
Gunhild Kirk A/S

Damhaven 5D, DK-7100 Vejle

Annual Report for 1 January - 31 December 2016

CVR No 33 05 83 14

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

Søren Lindgaard
Chairman

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December 2016	7
Balance Sheet 31 December 2016	8
Statement of Changes in Equity	10
Notes to the Financial Statements	11
Notes, Accounting Policies	13

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Gunhild Kirk 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 Gunhild Kirk 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's 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 Gunhild Kirk 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 ("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 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh

State Authorised Public Accountant

Company Information

The Company

Gunhild Kirk A/S
Damhaven 5D
DK-7100 Vejle

CVR No: 33 05 83 14

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 acquire, operate and sell vessels, and related activities.

Development in the year

The income statement of the Company for 2016 shows a profit of USD 283,941, and at 31 December 2016 the balance sheet of the Company shows equity of USD 25,969,848.

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		2.296.512	4.395
Depreciation and impairment of property, plant and equipment		-1.972.795	-1.973
Profit/loss before financial income and expenses		323.717	2.422
Financial income	1	5.486	9
Profit/loss before tax		329.203	2.431
Tax on profit/loss for the year	2	-45.262	-32
Net profit/loss for the year		283.941	2.399

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	2.175.000	4.135
Retained earnings	-1.891.059	-1.736
	283.941	2.399

Balance Sheet 31 December 2016

Assets

	Note	2016 USD	2015 USDk
Vessels		23.818.074	25.791
Property, plant and equipment	3	23.818.074	25.791
Other investments		800.000	800
Fixed asset investments		800.000	800
Fixed assets		24.618.074	26.591
Trade receivables		461.697	606
Receivables from group enterprises		1.092	1
Other receivables		80.798	49
Prepayments		118.154	77
Receivables		661.741	733
Cash at bank and in hand		741.747	576
Currents assets		1.403.488	1.309
Assets		26.021.562	27.900

Balance Sheet 31 December 2016

Liabilities and equity

	Note	2016 USD	2015 USDk
Share capital		82.424	82
Retained earnings		25.887.424	27.778
Equity	4	25.969.848	27.860
Trade payables		1.564	1
Corporation tax		45.262	31
Other payables		4.888	8
Short-term debt		51.714	40
Debt		51.714	40
Liabilities and equity		26.021.562	27.900
Contingent assets, liabilities and other financial obligations	5		
Related parties	6		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	USD	USD	USD
Equity at 1 January 2016	82.424	27.778.483	27.860.907
Extraordinary dividend paid	0	-2.175.000	-2.175.000
Net profit/loss for the year	0	283.941	283.941
Equity at 31 December 2016	82.424	25.887.424	25.969.848

Notes to the Financial Statements

	<u>2016</u>	<u>2015</u>
	USD	USDk
1 Financial income		
Interest received from group enterprises	3.333	5
Other financial income	1.412	0
Exchange gains	741	4
	<u>5.486</u>	<u>9</u>

2 Tax on profit/loss for the year

Current tax for the year	45.262	31
Adjustment of tax concerning previous years	0	1
	<u>45.262</u>	<u>32</u>

3 Property, plant and equipment

	<u>Vessels</u>
	USD
Cost at 1 January 2016	<u>34.454.523</u>
Cost at 31 December 2016	<u>34.454.523</u>
Impairment losses and depreciation at 1 January 2016	8.663.654
Depreciation for the year	<u>1.972.795</u>
Impairment losses and depreciation at 31 December 2016	<u>10.636.449</u>
Carrying amount at 31 December 2016	<u>23.818.074</u>

4 Equity

The share capital consists of 500 shares of a nominal value of USD 165 (DKK 1,000). No shares carry any special rights.

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

Notes to the Financial Statements

	2016 USD	2015 USDk
5 Contingent assets, liabilities and other financial obligations		

Contingent liabilities

For the Parent Company KIRK Shipping A/S's financial loans of USD 45,500k Gunhild Kirk A/S has been included as guarantor in the loan agreement. Further, collateral for the financial loans has been given in the company's vessel and cash deposits whose carrying amounts at 31 December 2016 amounts to USD 23,818k and USD 742k, respectively.

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.

6 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 Gunhild Kirk 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.

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 705.28. The corresponding exchange rate at 31 December 2015 was 683.00.

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

Notes, Accounting Policies

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.

Revenue

Revenue comprises freight and demurrage revenue from the vessel. Revenue is recognised in the income statement as services are delivered. Uncompleted voyages are recognised with the share related to the financial year.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses related to administration.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

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 on-account taxation scheme, etc.

Tax on profit/loss for the year

Income tax consists of tax calculated according to regulations of the Danish Tonnage Tax Act for shipping activities and according to general tax regulations for other activities, as well as adjustments related to deferred tax.

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.

Notes, Accounting Policies

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).

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:

Vessels	20 years
Residual value	2,370,000 USD

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of 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. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Other fixed asset investments

Other fixed asset investments consist of deposits paid.

Receivables

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

Notes, Accounting Policies

Prepayments

Prepayments comprise prepaid expenses concerning the following year.

Equity

Dividend

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes 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 within the same legal tax entity.

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

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

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