
KIRK Shipping A/S

Damhaven 5D, DK-7100 Vejle

Annual Report for 1 January - 31 December 2016

CVR No 31 85 19 98

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
1 /5 2017

Søren Lindgaard
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of KIRK Shipping A/S for the financial year 1 January - 31 December 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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.

Vejle, 25 April 2017

Executive Board

Søren Vad Sørensen

Board of Directors

Bjarne Ammitzbøll
Chairman

Signe Krog Jensen

Søren Vad Sørensen

Independent Auditor's Report

To the Shareholder of KIRK Shipping A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of KIRK Shipping A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We 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 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 Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

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.

Independent Auditor's Report

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting 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

Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 25 April 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh

State Authorised Public Accountant

Company Information

The Company

KIRK Shipping A/S
Damhaven 5D
DK-7100 Vejle

CVR No: 31 85 19 98
Financial period: 1 January - 31 December
Municipality of reg. office: Vejle

Board of Directors

Bjarne Ammitzbøll, Chairman
Signe Krog Jensen
Søren Vad Sørensen

Executive Board

Søren Vad Sørensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Management's Review

Main activity

The objective of the Company is to operate business within trade and industry, including commercial activities in the shipping industry, and other related activities.

Development in the year

The income statement of the Company for 2016 shows a profit of USD 176,125, and at 31 December 2016 the balance sheet of the Company shows equity of USD 71,218,593.

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 2016

	Note	2016 USD	2015 USDk
Gross profit/loss		-137.953	-119
Income from investments in subsidiaries		840.625	9.906
Income from investments in associates		546.783	343
Financial income	1	848.157	309
Financial expenses	2	-1.593.662	-1.904
Profit/loss before tax		503.950	8.535
Tax on profit/loss for the year	3	-327.825	1.741
Net profit/loss for the year		176.125	10.276

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	12.500.000	11.340
Reserve for net revaluation under the equity method	-661.012	661
Retained earnings	-11.662.863	-1.725
	176.125	10.276

Balance Sheet 31 December 2016

Assets

	Note	2016 USD	2015 USDk
Investments in subsidiaries	4	113.846.906	122.481
Investments in associates	5	496.237	1.149
Other investments	6	945.468	335
Other receivables	6	0	1.088
Fixed asset investments		115.288.611	125.053
Fixed assets		115.288.611	125.053
Receivables from group enterprises		58.654	4
Other receivables		258	4
Deferred tax asset		61.969	0
Corporation tax		571.631	1.623
Receivables		692.512	1.631
Cash at bank and in hand		834.267	2.105
Currents assets		1.526.779	3.736
Assets		116.815.390	128.789

Balance Sheet 31 December 2016

Liabilities and equity

	Note	2016 USD	2015 USDk
Share capital		94.609	95
Reserve for net revaluation under the equity method		0	661
Retained earnings		71.123.984	82.638
Equity	7	71.218.593	83.394
Credit institutions		39.500.000	0
Long-term debt	8	39.500.000	0
Credit institutions	8	6.000.000	45.168
Trade payables		1.360	3
Payables to group enterprises		45.867	3
Other payables		49.570	221
Short-term debt		6.096.797	45.395
Debt		45.596.797	45.395
Liabilities and equity		116.815.390	128.789
Contingent assets, liabilities and other financial obligations	9		
Related parties	10		

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 2016	94.609	661.012	82.638.151	83.393.772
Extraordinary dividend paid	0	0	-12.500.000	-12.500.000
Fair value adjustment of hedging instruments	0	0	188.951	188.951
Tax on adjustment of hedging instruments for the year	0	0	-40.255	-40.255
Net profit/loss for the year	0	-661.012	837.137	176.125
Equity at 31 December 2016	94.609	0	71.123.984	71.218.593

Notes to the Financial Statements

	2016 USD	2015 USDk
1 Financial income		
Income from fixed asset investments	24.064	26
Interest received from group enterprises	21.035	12
Other financial income	795.855	271
Exchange gains	7.203	0
	848.157	309
2 Financial expenses		
Interest paid to group enterprises	12.680	21
Other financial expenses	1.564.841	1.615
Exchange loss	16.141	268
	1.593.662	1.904
3 Tax on profit/loss for the year		
Current tax for the year	-571.632	-1.741
Deferred tax for the year	-61.969	0
Adjustment of tax concerning previous years	1.001.681	0
	368.080	-1.741
which breaks down as follows:		
Tax on profit/loss for the year	327.825	-1.741
Tax on changes in equity	40.255	118.406
	368.080	-1.741

Notes to the Financial Statements

	2016 USD	2015 USDk
4 Investments in subsidiaries		
Cost at 1 January 2016	166.476.836	166.477
Cost at 31 December 2016	166.476.836	166.477
Value adjustments at 1 January 2016	-43.995.555	-35.257
Net profit/loss for the year	840.625	9.906
Dividend to the Parent Company	-9.475.000	-18.645
Value adjustments at 31 December 2016	-52.629.930	-43.996
Carrying amount at 31 December 2016	113.846.906	122.481

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Gunhild Kirk A/S	Vejle	100%
Edith Kirk A/S	Vejle	100%
Marie Kirk A/S	Vejle	100%
Marianne Kirk A/S	Vejle	100%
Anja Kirk A/S	Vejle	100%

Notes to the Financial Statements

	2016 USD	2015 USDk
5 Investments in associates		
Cost at 1 January 2016	488.443	0
Additions for the year	0	477
Transfers for the year	0	11
Cost at 31 December 2016	<u>488.443</u>	<u>488</u>
Value adjustments at 1 January 2016	661.012	0
Net profit/loss for the year	546.782	343
Dividends received	-1.200.000	0
Revaluations for the year, net	0	318
Value adjustments at 31 December 2016	<u>7.794</u>	<u>661</u>
Carrying amount at 31 December 2016	<u>496.237</u>	<u>1.149</u>

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Hafnia Management A/S	Denmark	DKK 500.000	20%

6 Other fixed asset investments

	Other investments USD	Other receivables USD
Cost at 1 January 2016	15.776	1.087.985
Disposals for the year	0	-1.087.985
Cost at 31 December 2016	<u>15.776</u>	<u>0</u>
Revaluations at 1 January 2016	319.368	0
Revaluations for the year	610.324	0
Revaluations at 31 December 2016	<u>929.692</u>	<u>0</u>
Carrying amount at 31 December 2016	<u>945.468</u>	<u>0</u>

Notes to the Financial Statements

7 Equity

The share capital consists of 500 shares of a nominal value of USD 189 (DKK 1,000). No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

8 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2016 USD	2015 USDk
Credit institutions		
After 5 years	15.500.000	0
Between 1 and 5 years	24.000.000	0
Long-term part	39.500.000	0
Within 1 year	6.000.000	45.168
	45.500.000	45.168

9 Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The Company is committed to providing a loan to third party which amounts to a total value of USD 3,000k.

As collateral for bank debt, USD 45,500k, the bank has been given security in the shares and rights of the subsidiaries Gunhild Kirk A/S, Edith Kirk A/S, Marianne Kirk A/S, Marie Kirk A/S and Anja Kirk A/S with a carrying amount of USD 113.847k at 31 December 2016.

The Danish group enterprises are jointly and severally liable for tax on the jointly taxed income of the Group and for Danish taxes at source such as dividend tax, tax on royalty payments and withholding tax. The total payable corporation tax is disclosed in the Annual Report of KIRK KAPITAL A/S, which is the management company of the joint taxation.

Notes to the Financial Statements

10 Related parties

Consolidated Financial Statements

The Company is included in the Group Annual Report of

Name	Place of registered office
KIRK KAPITAL A/S, CVR No: 31 15 98 57	Vejle, Denmark

Notes, Accounting Policies

Basis of Preparation

The Annual Report of KIRK Shipping A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in USD, which is the functional currency of the Company. At 31 December 2016 the USD/DKK exchange rate is 705. The corresponding exchange rate at 31 December 2015 was 683.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of KIRK KAPITAL A/S, CVR No: 31 15 98 57, the Company has not prepared consolidated financial statements.

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective

Notes, Accounting Policies

portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Other external expenses

Other external expenses comprise expenses related to administration.

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 comprise interest income and expenses, realised and unrealised capital and exchange gains and losses on foreign currency transactions as well as surcharges and allowances under the on-account taxation scheme, etc.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and 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.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with the Parent Company and all Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes, Accounting Policies

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 subsidiaries and associates.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments are measured at estimated fair 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.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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.

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.

Notes, Accounting Policies

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.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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