Thor Ship III K/S

Tuborg Parkvej 10, 1., DK-2900 Hellerup

Annual Report for 1 January - 31 December 2018

CVR No 33 05 95 90

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/5 2019

Jesper Malik Møller Ringsholm
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Thor Ship III K/S for the financial year 1 January - 31 December 2018.

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

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

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

Copenhagen, 31 May 2019

Executive Board

Thomas Nørballe Mikkelsen

Board of Directors

Thor Stadil Chairman	Thomas Nørballe Mikkelsen	Jesper Malik Møller Ringsholm

Independent Auditor's Report

To the Limited Partners of Thor Ship III K/S

Adverse Opinion

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

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

Basis for Adverse Opinion

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

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

Management's responsibilities for the Financial Statements

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

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

Independent Auditor’s Report

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.

Independent Auditor's Report

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

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

Line Hedam	Bo Schou-Jacobsen
State Authorised Public Accountant	State Authorised Public Accountant
mne27768	mne28703

Company Information

The Company	Thor Ship III K/S Tuborg Parkvej 10, 1. DK-2900 Hellerup CVR No: 33 05 95 90 Financial period: 1 January - 31 December Municipality of reg. office: Gentofte
Limited Partner	Komplementaranpartsselskabet Thor Ship III ApS
Board of Directors	Thor Stadil, Chairman Thomas Nørballe Mikkelsen Jesper Malik Møller Ringsholm
Executive Board	Thomas Nørballe Mikkelsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Income Statement 1 January - 31 December

	Note	2018 USD	2017 USD
Gross profit/loss		**1,010,461**	**421,102**
Depreciation, amortisation and impairment of plant and equipment	4	-4,382,548	-3,161,199
Profit/loss before financial income and expenses		**-3,372,087**	**-2,740,097**
Financial income	5	206,491	52
Financial expenses	6	-512,956	-753,330
Profit/loss before tax		**-3,678,552**	**-3,493,375**
Tax on profit/loss for the year		0	0
Net profit/loss for the year		**-3,678,552**	**-3,493,375**

Distribution of profit

Proposed distribution of profit

Retained earnings	-3,678,552	-3,493,375
	-3,678,552	**-3,493,375**

Balance Sheet 31 December

Assets

	Note	2018	2017
		USD	USD
Vessels		8,293,753	12,676,302
Property, plant and equipment	7	**8,293,753**	**12,676,302**
Fixed assets		**8,293,753**	**12,676,302**
Inventories		**85,545**	**204,696**
Trade receivables		25,338	25,598
Receivables from group enterprises		5,676	0
Other receivables		248,271	69,820
Prepayments		1,707	7,332
Receivables		**280,992**	**102,750**
Cash at bank and in hand		**30,300**	**12,121**
Currents assets		**396,837**	**319,567**
Assets		**8,690,590**	**12,995,869**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		USD	USD
Contributed capital		1,345,600	1,095,600
Retained earnings		-3,530,760	147,792
Equity		**-2,185,160**	**1,243,392**
Lease obligations		0	6,801,367
Long-term debt	8	**0**	**6,801,367**
Lease obligations	8	6,965,758	832,500
Trade payables		209,337	443,212
Payables to group enterprises		3,630,704	3,622,493
Deferred income		69,951	52,905
Short-term debt		**10,875,750**	**4,951,110**
Debt		**10,875,750**	**11,752,477**
Liabilities and equity		**8,690,590**	**12,995,869**
Capital resources	1		
Subsequent events	2		
Key activities	3		
Contingent assets, liabilities and other financial obligations	9		
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Statement of Changes in Equity

	Contributed capital	Retained earnings	Total
	USD	USD	USD
Equity at 1 January	1,095,600	147,792	1,243,392
Capital increase	250,000	0	250,000
Net profit/loss for the year	0	-3,678,552	-3,678,552
Equity at 31 December	**1,345,600**	**-3,530,760**	**-2,185,160**

Notes to the Financial Statements

1 Capital resources

The Company´s vessel is sold in February 2019 with expected delivery in June 2019. Thus, the carrying value of the vessel is adjusted to the net selling price less cost to sell, i.e. resulting in an impairment loss of TUSD 3,500, cf. Note 4.

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

2 Subsequent events

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

3 Key activities

The Company's main activity is shipping.

	2018	2017
	USD	USD
4 Depreciation, amortisation and impairment of plant and equipment		
Depreciation of property, plant and equipment	882,548	948,199
Impairment of property, plant and equipment	3,500,000	2,213,000
	4,382,548	**3,161,199**

5 Financial income

Financial income from group enterprises	204,529	0
Other financial income	1,962	52
	206,491	**52**

Notes to the Financial Statements

	2018	2017
	USD	USD
6 Financial expenses		
Financial expenses to group enterprises	175,036	251,455
Other financial expenses	153,352	169,535
Exchange loss	184,568	332,340
	512,956	**753,330**

7 Property, plant and equipment

	Vessels
	USD
Cost at 1 January	20,494,770
Cost at 31 December	20,494,770
Impairment losses and depreciation at 1 January	7,818,468
Impairment losses for the year	3,500,000
Depreciation for the year	882,549
Impairment losses and depreciation at 31 December	12,201,017
Carrying amount at 31 December	**8,293,753**
Including assets under finance leases amounting to	8,293,753

In February 2019, the Company has sold the vessel.

Notes to the Financial Statements

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:

	2018	2017
	USD	USD
Lease obligations		
After 5 years	0	3,471,367
Between 1 and 5 years	0	3,330,000
Long-term part	0	6,801,367
Within 1 year	6,965,758	832,500
	6,965,758	**7,633,867**

9 Contingent assets, liabilities and other financial obligations

As security for leasing debt vessel with a carrying amount USD 8,293,753 at 31 December 2018 has been mortgaged. There are no other security and contingent liabilitites at 31 December 2018.

10 Related parties

The Company is included in the Group Annual Report of the Parent Company:

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

Notes to the Financial Statements

11 Accounting Policies

The Annual Report of Thor Ship III K/S for 2018 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 2018 are presented in USD with exchange rate 651,94 at 31 December 2018 (31 December 2017 651,94).

Recognition and measurement

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 and impairment losses.

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

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

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

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

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.

Notes to the Financial Statements

11 Accounting Policies (continued)

Leases

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

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

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

- finalization of the charter before year end

- the charter income has been determined and payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT.

Chartering in progress is recognised at the rate of completion of the charter, which means that revenue equals the charter income from the travelling activity for the year. This method is applied when total revenues and expenses in respect of the charter at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company.

Notes to the Financial Statements

11 Accounting Policies (continued)

Vessel operating costs

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

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

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

Amortisation, depreciation and impairment losses

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

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 not an independent tax subject, consequently no tax has been included in the annual report.

Balance Sheet

Property, plant and equipment

Vessels held under finance leases are recognised in the balance sheet in the same way as owned assets and are measured at cost less accumulated depreciation and any 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:

Ships	25 years

Notes to the Financial Statements

11 Accounting Policies (continued)

Docking	2,5 years

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, the asset is written down to its lower recoverable amount.

Bunker

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

The cost of goods for resale, raw materials and consumables equals landed cost.

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.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions, interest etc.

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.

Deferred income

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