
KIRK Shipping A/S

Damhaven 5D, DK-7100 Vejle

Annual Report for 1 January - 31 December 2017

CVR No 31 85 19 98

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/4 2018

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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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 2018

Executive Board

Søren Vad Sørensen

Board of Directors

Kim Gulstad
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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 2017, 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 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 Financials 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 Statements 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 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.
- 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 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh

State Authorised Public Accountant

mne26783

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

Kim Gulstad, 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

Key activities

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 2017 shows a loss of USD 34,861,469, and at 31 December 2017 the balance sheet of the Company shows equity of USD 34,057,963.

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 2017

	Note	2017 USD	2016 USDk
Gross profit/loss		-87,391	-138
Income from investments in subsidiaries		-32,710,175	841
Income from investments in associates		85,749	547
Financial income	1	108,982	848
Financial expenses	2	-1,193,057	-1,594
Profit/loss before tax		-33,795,892	504
Tax on profit/loss for the year	3	-1,065,577	-328
Net profit/loss for the year		-34,861,469	176

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid		2,373,000	12,500
Reserve for net revaluation under the equity method		167,382	-661
Retained earnings		-37,401,851	-11,663
		-34,861,469	176

Balance Sheet 31 December 2017

Assets

	Note	2017 USD	2016 USDk
Investments in subsidiaries	4	72,964,731	113,847
Investments in associates	5	655,825	496
Other investments	6	206,887	945
Other receivables	6	320,283	0
Fixed asset investments		<u>74,147,726</u>	<u>115,288</u>
Fixed assets		<u>74,147,726</u>	<u>115,288</u>
Receivables from group enterprises		737	58
Other receivables		51	0
Deferred tax asset		61,121	62
Corporation tax		0	572
Receivables		<u>61,909</u>	<u>692</u>
Cash at bank and in hand		<u>431,726</u>	<u>834</u>
Currents assets		<u>493,635</u>	<u>1,526</u>
Assets		<u>74,641,361</u>	<u>116,814</u>

Balance Sheet 31 December 2017

Liabilities and equity

	Note	2017 USD	2016 USDk
Share capital		94,609	95
Reserve for net revaluation under the equity method		167,382	0
Retained earnings		33,795,972	71,122
Equity	7	34,057,963	71,217
Credit institutions		33,500,000	39,500
Long-term debt	8	33,500,000	39,500
Credit institutions	8	6,000,000	6,000
Trade payables		3,636	2
Payables to group enterprises		2,806	45
Corporation tax		1,064,730	0
Other payables		12,226	50
Short-term debt		7,083,398	6,097
Debt		40,583,398	45,597
Liabilities and equity		74,641,361	116,814
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Equity at 1 January	94,609	0	71,123,984	71,218,593
Exchange adjustments	0	0	73,839	73,839
Extraordinary dividend paid	0	0	-2,373,000	-2,373,000
Net profit/loss for the year	0	167,382	-35,028,851	-34,861,469
Equity at 31 December	<u>94,609</u>	<u>167,382</u>	<u>33,795,972</u>	<u>34,057,963</u>

Notes to the Financial Statements

	2017	2016
	USD	USDk
1 Financial income		
Income from fixed asset investments	20,283	24
Interest received from group enterprises	3,130	21
Other financial income	9,464	796
Exchange gains	76,105	7
	<u>108,982</u>	<u>848</u>
2 Financial expenses		
Interest paid to group enterprises	7,688	13
Other financial expenses	1,183,272	1,565
Exchange loss	2,097	16
	<u>1,193,057</u>	<u>1,594</u>
3 Tax on profit/loss for the year		
Current tax for the year	1,064,730	-572
Deferred tax for the year	848	-62
Adjustment of tax concerning previous years	-1	1,002
	<u>1,065,577</u>	<u>368</u>
which breaks down as follows:		
Tax on profit/loss for the year	1,065,577	328
Tax on changes in equity	0	40
	<u>1,065,577</u>	<u>368</u>

Notes to the Financial Statements

	2017 <u>USD</u>	2016 <u>USDk</u>
4 Investments in subsidiaries		
Cost at 1 January	<u>166,476,836</u>	<u>166,477</u>
Cost at 31 December	<u>166,476,836</u>	<u>166,477</u>
Value adjustments at 1 January	-52,629,930	-43,996
Net profit/loss for the year	-32,710,175	841
Dividend to the Parent Company	<u>-8,172,000</u>	<u>-9,475</u>
Value adjustments at 31 December	<u>-93,512,105</u>	<u>-52,630</u>
Carrying amount at 31 December	<u>72,964,731</u>	<u>113,847</u>

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

	2017 <u>USD</u>	2016 <u>USDk</u>
5 Investments in associates		
Cost at 1 January	488,443	488
Cost at 31 December	<u>488,443</u>	<u>488</u>
Value adjustments at 1 January	7,794	661
Exchange adjustment	73,839	0
Net profit/loss for the year	85,749	547
Dividends received	<u>0</u>	<u>-1,200</u>
Value adjustments at 31 December	<u>167,382</u>	<u>8</u>
Carrying amount at 31 December	<u>655,825</u>	<u>496</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 <u>USD</u>	Other receivables <u>USD</u>
Cost at 1 January	15,776	0
Additions for the year	0	750,000
Disposals for the year	<u>0</u>	<u>-429,717</u>
Cost at 31 December	<u>15,776</u>	<u>320,283</u>
Revaluations at 1 January	929,692	0
Revaluations for the year	<u>-738,581</u>	<u>0</u>
Revaluations at 31 December	<u>191,111</u>	<u>0</u>
Carrying amount at 31 December	<u>206,887</u>	<u>320,283</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:

	2017 USD	2016 USDk
Credit institutions		
After 5 years	15,500,000	15,500
Between 1 and 5 years	18,000,000	24,000
Long-term part	<u>33,500,000</u>	<u>39,500</u>
Within 1 year	<u>6,000,000</u>	<u>6,000</u>
	<u>39,500,000</u>	<u>45,500</u>

9 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company is committed to providing a loan to third party which amounts to a total value of up to USD 3,000k. The loan provided at 31 December 2017 amounts to USD 320k

As collateral for bank debt, USD 39,500k, 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 72,965k at 31 December 2017.

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 to the Financial Statements

11 Accounting Policies

The Annual Report of KIRK Shipping A/S for 2017 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 2017 are presented in USD, which is the functional currency of the Company. At 31 December 2017 the USD/DKK exchange rate is 620.77. The corresponding exchange rate at 31 December 2016 was 705.28.

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.

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.

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

Notes to the Financial Statements

11 Accounting Policies (continued)

arose are recognised in financial income and expenses in the income statement.

Income Statement

Other external expenses

Other external expenses comprise expenses related to administration.

Gross profit/loss

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

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 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 with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

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 with deduction or addition of unrealised inter-

Notes to the Financial Statements

11 Accounting Policies (continued)

company profits or losses.

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.

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 measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

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.

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.

Notes to the Financial Statements

11 Accounting Policies (continued)

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, such as mortgage loans and loans from credit institutions, 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.