

Thorco Bulk A/S
Strandvejen 56
2900 Hellerup
Business Registration No
37904589

Annual report 2017

The Annual General Meeting adopted the annual report on 08.03.2018

Chairman of the General Meeting

Name: Thor Stadil

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2017	8
Balance sheet at 31.12.2017	9
Statement of changes in equity for 2017	11
Notes	12
Accounting policies	15

Entity details

Entity

Thorco Bulk A/S
Strandvejen 56
2900 Hellerup

Central Business Registration No (CVR): 37904589

Registered in: Gentofte

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Thor Stadil, Chairman
Jan Egtved Knudsen
Marc Lyngaae Slinger
Mikael Hansen
Renè Breyen-Mikkelsen
Uffe Eckardt Hansen

Executive Board

René Breyen-Mikkelsen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Thorco Bulk A/S for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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.

Hellerup, 08.03.2018

Executive Board

René Breyen-Mikkelsen
CEO

Board of Directors

Thor Stadil
Chairman

Jan Egtved Knudsen

Marc Lyngaae Slinger

Mikael Hansen

René Breyen-Mikkelsen

Uffe Eckardt Hansen

Independent auditor's report

To the shareholder of Thorco Bulk A/S

Opinion

We have audited the financial statements of Thorco Bulk A/S for the financial year 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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:

Independent auditor's report

- 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.

Independent auditor's report

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, 08.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Kim Takata Mücke

State Authorised Public Accountant

Identification No (MNE) 10944

Management commentary

	2017 USD'000	2016 USD'000
Financial highlights		
Key figures		
Revenue	140.112	34.660
Gross profit/loss	2.873	1.758
Operating profit/loss	1.229	1.097
Net financials	(130)	(91)
Profit/loss for the year	855	767
Total assets	6.466	7.948
Equity	1.697	842
Ratios		
Gross margin (%)	2,1	5,1
Net margin (%)	0,6	2,2
Return on equity (%)	67,3	91,1
Equity ratio (%)	26,2	10,6

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

Thorco Bulk is an operator of dry bulk vessels mainly within the Handy/Ultramax segments.

Development in activities and finances

The result for 2017 is considered satisfactory.

Since the start in August 2016, the objective has been to create a strong brand in the dry bulk market and build a solid customer base and platform to grow the business going forward. Our dedicated and motivated employees, working out of Denmark, Norway and Switzerland have in this respect made an impressive contribution making the start-up period short and focus on utilising business opportunities.

The result was positively influenced by the uptrend in the dry bulk market from late 2016.

Outlook

The Company is expected to continue the positive development, establishing a solid foundation for further growth based on a controlled approach to market risk.

Foreign branches

Thorco Bulk A/S is represented with a branch in Norway and a subsidiary in Switzerland.

Events after the balance sheet date

Thorco Bulk continues its expansion and global reach with the opening of a new office in Santiago Chile, in March 2018.

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 USD'000</u>	<u>2016 USD'000</u>
Revenue		140.112	34.660
Other external expenses		<u>(137.239)</u>	<u>(32.902)</u>
Gross profit/loss		2.873	1.758
Staff costs	1	(964)	(494)
Other operating expenses		<u>(680)</u>	<u>(167)</u>
Operating profit/loss		1.229	1.097
Income from investments in group enterprises		0	(77)
Other financial income		5	0
Other financial expenses		<u>(135)</u>	<u>(14)</u>
Profit/loss before tax		1.099	1.006
Tax on profit/loss for the year		<u>(244)</u>	<u>(239)</u>
Profit/loss for the year	2	<u>855</u>	<u>767</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 USD'000</u>	<u>2016 USD'000</u>
Investments in group enterprises		20	20
Fixed asset investments	3	<u>20</u>	<u>20</u>
Fixed assets		<u>20</u>	<u>20</u>
Raw materials and consumables		919	2.965
Inventories		<u>919</u>	<u>2.965</u>
Trade receivables		2.553	1.876
Receivables from group enterprises		81	823
Other receivables		31	63
Prepayments	4	<u>1.540</u>	<u>1.041</u>
Receivables		<u>4.205</u>	<u>3.803</u>
Cash		<u>1.322</u>	<u>1.160</u>
Current assets		<u>6.446</u>	<u>7.928</u>
Assets		<u>6.466</u>	<u>7.948</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 USD'000</u>	<u>2016 USD'000</u>
Contributed capital	5	75	75
Retained earnings		1.272	767
Proposed dividend		350	0
Equity		1.697	842
Trade payables		2.036	5.694
Joint taxation contribution payable		483	239
Other payables		756	396
Deferred income	6	1.494	777
Current liabilities other than provisions		4.769	7.106
Liabilities other than provisions		4.769	7.106
Equity and liabilities		6.466	7.948
Contingent liabilities	7		
Related parties with controlling interest	8		
Group relations	9		

Statement of changes in equity for 2017

	Contributed capital USD'000	Retained earnings USD'000	Proposed dividend USD'000	Total USD'000
Equity beginning of year	75	767	0	842
Profit/loss for the year	0	505	350	855
Equity end of year	75	1.272	350	1.697

Notes

	2017	2016
	USD'000	USD'000
1. Staff costs		
Wages and salaries	929	492
Pension costs	28	2
Other social security costs	2	0
Other staff costs	5	0
	964	494
Number of employees at balance sheet date	6	2
Average number of employees	5	1

Remuneration of Management for 2017 is omitted as only one management person receives remuneration.

	2017	2016
	USD'000	USD'000
2. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	350	0
Retained earnings	505	767
	855	767

	Investment s in group enterprises USD'000
3. Fixed asset investments	
Cost beginning of year	97
Transfers	(77)
Cost end of year	20
Revaluations beginning of year	(77)
Transfers	77
Revaluations end of year	0
Carrying amount end of year	20

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity USD'000</u>
Investments in group enterprises comprise:				
Thorco Bulk Switzerland Sàrl	Bulle, Switzerland	GmbH	100,0	20

4. Prepayments

Prepayments comprise prepaid time-charter hire.

	<u>Number</u>	<u>Par value USD'000</u>	<u>Nominal value USD'000</u>
5. Contributed capital			
Contributed capital	75	1	75
	75		75

6. Deferred income

Deferred income relates to ongoing voyages at 31 December 2017.

7. Contingent liabilities

The Entity has not entered into any time-charter agreements beyond 12 months.

The Entity participates in a Danish joint taxation arrangement in which Thornico Holding A/S serves as the administration company. According to the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

8. Related parties with controlling interest

Controlling interest

Thornico Holding A/S, Odense, Denmark, Ultimate Parent

Havnegade Capital ApS, Odense, Denmark, Parent

All transactions with related parties are carried out on an arm's length basis.

Other related parties

Christian Nicholas Stadil, Ultimate shareholder

Notes

9. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Thornico Holding A/S, Odense

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Thornico A/S, Odense

Accounting policies

Reporting class

This annual report has been presented 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. The DKK exchange rate against USD applied in 2017 is 6.208 (2016: 7.053).

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Accounting policies

Income statement

Revenue

Revenue includes freight, time-charter income, demurrage etc. Income from voyages are recognised ratably over the life of the voyage.

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

Other external expenses

Other external expenses comprise costs relating to the operation of the Company's chartered vessels, including timecharter expenses, port expenses, bunker consumption and agent fees.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Other operating expenses

Other operating expenses include expenses relating to the Company's ordinary activities, including expenses for premises, stationery and office supplies, etc.

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 Entity is jointly taxed with Thornico Holding A/S. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

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 under equity.

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

Inventories

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

Receivables

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

Prepayments

Prepayments comprise prepaid time charter hire. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Accounting policies

Cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, the financial statements do not include a cash flow statement as reference is made to the consolidated financial statements of Thornico Holding A/S.