



Thorco Projects A/S

Svanemøllevej 17
2100 København Ø
CVR No. 37745324

Annual report 2019

The Annual General Meeting adopted the
annual report on 12.06.2020

Jesper Malik Møller Ringsholm
Chairman of the General Meeting

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Entity details

Entity

Thorco Projects A/S
Svanemøllevej 17
2100 København Ø

CVR No.: 37745324

Registered office: København

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Thor Stadil, Chairman

Jan Egtved Knudsen

Jesper Malik Møller Ringsholm

Executive Board

Thomas Nørballe Mikkelsen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P. O. Box 1600
0900 Copenhagen C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Thorco Projects A/S for the financial year 01.01.2019 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 12.06.2020

Executive Board

Thomas Nørballe Mikkelsen
CEO

Board of Directors

Thor Stadil
Chairman

Jan Egtved Knudsen

Jesper Malik Møller Ringsholm

Independent auditor's report

To the shareholder of Thorco Projects A/S

Opinion

We have audited the financial statements of Thorco Projects A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 12.06.2020

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Kim Takata Mücke

State Authorised Public Accountant

Identification No (MNE) mne10944

Management commentary

Financial highlights

	2019 USD'000	2018 USD'000	2017 USD'000	2016 USD'000
Key figures				
Revenue	144,987	138,652	45,657	21,663
Gross profit/loss	13,699	11,630	2,282	1,027
Operating profit/loss	1,739	1,473	2,282	1,027
Net financials	544	1,548	(537)	5
Profit/loss for the year	2,203	3,387	1,477	803
Total assets	27,963	28,799	20,131	14,038
Equity	10,419	6,758	3,283	1,800
Ratios				
Gross margin (%)	9.45	8.39	5.00	4.74
EBIT margin (%)	1.20	1.06	5.00	4.74
Net margin (%)	1.52	2.44	3.23	3.71
Equity ratio (%)	37.26	23.47	16.31	12.82

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

EBIT margin (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

The classification in the income statement has changed compared to last year. As such the Financial Highlights is not comparable with Financial Highlights in previous years' financial statements.

Primary activities

The primary activities of the Company are to carry out shipping, chartering and other shipping related activities within the Multi Purpose & Project segment.

Development in activities and finances

The income statement of the Company for 2019 shows a profit of USD 2,203,094, and at 31 December 2019 the balance sheet of the Company shows equity of USD 10,418,662.

The market conditions in 2019 remained very difficult. However, Thorco Projects A/S has succeeded to remain its leading position in the Multi Purpose & Project segment through strong focus on parceling capabilities, customized solutions and dedicated employees.

With effect January 1, 2019 the Company merged with Thorco Management A/S with Thorco Projects A/S as the continuing company.

The result for 2019 is considered satisfactory.

Outlook

At the end of 2019 and start of 2020, the shipping market was heavily influenced by the implementation of IMO 2020 fuel regulation, which caused a sharp increase in fuel cost. However, the "asset light" strategy with limited exposure to long term tonnage has proved successful, and changes in market circumstances has been adapted by the company, and the company expects another profitable year in 2020.

Statutory report on corporate social responsibility

Statutory statements on corporate social responsibility and the underrepresented gender, cf sections 99 a and 99 b of the Danish Financial Statements Act is included in the ultimate parent Company Thornico Holding A/S' CSR report. The report can be found on the following website:

<https://www.thornico.com/company-karma/company-karma-report>

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report other than the impact of COVID-19, to which we refer to note 1 for elaboration hereon.

Income statement for 2019

	Notes	2019 USD	2018 USD
Revenue		144,987,304	138,652,404
Other operating income		2,767,294	4,163,159
Other external expenses		(134,055,685)	(131,185,127)
Gross profit/loss		13,698,913	11,630,436
Staff costs	2	(4,020,247)	0
Depreciation, amortisation and impairment losses	3	(400,000)	0
Other operating expenses		(7,539,260)	(10,157,237)
Operating profit/loss		1,739,406	1,473,199
Income from investments in group enterprises		412,762	680,613
Other financial income		826,259	1,769,704
Other financial expenses		(281,981)	(221,571)
Profit/loss before tax		2,696,446	3,701,945
Tax on profit/loss for the year	4	(493,352)	(315,282)
Profit/loss for the year	5	2,203,094	3,386,663

Balance sheet at 31.12.2019

Assets

	Notes	2019 USD	2018 USD
Goodwill		533,333	0
Intangible assets	6	533,333	0
Investments in group enterprises		2,135,687	1,722,925
Deferred tax	8	71,000	0
Other financial assets	7	2,206,687	1,722,925
Fixed assets		2,740,020	1,722,925
Raw materials and consumables		4,698,994	3,985,847
Inventories		4,698,994	3,985,847
Trade receivables		3,823,625	6,198,651
Receivables from group enterprises		11,744,188	8,380,756
Prepayments	9	4,528,701	6,182,572
Receivables		20,096,514	20,761,979
Cash		427,114	2,328,620
Current assets		25,222,622	27,076,446
Assets		27,962,642	28,799,371

Equity and liabilities

	Notes	2019 USD	2018 USD
Contributed capital		1,226,092	996,520
Reserve for net revaluation according to the equity method		2,128,166	1,715,404
Retained earnings		7,064,404	4,046,361
Equity		10,418,662	6,758,285
Other payables		89,665	0
Non-current liabilities other than provisions	10	89,665	0
Trade payables		12,924,366	19,522,669
Payables to group enterprises		3,385,927	2,402,526
Joint taxation contribution payable		529,829	0
Other payables		597,193	18,241
Deferred income	11	17,000	97,650
Current liabilities other than provisions		17,454,315	22,041,086
Liabilities other than provisions		17,543,980	22,041,086
Equity and liabilities		27,962,642	28,799,371
Events after the balance sheet date	1		
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Statement of changes in equity for 2019

	Contributed capital USD	Reserve for net revaluation according to the equity method USD	Retained earnings USD	Total USD
Equity beginning of year	996,520	1,715,404	4,046,361	6,758,285
Effect of mergers and business combinations	229,572	0	1,227,711	1,457,283
Profit/loss for the year	0	412,762	1,790,332	2,203,094
Equity end of year	1,226,092	2,128,166	7,064,404	10,418,662

Effect of mergers and business combinations comprise the equity impact from the merger of Thorco Management A/S and Thorco Projects A/S with Thorco Projects A/S as the continuing company. As part of the merger a capital increase of USD 0,2m (DKK 1,5 m) were made.

Notes

1 Events after the balance sheet date

The recent global outbreak of the coronavirus ("COVID-19") has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact are uncertain and cannot be predicted. The Company considers the outbreak to be a non-adjusting event. As the situation is fluid and rapidly evolving, Management does not consider it practicable to provide a quantitative estimate of the potential impact of the outbreak on the Company's subsequent financial statements. Notwithstanding this, Management has assessed that the Company is able to maintain sufficient liquidity to enable the Company to prepare the financial statements on a going-concern basis.

2 Staff costs

	2019	2018
	USD	USD
Wages and salaries	2,871,495	0
Pension costs	246,218	0
Other staff costs	902,534	0
	4,020,247	0
Average number of full-time employees	39	0

Under the exemption rule section 98b of the Danish Financial Statements act, remuneration to Management is not disclosed.

3 Depreciation, amortisation and impairment losses

	2019	2018
	USD	USD
Amortisation of intangible assets	400,000	0
	400,000	0

4 Tax on profit/loss for the year

	2019	2018
	USD	USD
Current tax	529,829	315,282
Change in deferred tax	(25,000)	0
Adjustment concerning previous years	(11,477)	0
	493,352	315,282

5 Proposed distribution of profit and loss

	2019 USD	2018 USD
Retained earnings	2,203,094	3,386,663
	2,203,094	3,386,663

6 Intangible assets

	Goodwill USD
Addition through business combinations etc	2,000,000
Cost end of year	2,000,000
Addition through business combinations etc	(1,066,667)
Amortisation for the year	(400,000)
Amortisation and impairment losses end of year	(1,466,667)
Carrying amount end of year	533,333

7 Financial assets

	Investments in group enterprises USD
Cost beginning of year	7,521
Cost end of year	7,521
Revaluations beginning of year	1,715,404
Share of profit/loss for the year	412,762
Revaluations end of year	2,128,166
Carrying amount end of year	2,135,687

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity USD	Profit/loss USD
Thorco Capital III ApS	Gentofte	ApS	100	2,135,687	412,762

8 Deferred tax

	2019
	USD
Intangible assets	71,000
Deferred tax	71,000
<hr/>	
	2019
	USD
Changes during the year	
Recognised in the income statement	25,000
Effect of mergers and business combinations	46,000
End of year	71,000

Deferred tax relates to different amortization profiles for goodwill.

9 Prepayments

Prepayments consist of prepaid T/C hire and insurance premiums.

10 Non-current liabilities other than provisions

	Due after more than 12 months
	2019
	USD
Other payables	89,665
	89,665

Non-current other payables comprise holiday obligations under the new holiday act which are with effect 1 September 2020.

11 Deferred income

Deferred income consists of payments received from ongoing voyages which will be recognized as income in the subsequent years.

12 Contingent liabilities

	2019	2018
	USD	USD
Other contingent liabilities	14,500,380	15,107,730
Contingent liabilities	14,500,380	15,107,730

Other contingent liabilities comprise short-term T/C hire obligations which is not recognised as right-of-use assets due to its short-term nature. The future lease payments are due within one year.

The Company participates in a Danish joint taxation arrangement where Thornico Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies, and for obligations, if any,

relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies. The jointly taxed companies' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

13 Related parties with controlling interest

Thornico Holding A/S. Odense, Denmark

14 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Thornico Holding A/S. Odense, Denmark

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

The Financial Statements are presented in USD with exchange rate USD 667.59 at 31 December 2019 (31 December 2018 - USD 651.94).

Consolidated financial statements

Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The Company and its subsidiary is incorporated in the consolidated financial statements of Thornico Holding A/S.

Non-comparability

The Company has, with effect January 1, 2019, completed a merger between Thorco Management A/S and Thorco Projects A/S with Thorco Projects as the continuing company. Furthermore the presentation of Vessel operating cost and Other external expenses has been changed and comparative figures for 2018 have been adjusted accordingly. In the balance sheet, a reclassification of USD 12.4m has been made between Deferred income and Trade payables for the comparison year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Business combinations

The Company merged with Thorco Management A/S with effect from 1 January 2019 with the Company as the continuing company. The merger has been accounted for according to the book value method, whereby the Company has recognized the assets and liabilities of Thorco Management A/S at their underlying book values at 31 December 2018 stated in accordance with the same accounting principles as applied by the Company. The net

asset value at 1 January 2019 of Thorco Management A/S has been shown as an increase in equity of the Company. Comparative figures have not been adjusted and hence the comparative figures for 2018 do not entirely reflect the same activities as reflected in the financial figures for 2019.

Income statement

Revenue

Revenue from sales (chartering income) is recognized in the income statement at the rate of completion of the charter (discharge to discharge principle) 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.

Revenue is measured at the consideration received and is recognized exclusive of VAT and net of discounts relating to sales.

Other operating income

Other operating income comprises income from management services and is of a secondary nature as viewed in relation to the Company's primary activities.

Other external expenses

Other external expenses comprises vessel operating cost relating to the Company's ordinary activities, including expenses to achieve the revenue for the year such as TC-hire, port and bunker cost.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for company staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to intangible assets comprise depreciation, amortisation and impairment losses for the financial year.

Other operating expenses

Other operating expenses comprise expenses relating to the Company's ordinary activities, including general corporate cost.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, currency gains, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, currency losses, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the

portion attributable to entries directly in equity.

The Company is participating in a joint-taxation scheme. The current income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill acquired is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise prepaid costs to be expensed in subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Leases

All leases including chartering of vessels, are accounted for as operating leases. Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred income

Deferred income comprises prepayments received to be recognized as revenue in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Thornico Holding A/S, the Company has not prepared a cash flow statement.