugenio De Lima, 680, CJ 172, Jardim Paulista, Sao Paulo	USD 4,600,000	Marine Transportation	Not issued	100%	Supporting sales and operation in South America
Pan Ocean (America), Inc.	5th Floor, 55 Challenger BLVD. Ridgefield Park, NJ 07660, U.S.A.	USD 42,296,711	Marine Transportation	8,940	34%	Grain business in North America
STX Pan Ocean (U.K.) Co., Ltd.	8th Floor St Magnus, House 3 Lower Thames, Street London EC3R 6AHA, U.K.	GBP 10,300,000	Marine Transportation	10,300,000	100%	Supporting sales and operation in the Atlantic Ocean and dealing with Claims
STX Pan Ocean (Hong Kong) Co., Ltd.	33rd Floor Cambridge House Taikoo Place 979, King's Road, Hong Kong	HKD 38,000,000	Marine Transportation	38,000,000	100%	Supporting sales and operation in Hong Kong
Sea best maritime Limited	Flat/RM 1808 18F Tower II Admiralty centre 18 Harcourt road admiralty, Hong Kong	USD 1,500,000	Marine Transportation	750,000	50%	Effective vessel operating through strategic alliance with J/V partner(Sea Trade)
STX Gulf Shipping DMCCO	No. 201, Sharaf Travel Building, Khalid Bin Al Waleed Road, Dubai, UAE	AED 11,000,000	Marine Transportation	109	99.1%	Supporting sales and operation in the Middle East

※ In liquidation : STX Pan Ocean (Hong Kong) Co., Ltd., Sea best maritime Limited, STX Gulf Shipping DMCCO

[3] The status of concurrent position in parent and subsidiary companies

As of 31 December 2015

Executive director with a concurrent office		Company to be served additionally		
Name	Position	Name of the company	Position	Task
Kim Hong Kuk	CEO	JEIL HOLDINGS CO., LTD.	Director	CEO
Jung Kab Sun	Deputy President	POS SM Co., Ltd	Director	-
Kim Bo Yeon	Executive Vice President	POS SM Co., Ltd	Auditor	-
Ahn Joong Ho	Executive Vice President	Pan Ocean (China) Co., Ltd.	Director	-
Kim Hyuk Ki	Senior Vice President	Pan Ocean (America), Inc.	Director	-
Lee Sang Jae	Senior Vice President	Pan Ocean Japan Corporation STX Pan Ocean (U.K.) Co., Ltd. Sea best maritime Limited	Director	-
Chae Ho Seok	Senior Vice President	Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Director	-
Rah Byung Chul	Vice President	Pan Ocean Japan Corporation	Director	-

4. The financial status for the last 3 years

[1] Operating Result

50th Period : From 1 January 2015 to 31 December 2015

49th Period : From 1 January 2014 to 31 December 2014

48th Period : From 1 January 2013 to 31 December 2013

Consolidated Statements of Comprehensive income (Unit : KRW mil.)

Subject	50th	49th	48th
Sales	1,819,313	1,645,571	2,682,024
Operating profit(loss)	229,370	215,955	(222,091)
Profit(loss)	45,547	786,078	(1,909,683)

Statements of Comprehensive income (Unit : KRW mil.)

Subject	50th	49th	48th
Sales	1,760,590	1,555,024	2,428,186
Operating profit(loss)	229,773	214,606	(330,396)
Profit(loss)	56,532	809,869	(2,052,601)

[2] Financial Status

50th Period : end of the 2015

49th Period : end of the 2014

48th Period : end of the 2013

Consolidated Statements of Financial position (Unit : KRW mil.)

Subject	50th	49th	48th
Assets	4,314,284	4,557,930	4,880,129
Liabilities	1,882,845	3,135,349	4,639,215
Equity	2,431,439	1,422,581	240,914

Statements of Financial position (Unit : KRW mil.)

Subject	50th	49th	48th
Assets	4,228,195	4,439,432	4,639,640
Liabilities	1,829,818	3,044,423	4,455,517
Equity	2,398,377	1,395,009	184,123

5. The challenging task of the Company

Please find following company core assignments on 2016.

Assignments	Action Plan
Maximize Profit	➢ Optimize fleet through reviewing long term fleet operating plan ➢ Structuring stable profit model based on new built ship linked COA
Prime Cost Cut	➢ Review reduction measures for fuels, port and cargo charges, etc. ➢ Establish operational management cost cut measures and enforce
Strengthen Risk Management Process	➢ Strengthen management for Account Risk ➢ Tactic review for Bunker Hedge via strengthened market prediction
Safety First	➢ Strengthen Ship management in physical sites ➢ Prevent accidents anticipatively via case study of past examples

6. The status of directors and auditors

As of 31 December 2015

Position	Name	Duty	Permanent/ Nonpermanent	Note
CEO	Kim Hong Kuk	CEO, Chairman	Executive	-
CEO	Choo Sung Yob	CEO, President	Executive	-
Director	Cheon Se Gi	Head of Ethical Management Dept.	Executive	-
Director	Choi Seung Hwan	Independent Director	Non-Executive	Chairman of Audit Committee
Director	Chang Yoo Whan	Independent Director	Non-Executive	Member of Audit Committee
Director	Shin Jeong Shik	Independent Director	Non-Executive	Member of Audit Committee
Director	Christopher Anand Daniel	Independent Director	Non-Executive	-

7. The status of substantial shareholders

As of 31 Dec. 2015

Name	No. of Shareholding	Ratio(%)	Transaction with Pan Ocean
JEIL HOLDINGS CO., LTD.	272,000,000	51.87%	Not Applicable
POSEIDON 2014 LLC	68,000,000	12.97%	Not Applicable
KOREA DEVELOPMENT BANK	15,402,000	2.94%	Not Applicable
HANWHA SMALL-MID CAP FUND NO.2	6,097,842	1.16%	Not Applicable
ROSTRUM TRADE S.A.	4,712,381	0.90%	Not Applicable

8. The status of the investment in other company by the Company or the Company's subsidiary

As of 31 Dec. 2015

Investee Company	Investor Company	Investment in Investee Company		Main Business
		No. of shareholding	Ratio	
POS SM Co., Ltd	Pan Ocean Co., Ltd.	Not issued	100%	Marine service
Pan Ocean (China) Co., Ltd.	Pan Ocean Co., Ltd.	Not issued	100%	Marine transportation
Pan Ocean Japan Corporation	Pan Ocean Co., Ltd.	70,600	100%	Marine transportation
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Pan Ocean Co., Ltd.	23,000,000	100%	Marine transportation
Pan Ocean Brasil Apoio Maritimo Ltda.	Pan Ocean Co., Ltd.	Not issued	100%	Marine transportation
Pan Ocean (America), Inc.	Pan Ocean Co., Ltd.	8,940	34%	Marine transportation
STX Pan Ocean (U.K.) Co., Ltd.	Pan Ocean Co., Ltd.	10,300,000	100%	Marine transportation
STX Pan Ocean (Hong Kong) Co., Ltd.	Pan Ocean Co., Ltd.	38,000,000	100%	Marine transportation
Sea best maritime Limited	Pan Ocean Co., Ltd.	750,000	50%	Marine transportation
STX Gulf Shipping DMCCO	Pan Ocean Co., Ltd.	109	99.1%	Marine transportation
Busan Cross Dock Co., Ltd.	Pan Ocean Co., Ltd.	Not issued	20%	Logistics
Taeyoung Grain Terminal Co., Ltd.	Pan Ocean Co., Ltd.	Not issued	7%	Grain terminal management and operation
Korea LNG Trading Co.,Ltd.	Pan Ocean Co., Ltd.	Not issued	18%	LNG transportation
MAF-Mirae asset Agri Energy Fund 4	Pan Ocean Co., Ltd.	Not issued	25%	Venture Capital
Korea P&I Club	Pan Ocean Co., Ltd.	Not issued	8.3%	P&I Insurance
Yegrina Co., Ltd.	Pan Ocean Co., Ltd.	56,000	44.4%	Baking business
Pan Ocean - Sinotrans Logistics Co., Ltd.	Pan Ocean (China) Co., Ltd.	Not issued	60%	Forwarding
Pan Ocean International Logistics Co., Ltd.	Pan Ocean (China) Co., Ltd.	Not issued	100%	Forwarding
Wide Sea Logistics Co., Ltd.	Pan Ocean (China) Co., Ltd.	Not issued	75%	Container Yard business
	STX Pan Ocean (Hong Kong) Co., Ltd.	Not issued	25%	
Pan Logix Co., Ltd	Pan Ocean Japan Corporation	3,000	100%	Forwarding
Pan Ocean Container Japan Co.,Ltd	Pan Ocean Japan Corporation	1,000	100%	Shipping Agency
CSTX AGRICOLA PARTICIPACOES LTDA.	Pan Ocean Brasil Apoio Maritimo Ltda.	Not issued	50%	Grain Trading
World D&F Investment (UK) Co. Limited	STX Pan Ocean (U.K.) Co., Ltd.	1,000	100%	UK Tax lease
Gulf Pacific Shipping Ltd.	STX Pan Ocean (Hong Kong) Co., Ltd.	2,000,000	100%	Marine Transportation

9. The major creditors

As of 31 Dec. 2015

Name of Creditor	Amount (million won)	No. of shareholding	Ratio(%)	Others
POS MARITIME RZ	97,873	-	-	-
POS MARITIME QZ	93,850	-	-	-
POS MARITIME PZ	89,826	-	-	-
POS MARITIME WZ	67,329	-	-	-
POS MARITIME UZ	62,827	-	-	-
POS MARITIME VZ	62,573	-	-	-
LTSF SPO 1 INC.	53,669	-	-	-
POS MARITIME LZ	48,155	-	-	-

※ In case of Foreign debt, it was converted into Korea Won with the exchange rate of KRW 1,172.00 per dollar at 31 Dec. 2015

10. The important issue after the financial year

Pan Ocean Co., Ltd. (“the Company”) has newly issued 6,333,685 shares(Issuing date: 1 January 2016) as paid-in capital increase(Dept into equity conversion) and in accordance, total number of issued stock has increased to 530,758,755 shares.

11. The important matter related to other operating

※ Not Applicable

The 50th Financial Statement

(2015.01.01 ~ 2015.12.31)

PAN OCEAN

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Pan Ocean Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position

2.
Pan Ocean Co., Ltd.
Separate Statements of Financial Position

Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2015 and 2014

In thousands of US dollars	Note		2015	2014
Assets				
Cash and cash equivalents	5,17	$	237,344	364,546
Trade receivables	5,12,13,15		98,243	70,417
Other receivables	5,12,13,16		20,986	23,465
Derivative financial assets	5,11,12,13		32	172,606
Other financial assets	5,12,13,14		1,170	2,814
Inventories	19		34,164	53,760
Other assets	18		139,929	131,373
Assets held for sale	40		2,417	64,996
Total current assets			534,285	883,977
Trade receivables	5,12,13,15		71	121
Other receivables	5,12,13,16		12,655	16,687
Other financial assets	5,12,13,14		16,050	19,588
Investments in associates and joint ventures	10		1,333	6,465
Vessels, property and equipment	6,8		3,106,110	3,203,392
Intangible assets	9		7,261	5,121
Deferred tax assets	27		21	112
Other assets	18		3,344	11,126
Total non-current assets			3,145,845	3,262,612
Total assets		$	3,681,130	4,146,589

See accompanying notes to the consolidated financial statements.

Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Statements of Financial Position, Continued

As of December 31, 2015 and 2014

In thousands of US dollars	Note		2015	2014
Liabilities				
Trade payables	5,12,13	$	72,640	73,642
Borrowings	5,12,13,25		232,982	235,746
Derivative financial liabilities	5,11,12,13		1,772	177,673
Other payables	23		43,725	77,204
Provisions	29		1,837	1,575
Income tax liabilities	27		250	-
Other liabilities	24		72,600	90,624
Liabilities held for sale	12,13,40		-	61,685
Total current liabilities			425,806	718,149
Borrowings	5,12,13,25		1,063,847	1,371,640
Rehabilitation liabilities	5,12,13,26		-	527,654
Derivative financial liabilities	5,11,12,13		213	384
Provisions	29		107,071	222,498
Retirement benefit obligations	28		9,526	11,927
Other payables	23		60	140
Total non-current liabilities			1,180,717	2,134,243
Total liabilities		$	1,606,523	2,852,392
Equity				
Share capital	20	$	471,717	192,334
Share premium	20		627,169	142,228
Other reserves	21		1,124,116	1,161,906
Retained earnings (accumulated deficit)	22		(169,941)	(203,448)
Equity attributable to owners of the Group			2,053,061	1,293,020
Non-controlling interests			21,546	1,177
Total equity			2,074,607	1,294,197
Total equity and liabilities		$	3,681,130	4,146,589

See accompanying notes to the consolidated financial statements.

Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014

In thousands of US dollars, except per share data	Note		2015	2014
Sales	7	$	1,605,284	1,563,710
Cost of sales	30		(1,357,471)	(1,313,669)
Gross profit			247,813	250,041
Selling and administrative expenses	30		(51,532)	(46,057)
Operating profit	7		196,281	203,984
Finance income	32		5,295	4,897
Finance costs	32		(68,159)	(106,009)
Net foreign exchange gain (loss) on financial instruments	33		(1,858)	(6,834)
Profit related to investments in associates and joint ventures	10		(282)	490
Other non-operating income(loss), net	31		(95,201)	655,792
Profit before income tax			36,076	752,320
Income tax expense	27		728	831
Profit from continuing operation			35,348	751,489
Loss from discontinuing operation, net of tax			(1,254)	(2,954)
Profit for the year		$	34,094	748,535
Other comprehensive income (loss)				
Items that will be reclassified subsequently to profit or loss:				
Net change in unrealized fair value of available-for-sale financial assets, net of tax	32		762	441
Net change in unrealized fair value of derivative financial assets and liabilities, net of tax	32		(36)	294
Net change of OCI of equity accounted investees, net			308	(199)
Currency translation differences, net of tax	32		(7,811)	466
			(6,777)	1,002
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit liability			(578)	(984)
Total other comprehensive income(loss) for the year, net of tax			(7,355)	18
Total comprehensive income for the year		$	26,739	748,553
Profit (loss) attributable to :				
Owners of the Company			34,085	748,599
Non-controlling interests			(9)	(64)
Profit for the year		$	34,094	748,535
Total comprehensive income (loss) attributable to :				
Owners of the Company			26,750	748,308
Non-controlling interests			(11)	245
Total comprehensive income for the year		$	26,739	748,553

Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

In thousands of US dollars, except per share data	Note		2015	2014
Earnings per share				
- Basic	34	$	0.09	6.81
- Diluted	34	$	0.09	6.81
Earnings per share – continuing operations				
- Basic	34	$	0.09	6.81
- Diluted	34	$	0.09	6.81

See accompanying notes to the consolidated financial statements.

Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

In thousands of US dollars		Attributable to owners of the Group						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other reserves	Retained Earnings (accumulated deficit)	Total		
Balance at January 1, 2014	$	105,779	-	(257)	1,066,043	(951,063)	220,502	7,787	228,289
Total comprehensive income for the year									
Profit (loss) for the year		-	-	-	-	748,599	748,599	(64)	748,535
Other comprehensive income (loss)									
Net change in unrealized fair value of available-for-sale financial assets, net of tax		-	-	-	441	-	441	-	441
Net change in unrealized fair value of derivative assets and liabilities, net of tax		-	-	-	294	-	294	-	294
Net change of OCI of equity accounted investees, net		-	-	-	(199)	-	(199)	-	(199)
Currency translation differences, net of tax		-	-	-	157	-	157	309	466
Remeasurements of defined benefit liability		-	-	-	-	(984)	(984)	-	(984)
Total other comprehensive income (loss)		-	-	-	693	(984)	(291)	309	18
Total comprehensive income for the year		-	-	-	693	747,615	748,308	245	748,553
Transactions with owners of the Group recorded directly in equity									
Contributions by and distributions to owners of the Group									
Debt-equity swap		86,555	141,839	-	95,337	-	323,731	-	323,731
Decrease of treasury shares		-	-	257	(167)	-	90	-	90
Dividend		-	-	-	-	-	-	(2,486)	(2,486)
Acquisition of non-controlling interest		-	389	-	-	-	389	(4,369)	(3,980)
Total transactions with owners of the Group recorded directly in equity		86,555	142,228	257	95,170	-	324,210	(6,855)	317,355
Balance at December 31, 2014	$	192,334	142,228	-	1,161,906	(203,448)	1,293,020	1,177	1,294,197

See accompanying notes to the consolidated financial statements.

Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity, Continued

In thousands of US dollars		Attributable to owners of the Group						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other reserves	Retained Earnings (accumulated deficit)	Total		
Balance at January 1, 2015	$	192,334	142,228	-	1,161,906	(203,448)	1,293,020	1,177	1,294,197
Total comprehensive income for the year									
Profit for the year		-	-	-	-	34,085	34,085	9	34,094
Other comprehensive income (loss)									
Net change in unrealized fair value of available-for-sale financial assets, net of tax		-	-	-	762	-	762	-	762
Net change in unrealized fair value of derivative assets and liabilities, net of tax		-	-	-	(36)	-	(36)	-	(36)
Net change of OCI of equity accounted investees, net		-	-	-	308	-	308	-	308
Currency translation differences, net of tax		-	-	-	(7,791)	-	(7,791)	(20)	(7,811)
Remeasurements of defined benefit liability		-	-	-	-	(578)	(578)	-	(578)
Total other comprehensive income (loss)		-	-	-	(6,757)	(578)	(7,335)	(20)	(7,355)
Total comprehensive income for the year		-	-	-	(6,757)	33,507	26,750	(11)	26,739
Transactions with owners of the Group recorded directly in equity									
Contributions by and distributions to owners of the Group									
Debt-equity swap		14,442	27,205	-	(72,426)	-	(30,779)	-	(30,779)
Capital increase by issuing new stock		306,334	457,572	-	-	-	763,906	-	763,906
Capital reduction without refund		(41,393)	-	-	41,393	-	-	-	-
Acquisition of non-controlling interest		-	164	-	-	-	164	20,380	20,544
Total transactions with owners of the Group recorded directly in equity		279,383	484,941	-	(31,033)	-	733,291	20,380	753,671
Balance at December 31, 2015	$	471,717	627,169	-	1,124,116	(169,941)	2,053,061	21,546	2,074,607

See accompanying notes to the consolidated financial statements.

Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014

In thousands of US dollars	Note		2015	2014
Cash flows from operating activities				
Cash generated from operating activities	37	$	322,184	443,122
Interest paid			(57,360)	(73,614)
Income tax refund (paid)			(1,328)	(2,465)
Net cash provided by operating activities			263,496	367,043
Cash flows from investing activities				
Acquisition of vessels, property and equipment			(48,379)	(39,624)
Acquisition of intangible assets			(850)	(693)
Proceeds from sale of vessels, property and equipment			57	298,538
Proceeds from sale of intangible assets			408	716
Acquisition of financial assets			(5,806)	(2,777)
Proceeds from sale of financial assets			9,719	11,039
Acquisition of subsidiaries share			-	(30)
Proceeds from sale of subsidiaries share			4,635	9,051
Acquisition of investments in associates			(40)	(43)
Proceeds from sale of investment in associates			-	12
Dividends received			1,140	1,466
Loans provided			(6)	-
Loans collected			224	6,132
Change of consolidated subsidiaries			20,350	(6,948)
Interest received			4,941	7,342
Net cash provided by (used in) investing activities			(13,607)	284,181
Cash flows from financing activities				
Proceeds from borrowings			176,310	28,022
Repayments of borrowings			(480,388)	(378,301)
Repayment of rehabilitation liabilities			(787,009)	(123,460)
Repayment of other liabilities			-	(227)
Proceeds from sales of treasury shares			-	257
Dividends paid			-	(2,098)
Others, net			-	(2,361)
Net cash used in financing activities		$	(375,443)	(478,168)

Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

			2015	2014
Net increase(decrease) in cash and cash equivalents		$	(127,202)	170,583
Cash and cash equivalents at beginning of the year			364,546	211,792
Effect of exchange rate fluctuations on cash held			(1,648)	(2,473)
Classification of held for sale	40		-	(17,829)
Cash and cash equivalents at end of the year		$	237,344	364,546

See accompanying notes to the consolidated financial statements.

December 31, 2015 and 2014

1. General information

Description of the controlling Company

Pan Ocean Co., Ltd. ("the Company") and its subsidiaries (together "the Group") operate marine transportation (mainly bulk carrying) and other related services.
The Company was established in Korea in May, 1966.
The Company became listed on the Singapore Exchange Securities Trading Limited ("SGX") in July 2005 and on the Korea Exchange ("KRX") in September 2007.

The address of its registered office is: STX Namsan Tower, 98, Huam-ro, Jung-gu, Seoul, Korea.

The paid-in capital amount as of December 31, 2015 is US$ 471,717 thousand and the number of shares issued is 524,425,070. As of December 31, 2015, the detail of the shareholders structure is as follows:

Shareholders	Number of common shares held	Percentage of ownership
Jeil Holdings Co., Ltd.	272,000,000	51.87%
Poseidon 2014. LLC.	68,000,000	12.97%
Other Shareholders	184,425,070	35.17%
	524,425,070	100.00%

2. Basis of Preparation

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by Group entities, unless otherwise indicated.
The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

2. Basis of Preparation, Continued

(a) Basis of measurement

The consolidated financial statements were authorized for issue by the Board of Directors on February 24, 2016, which will be submitted for approval to the shareholders' meeting to be held on March 25, 2016.

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in U.S. dollars, which is the Group's functional and presentation currency. All financial information presented in U.S. dollars has been rounded to the nearest thousands unless otherwise stated.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of Preparation, Continued

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 6.3– Revenue recognition

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 6.1 – Depreciation and residual value of vessels
- Note 6.2 & 8 – Impairment and assumption of value n use of vessels
- Note 27 – Utilization of deferred tax assets including adoption of tonnage tax
- Note 28 – Measurement of defined benefit obligations
- Note 29 – Provisions
- Note 35 – Contingencies

Fair Value Measurement

A number of The Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is use to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, The Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

2. Basis of Preparation, Continued

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring far values is included in the note 13 – Fair Value of Financial Assets and Liabilities

3. Changes in accounting policies

3.1 Newly adopted standards and interpretations

Except as described below, the accounting policies applied by the Group in these financial statements are the same as those applied by the Group in its financial statements as of and for the years ended December 31, 2015 and 2014.

- *K-IFRS 1019 'Employee Benefits' – Employee contributions*

According to the amendments K-IFRS 1019, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related service is rendered, instead of forecast future contributions from employees or third parties and attribute them to periods or service as negative benefits.
The nature of the change in accounting policies is as follows and the comparative prior year financial statements and related footnotes have been restated to reflect the change in

accounting policy.

3. Changes in Accounting Policies, Continued

3.2 Discontinued operation and re-presentation of comparative period

The Group reclassifies the line of business or geographical area of operation as a discontinued operation when it can be clearly distinguished from the rest of the Group, and the comparative consolidated statement of profit or loss and OCI is restated as if the operation had been discontinued from the start of the comparative periods.

The Group discloses single line of post-tax profit (loss) of discontinued operation in the consolidated income statement. Analysis of the revenue, expenses and the related income tax expense, net cash flows attributable to the operating, investing and financing activities of discontinued operations are presented in the note 40.

4. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes in accounting policies as explained in note 3.

Classification and presentation for certain amounts on the prior year's consolidated statement of comprehensive income have been restated in accordance with changes in reporting standards in relation to the presentation of comprehensive income and loss.

4. Significant Accounting Policies, Continued

4.1 Consolidation

(a) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(b) Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(c) Subsidiaries

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

4. Significant Accounting Policies

4.1 Consolidation, continued

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(d) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Interests in equity-accounted Investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(f) Intra-group transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(g) Business combinations under common control

The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts recognized previously in the consolidated financial statements of the ultimate parent. The difference between consideration transferred and carrying amounts of net assets acquired is recognized as part of share premium.

4. Significant Accounting Policies, Continued

4.2 Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

4.3 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, primarily the Group's headquarters, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The Group has four operating segments which consist of bulk carrier service, container service, tanker service and other shipping service, as described in note 7.

4. Significant Accounting Policies, Continued

4.4 Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

4. Significant Accounting Policies, Continued

4.4 Foreign currency, continued

(b) Foreign operations, continued

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

4.5 Vessels, property and equipment

Vessels, property and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of vessels, property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs 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 and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent to initial recognition, an item of vessels, property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent to initial recognition, an item of vessels, property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

4. Significant Accounting Policies, Continued

4.5 Vessels, property and equipment, continued

Subsequent costs are recognized in the carrying amount of vessels, property and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

An element of the cost of an acquired vessel is attributed at acquisition to its service potential reflecting its maintenance condition. This cost is depreciated over the period to the next dry docking. Costs incurred on subsequent dry docking of vessel are capitalized as part of tangible fixed assets and expensed over the period to the next dry docking.

Vessels, property and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. The estimated useful lives of the Group's vessels, property and equipment are as follows:

	Useful lives (years)
• Buildings	50 years
• Vessels	25 years
• Vehicles	5 years
• Tools, furniture and fixture	2.5~10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

4. Significant Accounting Policies, Continued

4.6 Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill and club membership is calculated on a straight-line basis over the estimated useful lives (5 years) of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized. The club memberships are tested for impairment annually and carried at cost less accumulated impairment loss.

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

4. Significant Accounting Policies, Continued

4.7 Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

4.8 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories and deferred tax assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

4. Significant Accounting Policies, Continued

4.8 Impairment of non-financial assets, continued

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit (“CGU”). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4. Significant Accounting Policies, Continued

4.9 Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the separate statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(a) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(b) Held-to-maturity financial assets

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

(c) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

4. Significant Accounting Policies, Continued

4.9 Non-derivative financial assets, continued

(d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives those are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

(e) De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(f) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the separate statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4. Significant Accounting Policies, Continued

4.10 Impairment on financial assets

A financial asset which is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.
If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset’s original effective interest rate. If it is not practicable to obtain the instrument’s estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Group can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

4. Significant Accounting Policies, Continued

4.10 Impairment on financial assets, continued

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

4.11 Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are either recognized in profit or loss or, when the derivatives are designated in a hedging relationship and the hedge is determined to be an effective hedge, other comprehensive income.

(a) Hedge accounting

The Group holds forward freight agreements, interest swap, forward exchange contracts, commodity swaps, commodity options and other derivative contracts to manage risks from changes in vessel rent, interest rate, currency exchange rate, and fuel price. Among the Group's derivative financial instruments, forward freight agreements, forward exchange contracts, commodity swaps and commodity options, offers hedge effectiveness, but they do not meet the requirements specified in K-IFRS No. 1039 'Financial Instruments: Recognition and Measurement' that classified as financial asset at fair value through profit or loss.

4. Significant Accounting Policies, Continued

4.11 Derivative financial instruments, including hedge accounting, continued

Cash flow hedge accounting is applied for the interest rate swaps since they meet the requirements specified in K-IFRS No. 1039. The Group officially designates hedging relationships, hedging objectives, and hedging strategy with documentations at the beginning of hedging relationships. These documentations includes hedging instruments and hedged items along with beginning dates and a method to assess the effect of offsetting changes in cash flows by the risk to hedge in subsequent periods.

(b) Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

(c) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

4. Significant Accounting Policies, Continued

4.12 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

4.13 Inventories

Inventories mainly comprise fuel and spare parts. The quantity of inventories is checked in the end of every reporting period. The cost of inventories is based on the weighted average cost formula, and includes expenditures for acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

The book value of inventories is recognized as cost of goods sold when profits are recognized with the consumption of inventories. Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

4. Significant Accounting Policies, Continued

4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by the Group in management of its short-term commitments. Generally equity investments are excluded from cash and cash equivalents. However, redeemable preference shares, for which the period from the acquisition to redemption is short, are classified as cash and cash equivalents.

4.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

4.16 Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the separate statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

4. Significant Accounting Policies, Continued

4.16 Non-derivative financial liabilities, continued

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(b) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the separate statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

4.17 Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(a) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

4. Significant Accounting Policies, Continued

4.17 Income taxes, continued

(b) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

4. Significant Accounting Policies, Continued

4.17 Income taxes, continued

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

4.18 Employee benefits

Most of the Group employees and directors are entitled to receive a lump-sum payment upon termination of their employment depending on their length of service and rate of pay at the time of termination, regardless of the reason for termination.

The Group mainly applies defined benefit plans to employees of shipping services and defined contribution plans to employees of non-shipping services. The Group is under the national pension scheme, a defined contribution plan, regulated by the Korean Government.

(a) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(b) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4. Significant Accounting Policies, Continued

4.18 Employee benefits, continued

(c) Retirement benefits: defined benefit plans

The Group’s net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailments is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4. Significant Accounting Policies, Continued

4.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

A provision shall be used only for expenditures for which the provision was originally recognized.

4. Significant Accounting Policies, Continued

4.20 Revenue recognition

Revenue comprises the fair value for revenue earned from voyage and time charter, net of value-added tax, rebates and discounts and after eliminating transactions within the Group.

Revenue from voyage charter is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Fuel cost, port charge, cargo expense, and other relevant voyage cost are recognized according to equivalent standards. Periodic charted vessel revenue is recognized equally during the term of contracts. Losses from voyages are recognized as expenses in the periods in which they are able to be estimated and classified as current liabilities.

4.21 Leases

The Group classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(a) Finance leases

At the commencement of the lease term, the Group recognizes as finance assets and finance liabilities in its separate statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.
The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the

shorter of the lease term and its useful life. The Group reviews to determine whether the leased asset may be impaired.

4. Significant Accounting Policies, Continued

4.21 Leases, continued

(b) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

(c) Determining whether an arrangement contains a lease

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

At inception or reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a financial lease that it is impracticable to separate the payments reliably, the Group recognizes an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently, the liability shall be reduced as payments are made and an imputed finance charge on the liability recognized using the purchaser's incremental borrowing rate of interest

4. Significant Accounting Policies, Continued

4.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

4.23 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036, ‘Impairment of Assets’.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

4. Significant Accounting Policies, Continued

4.24 Debt-equity swap and adjustments for receivables and payables

In case of issuing shares for repaying debts of the Group (debt-equity swap), the difference between the book value of debts and the fair value of the securities is recorded as gain from debt adjustment. In case the Group agreed with creditors to be converted into capital, but not implemented immediately, the Group accounted for the adjusted debts as other capital and the difference between the book value of adjusted debts and the fair value of the debt-equity swapped shares is recorded as gain from debt adjustment.

4.25 New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2015, and the Group has not early adopted them. Management believes the impact of the amendments on the Group's consolidated financial statements is not significant.

K-IFRS No. 1109, Financial Instruments

K-IFRS 1109 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from K-IFRS No. 1039. K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

K-IFRS No. 1115, Revenue from Contracts with Customers

K-IFRS 1115 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. K-IFRS 1115 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

Pan Ocean Co., Ltd.

Separate Statements of Financial Position

As of December 31, 2015 and 2014

In thousands of US dollars	Note		2015	2014
Assets				
Cash and cash equivalents	5,17	$	190,619	330,866
Trade receivables	5,12,13,15		81,826	71,584
Other receivables	5,12,13,16		18,905	22,853
Derivative financial assets	5,11,12,13		32	172,606
Other financial assets	5,12,13,14		1,070	2,398
Inventories	19		34,162	53,713
Other assets	18		128,414	124,197
Assets held for sale	38		2,649	190
Total current assets			457,677	778,407
Trade receivables	5,12,13,15		71	121
Other receivables	5,12,13,16		10,571	16,852
Other financial assets	5,12,13,14		16,050	19,545
Investments in subsidiaries	10		48,983	41,287
Investments in associates and joint ventures	10		1,498	6,756
Vessels, property and equipment	6,8		3,065,422	3,160,081
Intangible assets	9		4,059	4,611
Other assets	18		3,344	11,125
Total non-current assets			3,149,998	3,260,378
Total assets		$	3,607,675	4,038,785

See accompanying notes to the separate financial statements.

Pan Ocean Co., Ltd.

Separate Statements of Financial Position, Continued

As of December 31, 2015 and 2014

In thousands of US dollars	Note		2015	2014
Liabilities				
Trade payables	5,12,13	$	56,941	76,835
Borrowings	5,12,13,25		225,217	224,712
Derivative financial liabilities	5,11,12,13		1,714	177,673
Other payables	5,12,13,23		40,946	73,474
Provisions	29		1,837	1,576
Other liabilities	24		64,012	87,994
Total current liabilities			390,667	642,264
Borrowings	5,12,13,25		1,053,801	1,358,245
Rehabilitation liabilities	5,12,13,26		-	527,653
Derivative financial liabilities	5,11,12,13		213	384
Provisions	29		107,071	228,401
Retirement benefit obligations	28		9,526	11,927
Other payables	5,12,13,23		-	798
Total non-current liabilities			1,170,611	2,127,408
Total liabilities		$	1,561,278	2,769,672
Equity				
Share capital	20	$	471,717	192,334
Share premium	20		626,615	141,839
Other reserves	21		1,141,252	1,171,353
Retained earnings (accumulated deficit)	22		(193,187)	(236,413)
Total equity			2,046,397	1,269,113
Total equity and liabilities		$	3,607,675	4,038,785

See accompanying notes to the separate financial statements.

Pan Ocean Co., Ltd.

Separate Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014

In thousands of US dollars, except per share data	Note		2015	2014
Sales	7	$	1,553,377	1,477,718
Cost of sales	30		(1,319,125)	(1,239,086)
Gross profit			234,252	238,632
Selling and Administrative expenses			(37,615)	(35,909)
Operating profit	7		196,637	202,723
Finance income	32		8,835	4,825
Finance costs	32		(67,509)	(105,389)
Net foreign exchange gain (loss) on financial instruments, net	33		(1,822)	(4,981)
Other non-operating income(loss), net	31		(92,337)	673,977
Profit before income tax			43,804	771,155
Income tax benefit(expense)	27		-	-
Profit for the year			43,804	771,155
Other comprehensive income (loss)				
Items that will be reclassified subsequently to profit or loss:				
Net change in unrealized fair value of available-for-sale financial assets, net of tax			762	441
Net change in unrealized fair value of derivative financial assets and liabilities, net of tax			171	294
			933	735
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit liability			(578)	(984)
Total other comprehensive income (loss) for the year, net of tax			355	(249)
Total comprehensive income for the year		$	44,159	770,906
Earnings per share	34			
- Basic		$	0.11	6.98
- Diluted		$	0.11	6.98

See accompanying notes to the separate financial statements.

Pan Ocean Co., Ltd.

Separate Statements of Changes in Equity

In thousands of US dollars		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings (accumulated deficit)	Total equity
Balance as of January 1, 2014	**$**	**105,779**	**-**	**-**	**1,075,281**	**(1,006,585)**	**174,475**
Total comprehensive income for the year							
Profit for the year		-	-	-	-	771,156	771,156
Other comprehensive income (loss)							
Net change in unrealized fair value of available-for-sale financial assets, net of tax		-	-	-	441	-	441
Net change in unrealized fair value of derivative assets and liabilities, net of tax		-	-	-	294	-	294
Remeasurements of defined benefit liability		-	-	-	-	(984)	(984)
Total other comprehensive income		**-**	**-**	**-**	**735**	**(984)**	**(249)**
Total comprehensive income for the year		**-**	**-**	**-**	**735**	**770,172**	**770,907**
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company							
Debt-equity swap		86,555	141,839	-	95,337	-	323,731
Total contributions by and distributions to owners		**86,555**	**141,839**	**-**	**95,337**	**-**	**323,731**
Balance as of December 31, 2014	**$**	**192,334**	**141,839**	**-**	**1,171,353**	**(236,413)**	**1,269,113**

See accompanying notes to the separate financial statements.

Pan Ocean Co., Ltd.

Separate Statements of Changes in Equity, Continued

In thousands of US dollars		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings (accumulated deficit)	Total equity
Balance as of January 1, 2015	**$**	**192,334**	**141,839**	**-**	**1,171,353**	**(236,413)**	**1,269,113**
Total comprehensive income for the year							
Profit for the year		-	-	-	-	43,804	43,804
Other comprehensive income (loss)							
Net change in unrealized fair value of available-for-sale financial assets, net of tax		-	-	-	762	-	762
Net change in unrealized fair value of derivative assets and liabilities, net of tax		-	-	-	171	-	171
Remeasurements of defined benefit liability		-	-	-	-	(578)	(578)
Total other comprehensive income		**-**	**-**	**-**	**933**	**(578)**	**355**
Total comprehensive income for the year		**-**	**-**	**-**	**933**	**43,226**	**44,159**
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company							
Capital increase by issuing new stock		306,334	457,572	-	-	-	763,906
Capital reduction without refund		(41,393)	-	-	41,393	-	-
Debt-equity swap		14,442	27,204	-	(72,427)	-	(30,781)
Total contributions by and distributions to owners		**279,383**	**484,776**	**-**	**(31,034)**	**-**	**733,125**
Balance as of December 31, 2015	**$**	**471,717**	**626,615**	**-**	**1,141,252**	**(193,187)**	**2,046,397**

See accompanying notes to the separate financial statements.

Pan Ocean Co., Ltd.

Separate Statements of Cash Flows

For the years ended December 31, 2015 and 2014

In thousands of US dollars	Note		2015	2014
Cash flows from operating activities				
Cash generated from operating activities	37	$	326,047	456,960
Interest paid			(56,881)	(70,573)
Income tax paid			(928)	291
Net cash provided by operating activities			268,238	386,678
Cash flows from investing activities				
Acquisition of vessels, property and equipment			(47,664)	(39,040)
Acquisition of intangible assets			-	(693)
Proceeds from sale of vessels, property and equipment			20	298,239
Proceeds from sale of intangible assets			408	716
Acquisition of financial assets			(4,194)	(3,014)
Proceeds from sale of financial assets			9,172	9,359
Acquisition of subsidiaries			(7,696)	(30)
Acquisition of investments in associates and joint ventures			(40)	(43)
Proceeds from sale of investments in associates and joint ventures			4,635	9,051
Dividends received			4,629	1,466
Loans collected			218	3,310
Interest received			4,260	2,964
Net cash provided by (used in) investing activities			(36,252)	282,285
Cash flows from financing activities				
Proceeds from borrowings			176,310	28,022
Repayments of borrowings			(477,040)	(366,197)
Repayment of rehabilitation liabilities			(787,009)	(123,459)
Repayment of other liabilities			-	(229)
Proceeds from capital increase			715,644	-
Net cash used in financing activities			(372,095)	(461,863)
Net increase(decrease) in cash and cash equivalents			(140,247)	207,223
Cash and cash equivalents at beginning of the year			330,866	123,643
Effect of exchange rate fluctuations on cash held			(138)	123
Cash and cash equivalents at end of the year		$	190,619	330,866

See accompanying notes to the separate financial statements.

December 31, 2015 and 2014

1. General information

Description of the company

Pan Ocean Co., Ltd. ("the Company") operates marine transportation (mainly bulk carrying) and other related services.
The Company was established in Korea in May, 1966.
The Company became listed on the Singapore Exchange Securities Trading Limited ("SGX") in July 2005 and on the Korea Exchange ("KRX") in September 2007.
The address of its registered office is: STX Namsan Tower, 98, Huam-ro, Jung-gu, Seoul, Korea.

The paid-in capital amount as of December 31, 2015 is US$ 471,717 thousand and the number of shares issued is 524,425,070. As of December 31, 2015, the detail of the shareholders structure is as follows:

Shareholders	Number of common shares held	Percentage of ownership
Jeil Holdings Co., Ltd.	272,000,000	51.87%
Poseidon 2014. LLC.	68,000,000	12.97%
Other Shareholders	184,425,070	35.17%
	524,425,070	100.00%

2. Basis of Preparation

The significant accounting policies applied by the Company in preparation of its separate financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements by the Company, unless otherwise indicated.

The separate financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

2. Basis of Preparation, Continued

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027, 'Separate Financial Statements' presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost.

The separate financial statements were authorized for issue by the Board of Directors on February 24, 2016, which will be submitted for approval to the shareholders' meeting to be held on March 25, 2016.

(a) Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except for the following material items in the separate statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

(b) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The separate financial statements are presented in U.S. dollars, which is the Company's functional and presentation currency. All financial information presented in U.S. dollars has been rounded to the nearest thousand unless otherwise stated.

(c) Use of estimates and judgments

The preparation of the separate financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of Preparation, Continued

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements is included in the following notes:

- Note 6.3– Revenue recognition

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 6.1 – Depreciation and residual value of vessels
- Note 6.2 & 8 – Impairment and assumption of value n use of vessels
- Note 27 – Utilization of deferred tax assets including adoption of tonnage tax
- Note 28 – Measurement of defined benefit obligations
- Note 29 – Provisions
- Note 35 – Contingencies

Fair Value Measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is use to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

2. Basis of Preparation, Continued

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring far values is included in the note 13 – Fair Value of Financial Assets and Liabilities

3. Changes in Accounting Policies

Except as described below, the accounting policies applied by the Company in these financial statements are the same as those applied by the Company in its financial statements as of and for the years ended December 31, 2015 and 2014.

- K-IFRS 1019 ‘Employee Benefits’ – Employee contributions

According to the amendments K-IFRS 1019, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related service is rendered, instead of forecast future contributions from employees or third parties and attribute them to periods or service as negative benefits.

The nature of the change in accounting policies is as follows and the comparative prior year financial statements and related footnotes have been restated to reflect the change in accounting policy.

4. Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes in accounting policies as explained in note 3.

4.1 Subsidiaries, associates and joint venture in the separate financial statements

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027, 'Separate Financial Statements'. The Company applied the cost method to investments in subsidiaries and associates in accordance with K-IFRS No. 1027. Dividends from a subsidiaries or associates are recognized in profit or loss when the right to receive the dividend is established.

4.2 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets primarily the Company's headquarters, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The Company has four operating segments which consist of bulk carrier service, container service, tanker service and other shipping service, as described in note 7.

4. Significant Accounting Policies, Continued

4.3 Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Translation of the financial statements

If the presentation currency of the Company is different from the functional currency, the financial statements are translated into the presentation currency using the following methods:

The assets and liabilities of the Company, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

4.4 Vessels, property and equipment

Vessels, property and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of vessels, property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs 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 and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

4. Significant Accounting Policies, Continued

4.4 Vessels, property and equipment, continued

Subsequent to initial recognition, an item of vessels, property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of vessels, property and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

An element of the cost of an acquired vessel is attributed at acquisition to its service potential reflecting its maintenance condition. This cost is depreciated over the period to the next dry docking. Costs incurred on subsequent dry docking of vessel are capitalized as part of tangible fixed assets and expensed over the period to the next dry docking.

Vessels, property and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. The estimated useful lives of the Company's vessels, property and equipment are as follows:

	Useful lives (years)
● Buildings	50 years
● Vessels	25 years
● Vehicles	5 years
● Tools, furniture and fixture	2.5~10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

4. Significant Accounting Policies, Continued

4.5 Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill and club membership is calculated on a straight-line basis over the estimated useful lives (5 years) of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized. The club memberships are tested for impairment annually and carried at cost less accumulated impairment loss.

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

4.6 Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets.

Assets that are ready for their intended use or sale when acquired are not qualifying assets.

4. Significant Accounting Policies, Continued

4.6 Borrowing costs, continued

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

4.7 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from employee benefits, inventories and deferred tax assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Company estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

4. Significant Accounting Policies, Continued, Continued

4.7 Impairment of non-financial assets, continued

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.8 Non-derivative financial assets

The Company recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company recognizes financial assets in the separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(a) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

4. Significant Accounting Policies, Continued, Continued

4.8 Non-derivative financial assets, continued

(b) Held-to-maturity financial assets

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Company has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

(c) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives those are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

(e) De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

4. Significant Accounting Policies, Continued, Continued

4.8 Non-derivative financial assets, continued

If the Company retains substantially all the risks and rewards of ownership of the transferred financial assets, the Company continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(f) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the separate statement of financial position only when the Company currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.9 Impairment of financial assets

A financial asset which is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Company can recognize impairment losses directly or establish a provision to cover impairment losses.

4. Significant Accounting Policies, Continued, Continued

4.9 Impairment of financial assets, continued

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

4. Significant Accounting Policies, Continued

4.10 Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are either recognized in profit or loss or, when the derivatives are designated in a hedging relationship and the hedge is determined to be an effective hedge, other comprehensive income.

(a) Hedge accounting

The Company holds forward freight agreements, interest swap, forward exchange contracts, commodity swaps, commodity options and other derivative contracts to manage risks from changes in vessel rent, interest rate, currency exchange rate, and fuel price. Among the Company's derivative financial instruments, forward freight agreements, forward exchange contracts, commodity swaps and commodity options, offers hedge effectiveness, but they do not meet the requirements specified in K-IFRS No. 1039 'Financial Instruments: Recognition and Measurement' that classified as financial asset at fair value through profit or loss.

Cash flow hedge accounting is applied for the interest rate swaps since they meet the requirements specified in K-IFRS No. 1039. The Company officially designates hedging relationships, hedging objectives, and hedging strategy with documentations at the beginning of hedging relationships. These documentations includes hedging instruments and hedged items along with beginning dates and a method to assess the effect of offsetting changes in cash flows by the risk to hedge in subsequent periods.

(b) Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

4. Significant Accounting Policies, Continued

4.10 Derivative financial instruments, including hedge accounting, continued

(b) Cash flow hedge

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

(c) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

4.11 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

4. Significant Accounting Policies, Continued

4.12 Inventories

Inventories mainly comprise fuel and spare parts. The quantity of inventories is checked in the end of every reporting period. The cost of inventories is based on the weighted average cost formula, and includes expenditures for acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

The book value of inventories is recognized as cost of goods sold when profits are recognized with the consumption of inventories. Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

4.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by the Company in management of its short-term commitments. Generally equity investments are excluded from cash and cash equivalents. However, redeemable preference shares, for which the period from the acquisition to redemption is short, are classified as cash and cash equivalents.

4.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

4. Significant Accounting Policies, Continued

4.14 Share capital, continued

When the Company repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

4.15 Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the separate statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(b) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability from the separate statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

4. Significant Accounting Policies, Continued

4.16 Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(a) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(b) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

4. Significant Accounting Policies, Continued

4.16 Income taxes, continued

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

4.17 Employee benefits

Most of the Company employees and directors are entitled to receive a lump-sum payment upon termination of their employment depending on their length of service and rate of pay at the time of termination, regardless of the reason for termination.

The Company mainly applies defined benefit plans to employees of shipping services and defined contribution plans to employees of non-shipping services. The Company is under the national pension scheme, a defined contribution plan, regulated by the Korean Government.

4. Significant Accounting Policies, Continued

4.17 Employee benefits, continued

(a) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(b) Retirement benefits: defined contribution plans

When an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Company recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(c) Retirement benefits: defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

4. Significant Accounting Policies, Continued

4.17 Employee benefits, continued

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailments is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4.18 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

4. Significant Accounting Policies, Continued

4.18 Provisions, continued

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

A provision shall be used only for expenditures for which the provision was originally recognized.

4.19 Revenue recognition

Revenue comprises the fair value for revenue earned from voyage and time charter, net of value-added tax, rebates and discounts and after eliminating transactions within the Company.

Revenue from voyage charter is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Fuel cost, port charge, cargo expense, and other relevant voyage cost are recognized according to equivalent standards. Periodic charted vessel revenue is recognized equally during the term of contracts. Losses from voyages are recognized as expenses in the periods in which they are able to be estimated and classified as current liabilities.

4. Significant Accounting Policies, Continued

4.20 Leases

The Company classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(a) Finance leases

At the commencement of the lease term, the Company recognizes as finance assets and finance liabilities in its separate statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Company reviews to determine whether the leased asset may be impaired.

(b) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

4. Significant Accounting Policies, Continued

4.20 Leases, continued

(c) Determining whether an arrangement contains a lease

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

At inception or reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a financial lease that it is impracticable to separate the payments reliably, the Company recognizes an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently, the liability shall be reduced as payments are made and an imputed finance charge on the liability recognized using the purchaser's incremental borrowing rate of interest

4.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

4. Significant Accounting Policies, Continued

4.22 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Company recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036, 'Impairment of Assets'.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

4.23 Debt-equity swap and adjustments for receivables and payables

In case of issuing shares for repaying debts of the Company (debt-equity swap), the difference between the book value of debts and the fair value of the securities is recorded as gain from debt adjustment. In case the Company agreed with creditors to be converted into capital, but not implemented immediately, the Company accounted for the adjusted debts as other capital and the difference between the book value of adjusted debts and the fair value of the debt-equity swapped shares is recorded as gain from debt adjustment.

4. Significant Accounting Policies, Continued

4.24 New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2015, and the Company has not early adopted them. Management believes the impact of the amendments on the Company's separate financial statements is not significant.

K-IFRS No. 1109, Financial Instruments

K-IFRS 1109 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from K-IFRS No. 1039. K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

K-IFRS No. 1115, Revenue from Contracts with Customers

K-IFRS 1115 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. K-IFRS 1115 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.