Thorco Shipping A/S

Tuborg Parkvej 10, DK-2900 Hellerup

Annual Report for 1. januar - 31. december 2015

CVR No 10 13 44 63

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 9 /6 2016

Thor Stadil
Chairman

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 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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, 9 June 2016

Direktion

Thomas Nørballe Mikkelsen

Bestyrelse

Thor Stadil Chairman	Thomas Nørballe Mikkelsen	Christian Nicholas Stadil

Independent Auditor's Report on the Financial Statements

To the Shareholders of Thorco Shipping A/S

Report on the Financial Statements

We have audited the Financial Statements of Thorco Shipping A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility
Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Independent Auditor’s Report on the Financial Statements

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Emphasis of Matter
Without modifying our opinion, we draw attention to the information in note 1 "Uncertainty relating to guarantee commitments" to the Financial Statements describing assumptions and uncertainties relating to the Company’s guarantee commitments, including uncertainty which may lead to considerable doubt about the Company’s ability to continue as a going concern if the guarantee commitments become effective.

Statement on Management’s Review

We have read Management’s Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management’s Review is in accordance with the Financial Statements.

Hellerup, 9 June 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Line Hedam
statsautoriseret revisor

Mark P. Beer
statsautoriseret revisor

Company Information

The Company	Thorco Shipping A/S Tuborg Parkvej 10 DK-2900 Hellerup Telephone: 63203000 CVR No: 10 13 44 63 Financial period: 1 January - 31 December Financial year: 13rd financial year Municipality of reg. office: Gentofte
Board of directors	Thor Stadil, Chairman Thomas Nørballe Mikkelsen Christian Nicholas Stadil
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:

	2015 USD 1.000	2014 USD 1.000	2013 USD 1.000	2012 USD 1.000	2011 USD 1.000
Key figures					
Profit/loss					
Revenue	105.317	151.250	150.631	154.262	115.646
Gross profit/loss	10.635	-7.132	1.833	4.661	2.423
Profit/loss before financial income and expenses	4.393	-15.251	-4.083	926	57
Net financials	472	-844	5.554	-745	-12.667
Net profit/loss for the year	4.826	-16.096	723	321	-12.610
Balance sheet					
Balance sheet total	30.899	52.075	73.679	56.338	49.884
Equity	1.215	-4.182	17.835	17.112	18.543
Ratios					
Gross margin	10,1%	-4,7%	1,2%	3,0%	2,1%
Profit margin	4,2%	-10,1%	-2,7%	0,6%	0,0%
Return on assets	14,2%	-29,3%	-5,5%	1,6%	0,1%
Solvency ratio	3,9%	-8,0%	24,2%	30,4%	37,2%
Return on equity	-325,3%	-235,8%	4,1%	1,8%	-60,4%

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 2011-2013.

Management's Review

Main activity

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.

Change in capital structure

In 2015 the main shareholder converted USD 38 million subordinate loan into equity to obtain adequate capital resources for growing the business within main activities.

Development in the year

The income statement of the Company for 2015 shows a profit before tax of USD 4,865,284, and at 31 December 2015 the balance sheet of the Company shows equity of USD 1,215,301.

In general 2015 was a difficult year for international shipping – and the Multi-purpose and Project (MPP) segment was no exemption. MPP continues to suffer from mainly lower off shore activity and competition from handy-size bulkers. However, through strong focus on core business and dedicated employees Thorco Shipping A/S has been able to maintain its leading position in the MPP segment.

Outlook for 2016

The MPP segment is expected to continue being under pressure, and Thorco Shipping A/S will adjust strategy and activity level accordingly expecting an unchanged result for 2016.

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 AIS CSR report including policy on gender equality. The report can be found on the following website: http://www.thornico.com/Company-Karma/Company-Karma-Report

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	2015	2014
		USD	USD
Revenue	2	**105.316.535**	**151.249.810**
Other operating income		25.981.866	27.469.700
Other external expenses		-120.663.378	-185.851.637
Gross profit/loss		**10.635.023**	**-7.132.127**
Staff expenses	3	-6.241.790	-8.119.079
Profit/loss before financial income and expenses		**4.393.233**	**-15.251.206**
Income from investments in subsidiaries		-77.983	133.406
Income from investments in associates		-774.964	332.394
Financial income	4	3.756.399	5.191.552
Financial expenses	5	-2.431.401	-6.501.703
Profit/loss before tax		**4.865.284**	**-16.095.557**
Tax on profit/loss for the year	6	-39.656	0
Net profit/loss for the year		**4.825.628**	**-16.095.557**

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0	0
Reserve for net revaluation under the equity method	-10.116	465.800
Retained earnings	4.835.744	-16.561.357
	4.825.628	**-16.095.557**

Balance Sheet 31 December

Assets

	Note	2015 USD	2014 USD
Investments in subsidiaries	7	4.142.539	4.259.353
Investments in associates	8	1.896.658	1.789.960
Other investments		0	44.772
Fixed asset investments		**6.039.197**	**6.094.085**
Fixed assets		**6.039.197**	**6.094.085**
Inventories		**903.460**	**4.694.718**
Trade receivables		7.966.059	6.825.124
Receivables from group enterprises		11.719.861	11.668.645
Receivables from associates		0	196.315
Other receivables		2.567.647	7.103.061
Prepayments		1.659.638	15.466.303
Receivables		**23.913.205**	**41.259.448**
Cash at bank and in hand		**43.431**	**26.692**
Currents assets		**24.860.096**	**45.980.858**
Assets		**30.899.293**	**52.074.943**

Balance Sheet 31 December

Liabilities and equity

	Note	2015	2014
		USD	USD
Share capital		11.006.479	4.335.176
Reserve for net revaluation under the equity method		1.696.706	1.706.822
Retained earnings		-11.487.884	-10.223.750
Equity	9	**1.215.301**	**-4.181.752**
Credit institutions		7.705.600	11.665.943
Trade payables		6.018.026	16.700.283
Payables to group enterprises		4.118.914	4.386.201
Payables to associates		3.842.127	5.167.737
Other payables		5.662.716	1.068.196
Deferred income		2.336.609	17.268.335
Short-term debt		**29.683.992**	**56.256.695**
Debt		**29.683.992**	**56.256.695**
Liabilities and equity		**30.899.293**	**52.074.943**
Uncertainty relating to guarantee commitments	1		
Contingent assets, liabilities and other financial obligations	10		
Related parties and ownership	11		

Notes to the Financial Statements

1 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 loan 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.

2 Revenue

The company carries on acitivity within dry cargo and considers the world market one coherent entity The company's sales are consequently not divided into segments.

3 Staff expenses

	2015 USD	2014 USD
Wages and salaries	5.872.998	6.426.370
Other staff expenses	368.792	1.692.709
	6.241.790	**8.119.079**
Including remuneration to the Executive Board	**315.573**	**656.717**
Average number of employees	**54**	**54**

4 Financial income

	2015 USD	2014 USD
Interest received from group enterprises	1.636.837	965.220
Other financial income	47.246	0
Exchange adjustments	2.072.316	4.226.332
	3.756.399	**5.191.552**

Notes to the Financial Statements

		2015	2014
		USD	USD
5	**Financial expenses**		
	Interest paid to group enterprises	10.369	1.066.371
	Other financial expenses	2.421.032	4.773.370
	Exchange adjustments	0	661.962
		2.431.401	**6.501.703**
6	**Tax on profit/loss for the year**		
	Current tax for the year	39.656	0
		39.656	**0**

Notes to the Financial Statements

	2015	2014
	USD	USD
7 Investments in subsidiaries		
Cost at 1 January	4.055.503	4.055.503
Cost at 31 December	4.055.503	4.055.503
Value adjustments at 1 January	203.850	16.997
Exchange adjustment	-38.831	53.447
Net profit/loss for the year	-77.983	133.406
Value adjustments at 31 December	87.036	203.850
Carrying amount at 31 December	**4.142.539**	**4.259.353**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Thorco Shipping Germany, GmbH	Bremen	60%
Thorco Shipping America Inc.	Houston	80%
Thorco Shipping Brazil Ltd.	Rio de Janeiro	60%
Thorco Shipping Italy SRL	Genova	100%
Thorco Shipping Hong Kong Ltd.	Hong Kong	100%
Thorco Shipping Chile	Svendborg	100%
Thorco Shipping Holland	Svendborg	100%
Sunrise PartnerShips A/S	Svendborg	100%
PartnerShips A/S	Svendborg	100%

All foreign subsidiaries are recognised and measured as separate entities.

8 Investments in associates

	2015	2014
	USD	USD
Cost at 1 January	286.988	286.988
Cost at 31 December	286.988	286.988
Value adjustments at 1 January	1.502.972	1.170.578
Correction to opening balance	881.662	0
Net profit/loss for the year	-774.964	332.394
Value adjustments at 31 December	1.609.670	1.502.972
Carrying amount at 31 December	**1.896.658**	**1.789.960**

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
Thorco Shipping Pte Ltd	Singapore	50%
MCSM GmbH	Haren	50%
Marship Management GmbH	Haren	40%
Thorco Japan	Japan	50%
TKK Shipping Pte.	Singapore	50%

Notes to the Financial Statements

9 Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	USD	USD	USD	USD
Equity at 1 January	4.335.176	3.000.176	-8.854.307	-1.518.955
Net effect from demerger and business sale under the uniting of interests method	0	-1.293.354	-38.798.018	-40.091.372
Adjusted equity at 1 January	4.335.176	1.706.822	-47.652.325	-41.610.327
Cash capital increase	6.671.303	0	31.328.697	38.000.000
Net profit/loss for the year	0	-10.116	4.835.744	4.825.628
Equity at 31 December	**11.006.479**	**1.696.706**	**-11.487.884**	**1.215.301**

The share capital consists of 67.590 shares of a nominal value of DKK 1.000. No shares carry any special rights.

	2015	2014
	USD	USD

10 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.

The Company participates as joint owner in limited partnerships and the total liablity to the companies by the way of unpaid equity to approx. USD 10,2 million (2014: USD 5,8 million)

Purchase and guarantee comittments to banks, financial institutions and shipping companies amount for the Company to USD 150,2 million (2014: USD 93,4 million)

The Company has provided earnings gurantess of 2 vessels a 8,000 USD per day (2014: 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 43.3 million at 31 December 2015.

	2015	2014
	USD	USD

10 Contingent assets, liabilities and other financial obligations (continued)

Pursuant to section 6 of the Danish Financial Statements Act the subsidiaries PartnerShips A/S and Sunrise PartnerShips A/S have not preprared any Annual Report for 2015. The company guarantess all obligations of the companies.

Lease obligations

The Company has entered into an agreement on lease of vessels on a time charter basis for expiry in the financial year 2024. The total obligation amounts to USD 174,3 million at 31 December 2015 (2014: USD 137,0 million).

The Company have also entered into an agreement on lease of vessels on a bareboat basis. The total obligation amounts to USD 16,1 million at 31 December 2015 (2014: 0 USD).

Notes to the Financial Statements

11 Related parties and ownership

	Basis
Controlling interest	
Thornico A/S, Odense, Denmark	Shareholder
Other related parties	
Executive and Supervisory Boards	Management control

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:

Havnegade 36, 2
5000 Odense Thornico A/S.

Accounting Policies

Basis of Preparation

The Annual Report of Thorco Shipping A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Company has been demerged at 1 January 2015. The comparative figures for 2014 have been restated accordingly

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in USD.

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.

Accounting Policies

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.

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 approximated value 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. Gains and losses 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 transaction date rates 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.

Accounting Policies

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

Other external expenses

Other external expenses comprise expenses incurred to achieve the revenue for the year as well as expenses for premises and office expenses, etc.

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

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

The company is comprised by the tonnage tax regime. No provision is made for deferred tax since no deferred tax is exected to arise under the tonnage tax regime.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Accounting Policies

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

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 enter pri ses calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

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 subsidiaries and associates.

Sub si di a ries and as so ci a tes 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.

Accounting Policies

Receivables

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

Chartering in progress

Chartering is progress is measured at the sales value of the part og the chartering relating to the financial period. The individual chartering contracts are classified as receivables when the values is positive and as payables when the values is negativ.

Deferred tax assets and lia bi li ties

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

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, including the tax base of tax loss carry-forwards, 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

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

Accounting Policies

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$