

# KNOT Management Denmark A/S

c/o Danmarks Rederiforening, Amaliegade 33B, 4., 1256 Copenhagen K

CVR no. 35 80 86 55



## Annual report 2015

Approved at the annual general meeting of shareholders on 11 March 2016

Chairman:

Karl Gerhard Brøstein Dahl



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### Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of KNOT Management Denmark 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 Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 11 March 2016  
Executive Board:

Hans Gundestrup  
CEO

Board of Directors:

Karl Gerhard Bråstein Dahl  
Chairman

Magnus Gudmundsen

Trygve Seglem



## Independent auditors' report

To the shareholder of KNOT Management Denmark A/S

Independent auditors' report on the financial statements

We have audited the financial statements of KNOT Management Denmark A/S for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including 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. Further, Management is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' 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 according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including an 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. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by Management as well as 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.

### *Opinion*

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



## Independent auditors' report

### Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 11 March 2016

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR No. 30 70 02 28

A handwritten signature in blue ink, appearing to read 'Carsten Kjær', is written over the printed name.

Carsten Kjær  
State Authorised Public Accountant



## Management's review

### Company details

Name	KNOT Management Denmark A/S c/o Danmarks Rederiforening, Amaliegade 33B, 4., 1256 Copenhagen K
Address, Postal code, City	
CVR No. Registered office	35 80 86 55 Copenhagen
Board of Directors	Karl Gerhard Bråstein Dahl, Chairman Magnus Gudmundsen Trygve Seglem
Executive Board	Hans Gundestrup, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bankers	DNB Bank Arne Jacobsens Allé 15, 2300 København S



## Management's review

### Operating review

#### The Company's business review

The Company's objective is to engage in administration, management and support services within the shipping business and other activities related hereto.

#### Financial review

The income statement for 2015 shows a profit of DKK 1,066,329 against a loss of DKK 354,802 last year, and the balance sheet at 31 December 2015 shows equity of DKK 1,211,527. Management considers the Company's financial performance for the year satisfactory.

#### Post balance sheet events

No significant events have occurred subsequent to the financial year.

#### Outlook

A consolidation of the Company's financial platform has taken place in 2015 and is expected to continue in 2016, however at a lower level.

In order to maintain and improve the Company's competitiveness in the shipping market, a reduction of commission fee is expected to take place during 2016.

The administration expenses are expected to increase as employment of new personnel is planned to take place during second half of 2016 to prepare overtake of the technical and commercial management of an additional vessel. The vessel is scheduled for delivery in January 2017.

The above measures are expected to have a negative effect on the Company's result in 2016.



## Financial statements for the period 1 January - 31 December

### Income statement

Notes	DKK	2015 12 months	2014 10 months
	Gross profit	3,894,854	494,983
2	Staff costs	2,616,781	994,380
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-101,673	-22,884
	Operating profit/loss	1,176,400	-522,281
	Financial income	160,471	193,555
	Financial expenses	-51,125	-26,076
	Profit/loss before tax	1,285,746	-354,802
	Tax for the year	-219,417	0
	Profit/loss for the year	<u>1,066,329</u>	<u>-354,802</u>
	Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	<u>1,066,329</u>	<u>-354,802</u>
		<u>1,066,329</u>	<u>-354,802</u>





## Financial statements for the period 1 January - 31 December

### Balance sheet

Notes	DKK	2015	31/12 2014
	ASSETS		
	Non-current assets		
3	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	234,068	613,425
		<u>234,068</u>	<u>613,425</u>
	Investments		
	Other receivables	74,554	74,554
		<u>74,554</u>	<u>74,554</u>
	Total non-current assets	<u>308,622</u>	<u>687,979</u>
	Current assets		
	Receivables		
	Trade receivables	9,145,958	3,149,312
	Receivables from group entities	3,161	515,706
	Other receivables	103,503	1,168,453
	Deferred income	940,756	80,017
		<u>10,193,378</u>	<u>4,913,488</u>
	Cash	10,100,693	6,768,972
	Total current assets	<u>20,294,071</u>	<u>11,682,460</u>
	TOTAL ASSETS	<u>20,602,693</u>	<u>12,370,439</u>
	EQUITY AND LIABILITIES		
	Equity		
4	Share capital	500,000	500,000
	Retained earnings	711,527	354,802
	Total equity	<u>1,211,527</u>	<u>145,198</u>
	Provisions		
	Deferred tax	18,750	0
	Other provisions	25,000	0
	Total provisions	<u>43,750</u>	<u>0</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	3,040,915	2,927,851
	Payables to group entities	4,651,141	6,058,405
	Income taxes payable	200,667	0
	Other payables	11,454,693	3,238,985
		<u>19,347,416</u>	<u>12,225,241</u>
	Total liabilities other than provisions	<u>19,347,416</u>	<u>12,225,241</u>
	TOTAL EQUITY AND LIABILITIES	<u>20,602,693</u>	<u>12,370,439</u>

1 Accounting policies

5 Collateral

6 Contractual obligations and contingencies, etc.

7 Related parties



## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2015	500,000	-354,802	145,198
Profit/loss for the year	0	1,066,329	1,066,329
Equity at 31 December 2015	<u>500,000</u>	<u>711,527</u>	<u>1,211,527</u>



## Financial statements for the period 1 January - 31 December

### Notes

#### 1 Accounting policies

The annual report of KNOT Management Denmark A/S for 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies applied by the Company are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Company's employees. The item is net of refunds made by public authorities.

##### Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
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## Financial statements for the period 1 January - 31 December

### Notes

#### 1 Accounting policies - continued

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses and exchange gains and losses.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are made up as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating costs.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.



## Financial statements for the period 1 January - 31 December

### Notes

#### 1 Accounting policies - continued

##### Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Other payables

Other payables are measured at net realisable value.

	2015 12 months	2014 10 months
DKK		
2 Staff costs		
Wages/salaries	26,140,572	10,039,397
Pensions	1,921,287	1,498,452
Other social security costs	130,631	44,037
Other staff costs	54,224	100,483
Staff costs paid by third party	-25,629,933	-10,687,989
	<u>2,616,781</u>	<u>994,380</u>

#### 3 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment
Cost at 1 January 2015	636,309
Additions in the year	28,820
Disposals in the year	-306,504
Cost at 31 December 2015	<u>358,625</u>
Impairment losses and depreciation at 1 January 2015	22,884
Amortisation/depreciation in the year	101,673
Impairment losses and depreciation at 31 December 2015	<u>124,557</u>
Carrying amount at 31 December 2015	<u>234,068</u>



## Financial statements for the period 1 January - 31 December

### Notes

#### 4 Share capital

The Company's share capital has remained DKK 500,000 in the past year.

#### 5 Collateral

The Company has not placed any assets or other as security for loans at 31 December 2015.

#### 6 Contractual obligations and contingencies, etc.

##### Other financial obligations

##### Other rent and lease liabilities:

DKK	2015	31/12 2014
Rent and lease liabilities	497,025	795,240

#### 7 Related parties

KNOT Management Denmark A/S' related parties comprise the following:

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
KNOT Management AS	Smedasundet 40, 5529 Haugesund, Norway	+47 5270 4000

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
KNOT Management AS	Smedasundet 40, 5529 Haugesund, Norway