Thorco Shipping A/S

Tuboorg Parkvej 10, DK-2900 Hellerup

Annual Report for 1 January - 31 December 2018

CVR No 10 13 44 63

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 26/6 2019

Jesper Ringsholm
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Thorco Shipping A/S for the financial year 1 January - 31 December 2018.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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

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

Hellerup, 26 June 2019

Executive Board

Thomas Nørballe Mikkelsen

Board of Directors

Thor Stadil Chairman	Thomas Nørballe Mikkelsen	Ernesto Walter Schonbrod Brauhardt

Independent Auditor's Report

To the Shareholder of Thorco Shipping A/S

Adverse Opinion
In our opinion, because of the significance of the matter discussed in the Basis for adverse opinion paragraph, the Financial Statements do not give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Thorco Shipping A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Adverse Opinion
The Company has a significant negative equity. Negotiations with the Company's investors are being conducted about contribution of capital, making financing available for the continued operations of the Company. No binding capital or financing agreements have been entered into. Thus, the assumption that Company is able to continue on a going concern basis is subject to uncertainty.

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

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Independent Auditor's Report

As the Basis for Adverse Opinion section shows, we express a modified opinion on the financial statements due to the matter described above. We conclude, for the same reason, that Management's Review is not free from material misstatement in relation to the amounts and other elements affected by the matter described above.

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

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

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

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 26 June 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Line Hedam
State Authorized Public Accountant
mne27768

Bo Schou-Jacobsen
State Authorized Public Accountant
mne28703

Company Information

The Company	Thorco Shipping A/S Tuborg Parkvej 10 DK-2900 Hellerup Telephone: + 45 63203000 CVR No: 10 13 44 63 Financial period: 1 January - 31 December Financial year: 16th financial year Municipality of reg. office: Gentofte
Board of Directors	Thor Stadil, Chairman Thomas Nørballe Mikkelsen Ernesto Walter Schonbrod Brauhardt
Executive Board	Thomas Nørballe Mikkelsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	2018	2017	2016	2015	2014
	USD 1.000	USD 1.000	USD 1.000	USD 1.000	USD 1.000
Key figures					
Profit/loss					
Gross profit/loss	-765	-9,384	-23,709	10,635	-7,132
Profit/loss before financial income and expenses	-765	-9,384	-25,468	4,393	-15,251
Net financials	-12,693	-1,202	163	472	-844
Net profit/loss for the year	-13,784	-13,498	-10,801	4,826	-16,096
Balance sheet					
Balance sheet total	4,167	8,608	21,698	30,899	52,075
Equity	-36,868	-23,084	-9,586	1,215	-4,182
Ratios					
Return on assets	-18.4%	-109.0%	-117.4%	14.2%	-29.3%
Solvency ratio	-884.8%	-268.2%	-44.2%	3.9%	-8.0%
Return on equity	46.0%	82.6%	258.1%	-325.3%	-235.8%

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

The Company was demerged in 2015. The financial highlights have not been restated according to the demerger for the period 2013.

Management's Review

Key activities

The object of the Company is to carry on shipping, chartering and other shipping activities as well as any activity deemed by the Board of Directors to be related hereto, including but not limited to the Company being able to enter into agreements on sale and purchase of securities, foreign exchange and derivatives of any kind and any combinations of these.

Capital resources

We refer to note 1 to the Financial Statements concerning the Company's capital resources and continued operations.

Development in the year

The income statement of the Company for 2018 shows a loss of USD 13,784,002, and at 31 December 2018 the balance sheet of the Company shows negative equity of USD 36,867,600.

Statutory statements on corporate social responsibility and the underrepresented gender, cf sections 99 a and 99 b of the Danish Financial Statements Act

Reference is made to Parent Company Thornico A/S CSR report including policy on gender equality. The report can be found on the following website:
http://www.thornico.com/CompanyKarma/CompanyKarma-Report.

Uncertainty relating to recognition and measurement

We refer to note 2 to the Financial Statements concerning the uncertainty pertaining to the recognition and measurement of the guarantee commitments.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2018	2017
		USD	USD
Gross profit/loss		**-764,618**	**-9,384,229**
Income from investments in associates		139,564	-838,860
Financial income	5	840,752	2,300,367
Financial expenses	6	-13,673,550	-2,663,421
Profit/loss before tax		**-13,457,852**	**-10,586,143**
Tax on profit/loss for the year	7	-326,150	-2,911,574
Net profit/loss for the year		**-13,784,002**	**-13,497,717**

Balance Sheet 31 December

Assets

	Note	2018	2017
		USD	USD
Investments in subsidiaries	8	0	3,919,191
Investments in associates	9	2,950,641	2,811,077
Fixed asset investments		**2,950,641**	**6,730,268**
Fixed assets		**2,950,641**	**6,730,268**
Receivables from group enterprises		1,006,441	1,377,383
Other receivables		28,819	71,718
Prepayments		2,201	242,888
Receivables		**1,037,461**	**1,691,989**
Cash at bank and in hand		**178,475**	**185,385**
Currents assets		**1,215,936**	**1,877,374**
Assets		**4,166,577**	**8,607,642**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		USD	USD
Share capital		11,006,479	11,006,479
Reserve for net revaluation under the equity method		2,611,125	2,611,125
Retained earnings		-50,485,204	-36,701,202
Equity		**-36,867,600**	**-23,083,598**
Provision for deferred tax	11	0	0
Provisions		**0**	**0**
Credit institutions		5,419,879	5,563,071
Trade payables		15,656,010	2,980,488
Payables to group enterprises		14,080,883	15,072,062
Payables to associates		5,616,704	5,558,571
Other payables		260,701	2,517,048
Short-term debt		**41,034,177**	**31,691,240**
Debt		**41,034,177**	**31,691,240**
Liabilities and equity		**4,166,577**	**8,607,642**
Going concern	1		
Uncertainty relating to guarantee commitments	2		
Subsequent events	3		
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	USD	USD	USD	USD
Equity at 1 January	11,006,479	2,611,125	-36,701,202	-23,083,598
Net profit/loss for the year	0	0	-13,784,002	-13,784,002
Equity at 31 December	**11,006,479**	**2,611,125**	**-50,485,204**	**-36,867,600**

Notes to the Financial Statements

1 Going concern

The Company is financed by external and and group loans. In order for the Company to continue as a going concern, it must be possible to extend the existing financing agreements and to procure liquidity for continued operations. At this time, no agreements securing continued operations have been made. Consequently, the Company's ability to continue as a going concern, and thus its ability to meet its commitments as they fall due, is subject to uncertainty. Management expects financing to be procured to continue the planned activities. Furthermore we draw attention to note 2.

2 Uncertainty relating to guarantee commitments

The Company has provided guarantees in respect of bank debt concerning bottomry in group enterprises. Moreover, the Company is jointly and severally liable for any claims from creditors existing at the time of the demerger of the Company which have not subsequently been settled. In order for the group enterprises to continue on a going concern basis, it must be possible to extend the existing financing agreements to procure liquidity for the group enterprises' continued operations. At this time, no agreements securing the continued operations of the group enterprises have been made. Consequently, there is a risk that a claim may be made against the Company which may lead to considerable doubt about the Company's ability to continue as a going concern, and thus its ability to meet its commitments as they fall due. Management expects financing to be procured in the group enterprises to continue the planned activities.

3 Subsequent events

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

	2018	2017
	USD	USD
4 Staff expenses		
Average number of employees	**0**	**0**

Notes to the Financial Statements

		2018	2017
		USD	USD
5	**Financial income**		
	Interest received from group enterprises	599,577	668,904
	Other financial income	1,593	921
	Exchange adjustments	239,582	1,630,542
		840,752	**2,300,367**
6	**Financial expenses**		
	Financial expenses to group enterprises	13,504,961	2,414,039
	Other financial expenses	168,589	249,382
		13,673,550	**2,663,421**
7	**Tax on profit/loss for the year**		
	Current tax for the year	0	-1,313,861
	Deferred tax for the year	0	7,716,426
	Adjustment of tax concerning previous years	326,150	-3,490,991
		326,150	**2,911,574**
8	**Investments in subsidiaries**		
	Cost at 1 January	3,832,155	3,832,155
	Disposals for the year	-3,832,155	0
	Cost at 31 December	0	3,832,155
	Value adjustments at 1 January	87,036	87,036
	Disposals for the year etc.	-87,036	0
	Value adjustments at 31 December	0	87,036
	Carrying amount at 31 December	**0**	**3,919,191**

Notes to the Financial Statements

	2018	2017
	USD	USD
9 Investments in associates		
Cost at 1 January	286,988	286,988
Cost at 31 December	286,988	286,988
Value adjustments at 1 January	2,524,089	1,549,799
Net profit/loss for the year	139,564	974,290
Value adjustments at 31 December	2,663,653	2,524,089
Carrying amount at 31 December	**2,950,641**	**2,811,077**

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Thorco Shipping Pte Ltd	Singapore	kUSD 113	50%

10 Distribution of profit

	2018	2017
Reserve for net revaluation under the equity method	0	974,290
Retained earnings	-13,784,002	-14,472,007
	-13,784,002	**-13,497,717**

11 Provision for deferred tax

	2018	2017
Provision for deferred tax at 1 January	0	-7,716,426
Amounts recognised in the income statement for the year	0	7,716,426
Provision for deferred tax at 31 December	**0**	**0**

The recognised tax asset comprises tax loss carry-forwards expected to be utilised within the next year by the group.
The company has an unrecognised tax asset of 6.902.208 USD, wich has not been recognised in the financial statement.

Notes to the Financial Statements

12 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The danish group enterprises are jointly and severally liable for tax on the Group's jointly taxed income.

Purchase and guarantee comittments to banks, financial institutions and shipping companies amount for the Company to USD 54.3 million (2017: USD 70,3 million)

The Company has provided earnings gurantee of 3 vessels a 8,000 USD per day (2017: 8,000 USD per day).

The Company is jointly and severally liable for debt and security provided in connection with the demerger with Sofia Shipping A/S. The maximum liability amounts to USD 36.6 million (2017: USD 39.6 million)

The Company have an agreement on lease of vessels on a time charter basis for expiry in the financial year 2025. The total obligation amounts to USD 62.6 million (2017: USD 55.8 million).

The Company have an agreement on lease of vessels on a bareboat basis for expiry in the financial year 2025. The total obligation amounts to USD 48.8 million (2017: USD 55.7 million).

The company will support continued operations in affiliates and provide financial support until at least 31 December 2019.

Notes to the Financial Statements

13 Related parties

Consolidated Financial Statements

The company is included in the Group annual report of the Parent Company Thornico A/S. The Group Annual Report of Thornico A/S may be obtained at the following adress:

Name	Place of registered office
Thornico A/S	Odense, Denmark

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of Thorco Shipping A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in USD. Applied US Dollar exchange rate on the 31 December 2018: 651.94 (2017: 620.77).

Consolidated financial statements

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

Cash flow statement

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

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

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

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Notes to the Financial Statements

14 Accounting Policies (continued)

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

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

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

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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

Income Statement

Revenue

Revenue from sales (chartering income) is recognised in the income statement when the charter is finalised based on the following criteria:

- finalisation of the charter before year end
- the charter income has been determined and payment has been recieved or may with reasonable certainty to be expected to be received.

Notes to the Financial Statements

14 Accounting Policies (continued)

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Vessel operating costs

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

Other external expenses

Other external expenses comprise expenses for premises and office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, vessel operating cost and other external expenses.

Staff expenses

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

Other operating income and expenses

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

Income from investments in subsidiaries and associates

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

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Notes to the Financial Statements

14 Accounting Policies (continued)

The Company is jointly taxed with companies in the Thornico Group joint taxation. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Investments in subsidiaries and associates

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

The items"Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

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

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

Inventories

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

Receivables

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

Prepayments

Prepayments comprise prepaid expenses concerning charter, insurance premiums, etc.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Notes to the Financial Statements

14 Accounting Policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Financial debts

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$