



BELSHIPS

ANNUAL REPORT 2014

KEY FINANCIAL FIGURES

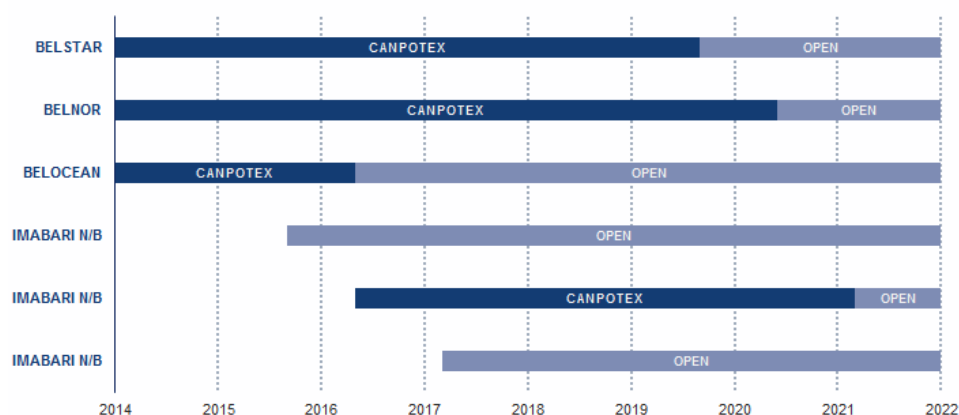
USD 1 000		2014	2013
Operating income		22 079	25 973
Operating result		1 086	2 383
Net result for the year		-1 601	-154
EBITDA		8 560	9 334
Total assets		114 465	119 424
Equity		65 051	66 958
Equity per share	NOK	10.33	8.70
Interest coverage ratio		0.37	1.01
Current ratio	%	127.64	202.25
Equity ratio	%	56.83	56.07
Earnings per share	US cent	-3.42	-0.46

FLEET LIST

SHIP	OWNER-SHIP	BUILT YEAR	DWT	EMPLOYMENT	T/C-RATE (NET USD/DAY)
Supramax					
M/S Belstar	1 100 %	2009	58 018	T/C to 08/19	16 000
M/S Belnor	1 100 %	2010	58 018	T/C to 05/20	16 000
M/S Beloccean	1 100 %	2011	58 018	T/C to 03/21	16 000
Imabari newbuilding	2 100 %	2015	61 000		
Imabari newbuilding	2 100 %	2016	61 000		
Imabari newbuilding	3 T/C	2017	63 000		

- 1) In case of any sale, Belships has an option to cancel two of the three time charter parties after respectively 5 and 7 years from the ships were delivered.
- 2) Belships has signed an agreement with Canpotex Shipping Services Ltd to replace M/S Belnor or M/S Beloccean with one of the newbuildings. The rate will be adjusted to USD 17.300/day net with effect from the date of delivery and until the expiry of the existing c/p period.
- 3) Delivery during 1st quarter of 2017 for long-term lease with purchase option. Charter period is eight years with three annual renewal options. Purchase option may be exercised at the end of year 4 to JPY 3.01 billion, with an annual decrease of JPY 110 million.

CHARTER COVERAGE



As per today the indices are very close to all-time low levels

DIRECTORS' REPORT 2014

THE DRY BULK MARKET

In 2014 Chinese iron ore imports amounted to 932 million tons, or approximately 14% higher compared to the year before. The ton-mile growth was not as high since a significant part of Chinese iron ore import was sourced from Australia, rather than Brazil.

However, Chinese steam coal imports dropped sharply in 2014 to an annualized pace of just 135 million tons, the lowest level in more than three years. Most of this decline has come from Indonesian supplies, hitting the Panamax segment in particular. The Chinese government in 2014 introduced a ban on dirty coal as part of China's environmentally friendly agenda. Coal will still be important for China, where new technologies for cleaner burning is required to generate sufficient power, due to difficulties related to replacing coal as a power source.

The predicted Q4 rally started towards end of October but culminated only two weeks later. Capesize-index peaked at USD 27,000/day, whereas Panamax- and Supramax-indices went up to around USD 9,300-9,900/day.

The Capesize-index ended the fourth quarter at USD 4,910 per day, whereas the Panamax-index ended at USD 6,953 per day. The Supramax-index ended the quarter at USD 9,383 per day. As per today the Cape index stands at USD 3,793 per day, Panamax-index at USD 4,837 per day and Supramax-index at USD 6,511 per day. These indices are close to all-time low levels. According to Baltic Exchange S&P Assessments the valuation of a 5-year old Supramax is USD 17.0 million, down from USD 26.3 million one year ago.

OPERATIONS

M/S Belstar, M/S Belnor and M/S Beloceano continued in 2014 on their long-term charter parties to Canpotex Shipping Services Ltd. The company's tonnage is modern, and all ships operated satisfactorily without significant off-hire except for the planned drydocking of M/S Belstar. The operating expenses were close to budgeted levels.

Belships entered in 2013 into a newbuilding program for eco-design Ultramax bulk carriers from Imabari Shipbuilding Group in Japan. Delivery is scheduled for 3 x 61,000 dwt ships from Q3 2015 to Q1 2017, where two ships will be owned by the Group and one ship will be time chartered from a sister company of the shipbuilder.

The subsidiary Belships Management (Singapore) Pte Ltd made a positive contribution from technical management services. The company expanded its customer base, and currently provides technical management for 20 ships, including Belships' own ships.

RESULTS

The Group had an operating income of USD 22 079 000 in 2014 (USD 25 973 000), giving a consolidated operating result of USD 1 086 000 (USD 2 383 000). The decrease in operating income is mainly related to M/T Belaia, which was redelivered in the beginning of March 2014. Operating result decreased by USD 1.3 million and is mainly explained by impairment of ships and expensing of share-option to CEO. The pre-tax result was USD -1 578 000 (USD 12 000), while net result for the Group was USD -1 601 000 (USD -154 000). The Group's EBITDA was USD 8 560 000 (USD 9 334 000).

The parent company's net result for the year was NOK -10 447 000 (NOK -9 043 000). The Board proposes the result for the year to be allocated as follows:

AMOUNTS IN NOK

PROVISION FOR DIVIDEND	0
TRANSFER FROM OTHER RETAINED EARNINGS	-10 447 000
TOTAL ALLOCATIONS	-10 447 000

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act, and the Board considers that they give a true and accurate portrayal of the company's business. The Board considers that the conditions for a going concern are in place.

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The information in the accounts gives a true and accurate portrayal of the company's and the Group's assets, liabilities, financial position and results as a whole. The annual accounts give a fair view of the development, profit and overall financial position of Belships ASA and the Group, and describe the most significant risks and uncertainties facing the Group and the parent company.

SAFETY AND THE ENVIRONMENT

Belships aims to minimize environmental impact from its activity, and strives constantly to improve safety. Measures are taken to prevent the business polluting the environment. Belships works consciously to improve standards, on board and ashore. Pollution

from ships is governed by a number of national and international environmental standards and certifications. Belships meets official requirements in terms of safety and the environment.

The newbuildings from Imabari Shipbuilding will have low emissions of pollutants and will have ballast water treatment systems.

ORGANISATION

Belships is headquartered in Oslo, from where most of its commercial and financial business including insurance is handled. Technical management is handled from Singapore. There has been no change within the senior management in 2014.

Management activities in Singapore were stable over the year. The Group employed 62 office staff at the end of 2014. Ships under management had 498 crew members on board. The sick leave was less than 2% in 2014. The Group was not subject to any serious accidents in 2014.

Belships aims to treat women and men equally. No discrimination on the grounds of gender is tolerated. Of the company's office staff, 32 are women. The working environment at the various companies within the Group is considered to be good.

FINANCIAL AND OTHER MATTERS

The Group has conducted impairment tests in line with IAS 36, valuing the M/S Belstar, M/S Belnor and M/S Beloceen based on observable market values of equivalent ships and contracts today, and including the discounted added value of the charter parties entered into. These internal valuations indicated that there was a need for impairment of the company's ship investments with a total of USD 3.2 million in 2014. In the financial statement for 2014 the book value of M/S Belstar, M/S Belnor and M/S Beloceen were impaired with USD 1.8 million, USD 0.8 million and USD 0.6 million, respectively.

Consolidated liquidity was USD 8.1 million as at 31 December 2014, against USD 14.3 million at the beginning of the year. Total mortgage debt had a balance of USD 46.3 million at year-end and was reduced by USD 1.6 million during 2014. The contract price for the two newbuildings amounts to USD 56.5 million. Instalments of USD 5.6 million and USD 8.5 million were paid in 2013 and 2014 respectively and the remaining newbuilding instalments were at year end USD 42.4 million. The payments have been financed by the company's surplus liquidity.

Belships has during 1st quarter 2015 accepted a post-delivery financing offer for the two Imabari 61,000 dwt newbuildings for delivery in September 2015 and March 2016. The loan facility covers the lower of 70% of contract price or market value at the time of drawdown, with a maturity of 7 years. This will secure long-term financing of the newbuildings.

The Group's solvency and financial position is satisfactory, however the Board works to further improve the liquidity position. By end of 2014 the book equity of the Belships share was NOK 10.33, while the book equity ratio was 56.8 %. After delivery of the newbuildings assuming 70% loan financing, the book equity ratio will be reduced to 41%.

Current activity is expected to generate sufficient liquidity to cover current debt throughout 2015. Belships aims to provide its shareholders with a competitive dividend yield, but during the current investment program the dividend will be suspended.

At the end of 2014 Belships held 548,000 treasury shares in total at an average cost of NOK 9.91 per share. In 2014 the employees have been granted options to purchase 200,000 shares at a price of NOK 6.47.

These options can be exercised from 8 May 2014 until the annual general meeting in 2015. The Belships' share value has decreased by 40.5 per cent in the course of 2014. By comparison, the OBX increased by 4%. A total of 2,448,000 shares were traded in 146 of the 250 trading days. 4,891,000 shares were traded in 2013 in 182 of the 251 trading days.

The Group is exposed to financial market risks due to changes in FX rates, interest rates, freight rates and oil prices. Such changes may affect the Group's assets and liabilities and its future cash flows. Belships is working continuously to manage these risks. To reduce financial market risks, Belships use derivatives when appropriate.

The Group's income and costs are mainly in USD. Belships' foreign exchange exposure is linked to administrative costs in Norway and in Singapore. Compared to the Group's cash flows, however, this exposure is limited. Belships' strategy is to manage the exposure in relation to cash flow fluctuations due to changes in interest rates. Belships has entered into a 5-year SWAP agreement that started in August 2013, covering about 24% of the present interest risk exposure related to the interest-bearing debt.

Fluctuating bunker prices will not affect the Group as the ships are fixed on long-term time charters where the charterers cover the fuel cost.

Belships aims to minimize counterparty risk by entering into long term time charter contracts with the most reputable charterers.

The Group's limited tax cost is expected to continue, since the ships are owned by a Singaporean subsidiary within the tonnage tax regime. Similarly, the group's Norwegian entities have considerable tax loss carried forward.

CORPORATE GOVERNANCE

Belships' corporate governance is based on the company's goals and strategy. The Company is listed on the Oslo Stock Exchange, and is subject to the Norwegian Accounting Act, the Securities Trading Act and the Public Limited Company Act.

With exception of establishing election committee, Belships follows the Norwegian code of good corporate governance of 30 October 2014. Please see the separate [statement of corporate governance](#) that appears as a section of the annual report in its own right.

CORPORATE SOCIAL RESPONSIBILITY

Belships is a shipping company with global reach and close to a hundred years history. The Board is well aware of the direct and indirect impact Belships' activities have on the outside world as well as the company's shareholders. Belships is determined to

create long-term shareholder values and at the same time act as a responsible participant in the society.

The most important issues for our business and our shareholders in respect of Corporate Social Responsibility (CSR) are considered to be:

- Environment
- Human and labor rights
- Anti-corruption

It is our policy to follow the standards, laws and regulations set by the national and international maritime regulatory authorities, but also the moral and ethical behavior as set by our culture. Belships reports on safety and environment in the annual report.

Belships does not tolerate any corrupt practices with our suppliers, customers or government entities affecting our business. Belships do pay attention to the working conditions and safety within our own operations. Please see the separate [statement of corporate social responsibility](#) that appears as a section of the annual report in its own right.

OUTLOOK

With depressed freight rates, there is a downward pressure on asset prices in all dry bulk sectors. Buyers turn their attention to Japanese tonnage, adding pressure on asset prices for Chinese built tonnage. Another factor is the recent strengthening of USD against JPY, leading to more sales candidates from Japanese owners.

Freight rates for all sizes have dropped to levels hardly covering operating costs, something most market participants did not anticipate. RS Platou Economic Research believes this weak start of the year is most likely influenced by inventory adjustments and other seasonal factors. Last year's substantial increase in iron ore imports, combined with increased domestic production, raised Chinese iron ore inventories to an all-time high at year-end.

Low steel demand during winter in China has continued to erode iron ore and steel prices with spot iron ore for delivery to China closing this week at around USD 60/ton. Demand and prices for iron ore and steel will remain low until activity picks up after Chinese New Year towards the end of February or early March.

With increased capacity of iron ore from Australia and Brazil, the international iron ore prices have dropped more than 50% over the last 12 months. China will be encouraged to continue the import rather than exploit their domestic resources with low FE content.

Lately there has been an increased activity in conversions of capesize newbuilding contracts to tankers, and scrapping of older tonnage has also picked up considerably with 5 million dwt dry bulk tonnage being recycled in two months (January-February). Both these factors, including slippage and cancellations, will contribute positively towards a better market balance. Most importantly, new ordering of bulk carriers has more or less come to a complete halt.

International oil prices and bunker prices are moving in tandem. Higher bunker prices will improve the competitiveness of eco design newbuildings.

Belships' ships are sailing on long-term charter parties to a reputable counterpart, and short-term market fluctuations will not affect the company's earnings and cash flow. Existing charter parties represent future nominal revenues of USD 97 million.

Future focus will be to further develop Belships as a long term tonnage provider of modern bulk carriers to reputable charterers. Belships aim to build up a portfolio of ships and charters that will provide a steady return while minimizing the residual risk exposure through a duration spread.

OSLO, 19 MARCH 2015

BELSHIPS ASA



Sverre J. Tidemand
Chairman of the Board



Christian Rytte
Board member



Kjersti Ringdal
Board member



Sissel Grefsrud
Board member



Carl Erik Steen
Board member



Bernt Ulrich Müller
Chief Executive Officer

The annual report provides a true and fair overview


DIRECTORS' RESPONSIBILITY STATEMENT

The Board and Chief Executive Officer have today considered and approved the annual report and financial statements for the Belships group and its parent company Belships ASA for 2014.

The Board has based this declaration on reports and statements from the Group's chairman and Chief Executive Officer, on the results of the Group's activities and on other information that is essential to assess the Group's position, provided to the Board of the parent company under obligation by the Group's administration and subsidiaries.

To the best of our knowledge:

- the 2014 financial statements for the Group and parent company have been prepared in accordance with all applicable accounting standards
- the information provided in the financial statements gives a true and fair portrayal of the Group and parent company's assets, liabilities, profit and overall financial position as of 31 December 2014
- the annual report provides a true and fair overview of:
 - the development, profit and financial position of the Group and parent company
 - the most significant risks and uncertainties facing the Group and the parent company



Sverre J. Tidemand
Chairman of the Board



Sissel Grefsrud
Board member

OSLO, 19 MARCH 2015

BELSHIPS ASA



Christian Rytter
Board member



Carl Erik Steen
Board member



Kjersti Ringdal
Board member



Bernt Ulrich Müller
Chief Executive Officer

Consolidated Statements of Comprehensive Income

1 JANUARY – 31 DECEMBER / USD 1 000	NOTE	2014	2013
Operating income			
Freight income		17 912	22 094
Other operating income		4 167	3 879
Total operating income	4	22 079	25 973
Operating expenses			
Timecharterhire	5	-804	-4 660
Ship operating expenses	8	-5 434	-5 059
Operating expenses ship management	8	-3 741	-3 706
Payroll expenses	9	-2 474	-2 077
Other general administrative expenses	6	-1 066	-1 137
Depreciations on fixed assets	7	-4 274	-4 251
Impairment of ships	7	-3 200	-2 700
Total operating expenses		-20 993	-23 590
Operating result		1 086	2 383
Financial income and expenses			
Interest income		124	142
Interest expenses	13	-1 961	-2 040
Currency exchange gain/(loss)		-550	208
Other financial items	8	-277	-681
Net financial items		-2 664	-2 371
Net result before tax		-1 578	12
Income tax expense	12	-23	-166
Net result for the year		-1 601	-154
Hereof non-controlling interests		80	60
Hereof majority interests		-1 681	-214
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain/(loss) on defined benefit plan		-99	-3
Total comprehensive income		-1 700	-157
Hereof non-controlling interests		80	60
Hereof majority interests		-1 780	-217
Earnings per share (US cent)	11	-3.42	-0.46
Diluted earnings per share (US cent)	11	-3.42	-0.46

Consolidated balance sheets

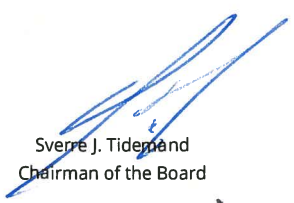
PER 31 DECEMBER / USD 1 000	NOTE	2014	2013
FIXED ASSETS			
Tangible fixed assets			
Ships	7	88 920	95 424
Newbuilding instalments	7	14 125	5 650
Other fixed assets	7	1 877	2 162
Total fixed assets		104 922	103 236
Financial fixed assets			
Financial investments	14	165	459
Other long-term receivables	13	304	467
Total financial assets		468	926
Total fixed assets		105 390	104 162
CURRENT ASSETS			
Trade debtors	13	44	12
Other receivables	13	967	968
Cash and cash equivalents	15	8 064	14 282
Total current assets		9 075	15 262
Total assets		114 465	119 424
EQUITY			
Paid-in capital		43 563	43 305
Retained earnings		21 080	23 252
Non-controlling interests		408	401
Total equity	20	65 051	66 958
LIABILITIES			
Provision for liabilities			
Pension obligations	17	1 138	1 644
Other long-term liabilities			
Mortgage debt	13	40 651	42 460
Interest rate swap	22	515	816
Total other long-term liabilities		41 166	43 276

Short-term liabilities

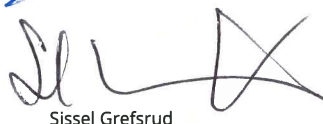
Current portion of mortgage debt	<u>13</u>	5 000	5 138
Tax payable		48	58
Public taxes and duties payable		325	370
Trade creditors		381	562
Other short-term liabilities	<u>13</u>	1 355	1 418
Total short-term liabilities		7 110	7 546
Total liabilities		49 414	52 466
Total equity and liabilities		114 465	119 424

OSLO, 19 MARCH 2015

BELSHIPS ASA



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Carl Erik Steen
Board member



Kjersti Ringdal
Board member



Bernt Ulrich Müller
Chief Executive Officer

Consolidated cash flow statements

PER 31 DECEMBER / USD 1 000	NOTE	2014	2013
CASH FLOW FROM OPERATIONS			
Net result before tax		-1 578	12
Adjustments to reconcile result before tax to net cash flows:			
Depreciations on fixed assets	7	4 274	4 251
Impairment of ships	7	3 200	2 700
Share-based payment expense	16	259	12
Difference between pension expenses and paid pension premium	17	-262	-197
Net finance costs		2 664	2 371
Working capital adjustments:			
Change in trade debtors and trade creditors		-213	65
Change in other short-term items		-90	-362
Interest received		124	142
Income tax paid		-35	-75
Interest paid		-1 961	-2 040
Net cash flow from operating activities		6 382	6 879
CASH FLOW FROM INVESTING ACTIVITIES			
Instalments newbuilding contracts	7	-8 475	-5 650
Payment of other investments	7	-898	-221
Net cash flow from investing activities		-9 373	-5 871
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term debt	13	-51 661	-10 993
Share issue (net)	20	0	14 293
Proceeds from new loan (incl. related costs)	13	49 425	0
Dividend paid to shareholders	20	-393	0
Net cash flow from financing activities		-2 629	3 300
Net change in cash and cash equivalents		-5 621	4 308
Cash and cash equivalents at 1 January		14 282	10 204
Change currency NOK deposits		-597	-230
Cash and cash equivalents at 31 December		8 064	14 282
Restricted bank deposits	15	605	109

Consolidated statements of changes in equity

USD 1000	NOTE	MAJORITY INTERESTS					NON-CONTROLLING INTEREST	TOTAL
		PAID IN				OTHER EQUITY		
		SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM RESERVES	OTHER PAID-IN EQUITY			
At 31 December 2014								
Equity as at 31 December 2013		14 272	-166	13 751	15 448	23 252	401	66 958
Net result for the year		0	0	0	0	-1 681	80	-1 601
Other comprehensive income	17	0	0	0	0	-99	0	-99
Total comprehensive income		0	0	0	0	-1 780	80	-1 700
Dividend to shareholders	20	0	0	0	0	-393	0	-393
Share-based payment expense	16	0	0	0	259	0	0	259
Non-controlling interests transactions		0	0	0	0	0	-73	-73
Equity as at 31 December 2014		14 272	-166	13 751	15 707	21 079	408	65 051
At 31 December 2013								
Equity as at 31 December 2012		6 722	-166	7 009	15 436	23 469	319	52 789
Net result for the year		0	0	0	0	-214	60	-154
Other comprehensive income	17	0	0	0	0	-3	0	-3
Total comprehensive income		0	0	0	0	-217	60	-157
Share issue		7 550	0	6 742	0	0	0	14 292
Share-based payment expense		0	0	0	12	0	0	12
Non-controlling interests		0	0	0	0	0	22	22
Equity as at 31 December 2013		14 272	-166	13 751	15 448	23 252	401	66 958

Notes to the consolidated accounts

NOTE 1 GENERAL INFORMATION

Belships is an owner and operator of dry bulk tonnage on long term charters to reputable customers. The company is also providing ship management services. The product tank activity was terminated in first quarter 2014.

Belships ASA is registered in Norway and listed on the Oslo Stock Exchange. The head office is located in Lilleakerveien 4 in Oslo, Norway.

Copies of the consolidated financial statements may be downloaded from www.belships.com, or by inquiry to the company's head office.

The consolidated financial statements have been approved by the Board on 19 March 2015.

All amounts in the notes are in USD 1 000 unless otherwise stated.

Belships has obtained approval from Oslo Stock Exchange and Norwegian tax authorities to publish its financial statements only in English.

CHANGE IN PRESENTATION FORMAT STATEMENT OF COMPREHENSIVE INCOME

From 2014, operating expenses relating to technical management performed in Singapore have been presented separately on the Statement of Comprehensive Income. Payroll and general administrative expenses is thus only related to Belships ASA (parent company) and the Norwegian subsidiaries Belships Management AS and Belships Chartering AS. The 2013 Statement of Comprehensive Income has been restated accordingly.

Notes to the consolidated accounts

NOTE 2 SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED

A) BASIS OF PREPARATION

The consolidated financial statements of Belships ASA (the "Parent Company"), and all its subsidiaries (the "Group"), have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Group accounts have been prepared on a historical cost basis, except for derivatives and shares, which are measured at fair value.

The Group accounts are presented with uniform accounting principles for identical transactions and events under otherwise identical conditions.

B) CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of Belships ASA and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Unrealised gains from transactions with affiliated companies are eliminated with the Group's share of the company/enterprise.

Unrealised losses are likewise eliminated, but only to the degree that there is no indication of loss of value on the asset being sold internally.

C) CURRENCY TRANSACTIONS

Functional currency and reporting currency

Accounting transactions undertaken by respective Group companies use the currency ordinarily used by the financial environment in which they operate (functional currency). The Group accounts are presented in USD.

The accounts for the units in the Group which have a functional currency different from the Group's reporting currency, convert their accounts into the reporting currency according to the following guidelines:

- Assets and debts are converted according to conversion rates on the balance sheet date
- Income and costs are converted according to monthly average conversion rates

Transactions in foreign currency

Transactions in foreign currency are converted to the functional currency at the rate at time of the transaction. Monetary items in foreign currency are converted into functional currency using the rate at the balance sheet date. Non-monetary items which are measured at historical cost expressed in foreign currency, are converted into functional currency using the currency rate at the time of the transaction.

Non-monetary items, which are measured at fair value expressed in foreign currency, are converted at the currency rate on the date of measurement. Currency rate changes are recognised continuously against profit and loss during the accounting period. Currency rates at year end was USD 7.4332 (2013: USD 6.0837) and SGD 5.6218 (2013: SGD 4.8089).

D) ACCOUNTS RECEIVABLE

Trade receivables are recognised at face value less any impairment. Provision for impairment is made when there is objective evidence of impairment that affects the estimated future cash-flow.

E) TANGIBLE FIXED ASSETS

Tangible fixed assets are measured at acquisition cost, net of accumulated depreciation and impairments losses. When assets are sold or divested, the carrying amount is deducted and any gains or losses are recognised in the profit and loss account. Acquisition cost for tangible fixed assets is the purchase price, including taxes and charges and expenses directly related to preparing the asset for use. Expenses incurred after the asset has been put to use, are recognised in the profit and loss account, whereas other expenses which are expected to create future financial gains are capitalised. An estimated docking element is recognised as a separate component of the ship for depreciation purposes on the first occasion a ship is booked in the accounts. The amount corresponds to the estimated docking costs for the period. The docking component is depreciated on a straight-line basis the over the period to the next planned drydocking. Residual value has been taken into account, and this is estimated based on steel value of the ship at the balance sheet date less estimated cost to demolish the ship. Book value is compared to market value and value in use to assess the need for any further impairment compared to the ordinary depreciation plan. The depreciation period and method are assessed annually and are based on the management's estimates of the ships' future useful life. The same applies to residual value.

In accordance with IFRS, the ships have been separated into components for depreciation purposes. The ships are depreciated as one unit, as the value of any part of the ship with a useful lifetime other than 25 years is considered to be insignificant.

Newbuilding contracts

Newbuilding contracts are recognised as a fixed asset based on instalments paid to the yard. Building supervision costs and project costs related to the newbuilding contracts are capitalised.

See section L) regarding treatment of borrowing costs.

F) LEASING

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

G) FINANCIAL INSTRUMENTS

Financial instruments under the scope of IAS 39 are classified in the following categories:

- financial assets at market value through profit or loss (held for trading purposes)
- available for sale
- loans and receivables
- held to maturity investments
- other obligations

Financial assets with fixed or determinable cash flow which are not listed in an active market are classified as loans and receivables. Investments held to maturity, loans and receivables and other liabilities are measured at amortised cost.

H) PROVISIONS

A provision is recognised when the company has a liability (legal or constructive) as a result of a previous event and where it is probable (more probable than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is material, the provision is estimated by discounting the expected future cash flow with a discount rate before tax which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.

A provision is recognised for any unavoidable net loss arising from the contract, the unavoidable cost under a contract reflect the least net cost of exiting from the contract, i.e. the lower of the cost of fulfilling the contract; and any compensation of penalties arising from failure to fulfill the contract.

I) EQUITY

(i) Debt and equity

Financial instruments are classified as debt or equity according to the underlying substance of the contractual agreement. Interest, dividend, gains and losses related to a financial instrument classified as debt, is presented as income or expense.

(ii) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

(iii) Costs related to equity transactions

Transaction costs directly related to equity transactions are charged directly against the equity after tax deductions.

J) REVENUE RECOGNITION

Revenue is recognised when it is likely that the economic benefits which will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenues from time charter accounted for as operational leases are recognized on a straight line basis over the rental periods of such charters, as service is performed.

K) EMPLOYEE BENEFITS

Defined contribution pension scheme

All employees are member of the company's defined contribution scheme. The premium is charged as incurred by operations. Social security tax expense is recognized based on the pension plan payments.

Defined benefit pension scheme

Actuarial gains and losses arising from changes in actuarial assumptions are recognised as other comprehensive income in the period in which they arise. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

The company has unfunded pension liabilities. These relate to early retirement and pension to persons, that have not been included in the service pension scheme. Pension obligations are estimated by an independent actuary.

L) BORROWING COSTS

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

M) CONTINGENT ASSETS AND OBLIGATIONS

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities in which the possibility of loss is considered distant.

Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that a significant benefit will be added to the Group.

N) TAXES ON INCOME

Tax expenses consist of tax payable and changes in deferred tax. Deferred tax/tax assets are calculated on all differences between accounting values and tax values of assets and liabilities, with the exception of temporary differences related to investments in subsidiaries, affiliated companies or jointly controlled enterprises when the Group controls when the temporary differences will be reversed, and that is not expected to occur in the foreseeable future.

Deferred tax assets are recognised when it is likely that the company will have sufficient profit for tax purposes in subsequent periods that will enable the company to utilise the tax asset. Similarly, the company will reduce the deferred tax asset to the extent the company no longer regards it as being likely that it can utilize the deferred tax asset.

Deferred tax liabilities and deferred tax assets are measured on the basis of prevailing tax rates for the companies in the Group where temporary differences have occurred, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities and deferred tax assets are entered at nominal value calculated with the tax rate in the actual tax regime and are classified as long-term liability or intangible fixed asset in the balance sheet. Tax payable and deferred tax are entered directly against equity to the extent the tax items relate to equity transactions.

In addition to companies subject to ordinary taxation in Norway, Singapore and China, the Group consists of one company within the shipping taxation scheme in Singapore. The deferred tax positions associated with the different tax regimes cannot be offset. A corresponding situation also applies to tax positions between jointly controlled operations and the rest of the Group. These cannot be offset.

O) IMPAIRMENT OF ASSETS

At the end of each quarter, every ship is assessed for any possible impairment. The same applies when events or changes occur that may entail that the asset's carrying amount may not be recovered. In assessing the need for impairments, assets are grouped at the lowest level at which there is identifiable and predominantly independent cash inflows, which means per ship. Impairment is calculated as the difference between the asset's carrying amount and the value considered as recoverable. The recoverable amount is the higher of the asset's fair value less cost to sell and its value in use to the Group. Value in use is calculated by discounting anticipated future cash flows from the asset. When it is assumed that the asset's value is lower than its carrying amount, an impairment loss is recognised.

Impairment loss recognised in earlier periods is reversed only in case of changes to the estimates used to determine the recoverable amount. However, the reversal amount may only be so high that book value after reversal at most corresponds to the value at which the asset would have been registered if it had not been impaired earlier. Such reversals are recorded in the profit and loss.

Financial assets classified as being available for sale are written down when there are objective indications that the asset has declined in value. An accumulated loss (the difference between acquisition cost and current market value, with deduction of impairments previously included in the result and any amortisation amounts) is included in the profit and loss account. If the market value of a debt instrument classified as available for sale increases in a subsequent period, and the increase can objectively be linked to an event that took place after the impairment was included in the profit and loss, the impairment loss will be reversed over the profit and loss account.

Impairment loss for an investment in an equity instrument classified as held for sale, will not be reversed over the profit and loss account.

P) EVENTS AFTER THE BALANCE SHEET DATE

New information after the balance sheet date regarding the company's financial position as of the balance sheet date is taken into consideration in the annual accounts. Events after the balance sheet date that do not affect the company's financial position as of the balance sheet date, but which will have an impact on the company's financial position in the future are disclosed if significant.

Q) SHARE-BASED PAYMENTS

Employees and management in Belships ASA received options to purchase company shares. Market value of the awarded options is measured at time of the award and charged to expense over the vesting period as a payroll cost with corresponding increase in other paid-in equity. The market value of the options granted is estimated using the Black and Scholes option pricing model.

R) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, bank deposits and other short-term and in particular liquid investments to be redeemed within 3 months. Cash and cash equivalents are recognised at nominal values in the balance sheet. Restricted deposits have been included.

S) RESTRICTED DEPOSITS

Restricted cash include all deposits in separate accounts, which will be used to cover accrued taxes withheld for employees and deposits provided as security for certain guarantees.

T) REPORTING BY SEGMENTS

Operating segments are components of a business that are evaluated regularly by the chief operating decision maker for the purpose of assessing performance and allocating resources. The Groups chief operating decision maker is the CEO. The operating segments consist in dry cargo, product tank and technical operations, which is how the information is presented to the Management and the Board. Transactions between the business units are based on market conditions. Segment turnover, segment costs and segment results include transactions between segments. The engagement in the product tank segment was ended during 2014.

U) RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out at market terms. See [note 10](#) for further information.

V) CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Liquid assets include cash, bank deposits (restricted and

unrestricted) and other short-term investments which can be converted to cash within 3 months. For restricted deposits, see [note 15](#).

W) CLASSIFICATION BALANCE SHEET

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is considered current when it is:

- expected to be realised or intended to sold or consumed in normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period

or

- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is considered current when it is:

- expected to be settled in normal operating cycle
- held primarily for the purpose of trading
- due to be settled within twelve months after the reporting period

or

- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

X) NEW AND CHANGED STANDARDS EFFECTIVE IN 2014

In 2014, the Group has adopted the following new standards and changes:

IFRS 10 Consolidated Financial Statements

This standard replaces the portion of IAS 27 – Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 11 Joint Arrangements

This standard replaces IAS 31 – Interest in Joint Ventures and SIC-13 – Jointly –controlled Entities – Non-monetary Contributions by Venturers. It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this standard will not have an impact on the financial position of the Group as the Group already uses the equity method.

IFRS 12 Disclosures of interest in other entities

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

Implementation of the changes listed above had no material effect on the consolidated accounts in 2014.

Y) IFRSS AND IFRICS ISSUED BUT NOT YET EFFECTIVE

The financial statements have been prepared based on standards effective for the year ending 31 December 2014. IASB has issued the following relevante standards/amendments that are not yet effective and not yet approved by the EU:

IFRS 9 Financial Instruments

IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. If not early adopted, the standard becomes effective 1 January 2018. The group has made a preliminary assessment of the effect of the standard, and not identified any material impact on the group financial position of performance.

IFRS 15 Revenue from Contracts with Customers

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Notes to the consolidated accounts

NOTE 3 USE OF ESTIMATES IN PREPARATION OF THE ANNUAL ACCOUNTS

Preparing the annual accounts in accordance with IFRS as adopted by EU requires the management to use estimates and assumptions affecting the amounts reported in the accounts with notes. The management assumptions and valuations are based on past experience and on miscellaneous other factors assumed to be reasonable and appropriate. This applies in particular to pensions, share-based payments, deferred tax assets, impairment of fixed assets and the ships' residual value. Future events can entail a change in these estimates. Estimates and the underlying assumptions are evaluated on an ongoing basis.

Changes in accounting estimates are entered in the period when the changes occur. If the changes also apply to future periods, the effect is distributed over the current and future periods and appears in the current note.

TANGIBLE FIXED ASSETS

The Group assess, at each reporting date, whether there are any indications that an asset may be impaired. Impairment is only made if carrying amount is higher than the asset's recoverable amount. Value in use is calculated based on estimated future cash flows. Estimating future cash flows will always be subject to uncertainty. Any changes in the required rate of return and the assessment of counterparty risk will also affect the value.

Remaining useful life is estimated on the date of the presentation of accounts. The useful life of the assets and the method of depreciation are evaluated yearly. See [note 7](#) for additional details.

PENSIONS

The costs of defined benefit pension plans are calculated by an actuary. Actuarial estimates include assumptions concerning discount rate, required rate of return, future wage growth, mortality rate and future pension changes. Due to the time horizon of these schemes, the estimates are subject to great uncertainty. See [note 17](#) for additional details.

SHARE-BASED REMUNERATION

The Group uses estimates to establish the actual value of share-based remuneration, the basis on which it is charged to costs. These estimates are mainly based on how volatile shares are expected to be, what the potential future yield might be, and what proportion of options are expected to be exercised. See [note 16](#) for additional details.

DEFERRED TAX ASSET

The deferred tax asset is only recognised if it can be established as probable that the asset can be realised through a future tax deduction. The probability of this is estimated by the management and the estimate is subject to uncertainties relating to the underlying assumptions for calculating future tax results. Deferred tax assets are not recognised. See [note 12](#) for additional details.

Notes to the consolidated accounts

NOTE 4 SEGMENT INFORMATION

The Belships Group was in 2014 divided into operating segments: dry bulk, product tank, and technical management, based on how the reporting to the Chief Operating Decision Maker (CEO) is made. The product tank activity was terminated in first quarter 2014.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis but are allocated to applicable operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Operating income in the dry bulk segment is related to own ships which are chartered to Canpotex Shipping Services Ltd. Operating income in the tanker segment was related to M/T Belaia which was chartered to J. Lauritzen AS. Except for these customers, the company had no other customers in either 2014 or 2013 where income accounted for more than 10% of the total turnover.

The operating segments have worldwide activities. The shipping market in general offers a global service covering major global trade routes. This is also the matter for the Group. Due to this, financial position is not allocated to geographical segments.

1 JANUARY – 31 DECEMBER 2014	DRY CARGO	PRODUCT TANK	TECHNICAL MANAGEMENT	ADMINISTRATION	GROUP TRANSACTIONS	TOTAL
Freight revenue	16 846	774	0	0	292	17 912
Management fee – external	0	0	3 857	310	0	4 167
Management fee – internal	0	0	431	308	-739	0
Operating income	16 846	774	4 288	618	-447	22 079
Operating expenses	-5 865	-804	-3 741	0	431	-9 979
General administrative expenses	-47	-10	0	-3 499	16	-3 540
Depreciations on fixed assets	-4 126	0	-51	-97	0	-4 274
Impairment of ships	-3 200	0	0	0	0	-3 200
Operating result	3 608	-40	496	-2 978	0	1 086
Finance incomes	0	0	57	112	0	169
Finance expenses	-2 222	0	-32	-579	0	-2 833
Result before tax	1 386	-40	521	-3 445	0	-1 578
Tax	0	0	-23	0	0	-23
Net result	1 386	-40	498	-3 445	0	-1 601
Assets	109 470	0	3 915	1 080	0	114 465
Liabilities	47 353	0	500	1 562	0	49 414
Cash flow from operating activities	8 689	-40	549	-2 816	0	6 382
Cash flow from investing activities	-9 298	0	0	-75	0	-9 373
Cash flow from financing activities	-2 236	0	0	-393	0	-2 629

1 JANUARY – 31 DECEMBER 2013	DRY CARGO	PRODUCT TANK	TECHNICAL MANAGEMENT	ADMINISTRATION	GROUP TRANSACTIONS	TOTAL
Freight revenue	17 189	4 541	0	0	364	22 094
Management fee – external	0	0	3 575	304	0	3 879
Management fee – internal	0	0	426	405	-831	0
Operating income	17 189	4 541	4 001	711	-467	25 973
Operating expenses	-5 483	-4 660	-3 706	0	424	-13 425
General administrative expenses	-51	-56	0	-3150	43	-3 214
Depreciations on fixed assets	-4 086	0	-57	-108	0	-4 251
Impairment of ships	-2 700	0	0	0	0	-2 700
Operating result	4 867	-175	238	-2 547	0	2 383
Finance incomes	2	0	77	274	0	353
Finance expenses	-1 961	-4	-85	-674	0	-2 724
Result before tax	2 908	-179	230	-2 947	0	12
Tax	0	0	-166	0	0	-166
Net result	2 908	-179	64	-2 947	0	-154
Assets	108 985	776	3 959	5 704	0	119 423
Liabilities	49 690	55	430	2 291	0	52 467
Cash flow from operating activities	9 514	-174	246	-2 707	0	6 879
Cash flow from investing activities	-5 707	0	0	-164	0	-5 871
Cash flow from financing activities	-5 517	0	0	8 816	0	3 300

Notes to the consolidated accounts

NOTE 5 LEASE AGREEMENTS

LEASE OBLIGATIONS

The product tanker M/T Belaia on 48 000 dwt has been leased on timecharter from a Japanese shipping company. The ship was redelivered in first quarter 2014. Gross rate was USD 12 795 per day. The lease was treated as an operational lease.

CONTRACTED TIME CHARTER REVENUE

M/S Belstar, M/S Belnor and M/S Belocan are on 10-years time charters to Canpotex Shipping Services Ltd from time of delivery from yard in 2009, 2010 and 2011 respectively, at a gross rate of USD 16 415 per day. There is no option to charter beyond this period. Belships ASA has the option to sell maximum two of the Canpotex-ships after 5 alternatively 7 years without obligation to continue the Charter. One of the two ordered newbuildings (see note 7) will be swapped with either Belnor or Belocan for the balance period of charterparty with Canpotex. New gross rate will be USD 17 750 per day. The leases are treated as operational leases.

AS AT 31 DECEMBER 2014	< 1 YR	1-5 YR	> 5 YR
Contractual payments from chartered out ships	17 520	69 733	9 578
AS AT 31 DECEMBER 2013	< 1 YR	1-5 YR	> 5 YR
Obligations related to long-term operational lease of ships	908	0	0
Contractual payments from chartered out ships	18 432	71 495	25 477

Lease obligations are nominal amounts and cover all operating leases. The Group has no financial lease agreements.

Notes to the consolidated accounts

NOTE 6 OTHER GENERAL ADMINISTRATIVE EXPENSES

OTHER GENERAL ADMINISTRATIVE EXPENSES	2014	2013
Office expenses	251	274
Furniture, office supplies	92	92
Travelling, entertainment costs	93	151
Other services	264	186
Other general administrative expenses	366	434
Total administrative expenses Norwegian companies	1 066	1 137

Notes to the consolidated accounts

NOTE 7 SHIPS AND OTHER FIXED ASSETS

	2014				2013			
	SHIPS			OTHER FIXED ASSETS	SHIPS			OTHER FIXED ASSETS
	SHIPS EXCL. DRY DOCKING	CAPITAL DRY DOCK COSTS	TOTAL		SHIPS EXCL. DRY DOCKING	CAPITAL DRY DOCK COSTS	TOTAL	
Cost as at 1 January	118 756	1 481	120 237	4 821	118 756	1 424	120 180	4 731
Additions	0	823	823	75	0	57	57	219
Disposals	0	-1 350	-1 350	0	0	0	0	-129
Cost as at 31 December	118 756	954	119 710	4 896	118 756	1 481	120 237	4 821
Depreciations and impairments as at 1 January	23 463	1 350	24 813	3 342	16 797	1 230	18 027	3 249
Depreciation for the year	3 803	323	4 127	148	3 966	120	4 086	165
Impairment for the year	3 200	0	3 200	0	2 700	0	2 700	0
Disposals	0	-1 350	-1 350	0	0	0	0	-72
Depreciations and impairments as at 31 December	30 466	323	30 790	3 490	23 463	1 350	24 813	3 342
Book value as at 31 December	88 290	631	88 920	1 406	95 293	131	95 424	1 479
Other fixed assets	0	0	0	470	0	0	0	683
Total book value as at 31 December	88 290	631	88 920	1 877	95 293	131	95 424	2 162
SPEISIFICATION OF THE GROUP'S SHIPS	BUILT YEAR		OWNERSHIP		COST PRICE		BOOK VALUE	
M/S Belstar	2009		100 %		40 542		27 539	
M/S Belnor	2010		100 %		39 893		29 697	
M/S Beloceano	2011		100 %		38 320		31 685	

The three owned ships are engaged on time charter contracts for 10 years to Canpotex Shipping Services Ltd from time of delivery. The counterparty risk is considered to be low. The ships have operated satisfactorily over the year. Reference is made to [note 13](#) regarding financing of the ships.

IMPAIRMENT TESTS

Impairment tests for the company's assets are performed in accordance with IAS 36. The ships have been valued based on observable market values and the charter party agreements in place. The estimated market values were based upon two independent broker valuations. The calculations were made on the remaining 5 – 7 years of the timecharter-agreements and a weighted average cost of capital ratio (WACC) of 8%. In the calculation of the required rate of return, the risk-free interest rate was set at the 10-year LIBOR at 2%, and the margin was fixed at 4%. The equity risk premium was set at 6%, which is the estimated additional return required by investors in order to invest in a market portfolio above a risk-free interest rate. Based on these internal valuations, an impairment loss of total USD 3.2 million has been recognised during 2014 (USD 2.7 million in 2013).

In 2013 Belships entered into an agreement with Canpotex whereby it will swap one of the current charterparties on either M/S Belnor or M/S Beloceano to one of the two newbuildings being delivered in September 2015 and 2nd quarter 2016 respectively. The accounting effect of this agreement will not be determined until a decision has been made as to which charterparty is swapped and a thorough impairment assessment has been made in accordance with IFRS.

The table below shows sensitivity in the impairment tests.

SENSITIVITY ANALYSIS OF IMPAIRMENT TESTS OF THE SHIPS	BELSTAR	BELNOR	BELOCEAN
<i>WACC increase with 1%:</i>			
Change in market value of the ships (incl. c/p agreements)	-402	-243	-307
<i>Market rate increase with 1%:</i>			
Change in market value of the ships (incl. c/p agreements)	-134	-151	-168

NEWBUILDING CONTRACTS

Belships has placed order for two newbuilding contracts for fuel efficient Supramax bulk carriers from Imabari Shipbuilding Co. Ltd. The ships will be delivered in September 2015 and 2nd quarter 2016. Total newbuilding commitments amounts to USD 56.5 million of which USD 5.65 million was paid in June 2013, additional USD 5.65 million was paid in June 2014 and USD 2.83 million was paid in September 2014, in total USD 14.13 million are paid. Further payments are USD 2.83 million on 30 March 2015 for newbuilding no. 2, USD 2.83 million at launching and the remaining USD 16.95 million upon delivery. Belships has during 1st quarter 2015 accepted a post-delivery financing offer for financing agreement for the newbuildings. See [note 13](#) for further details regarding the financing.

CALCULATION OF DEPRECIATIONS

Depreciation is calculated on a straight line basis over the estimated useful life of the ships taking its residual value into consideration. The useful life, which is also considered as the economic life of the ships, has been estimated to 25 years. Residual value is estimated based on steel prices of the ships less cost to demolish and is reassessed every year-end. Dry docking has shorter useful lifetime and is depreciated until the next planned dry docking, typically 30-60 months. Other assets have a useful life of 3-5 years, except for the office premises in Singapore in which the useful life is estimated at 57 years.

Reference is made to [note 5](#) regarding contracted time charter incomes for the ships.

Notes to the consolidated accounts

NOTE 8 SPECIFICATIONS OPERATING EXPENSES AND OTHER FINANCIAL ITEMS

	2014	2013
Ship operating expenses		
Crew expenses	2 780	2 705
Maintenance and spare parts	1 229	1 204
Insurance	646	680
Other ship operating expenses	779	470
Total ship operating expenses	5 434	5 059
Operating expenses ship management		
Administration costs	2 599	2 332
General & selling expenses	684	880
Fixed costs	458	494
Total operating expenses ship management	3 741	3 706
Other financial items		
Net unrealised gain/(loss) on currency and interest swaps	314	259
Premium on bond repayment	0	-399
Borrowing costs	-483	-285
Other financial items	-108	-256
Total other financial items	-277	-681

Notes to the consolidated accounts

NOTE 9 SALARIES, NUMBER OF EMPLOYEES

	2014	2013 *
Salaries	1 522	1 480
Social security tax	293	308
Pension expenses	203	147
Other allowances	457	142
Total payroll expenses Norwegian companies	2 474	2 077

**) Salary related expenses in Singapore is reclassified as operating expenses ship management and amounted to 2 598 in 2014 and 2 600 in 2013.*

Average number of office staff in 2014 was 62 (61 in 2013) of which 8 in the Norwegian companies.

Loans to employees are specified in [note 13](#). Loans to members of the management amounted to 94 at yearend (121 in 2013).

REMUNERATION	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
2014			
Salaries (incl. bonus)	490	221	259
Pension expenses (defined contribution)	24	24	24
Other remuneration	38	32	40
2013			
Salaries (incl. bonus)	456	228	267
Pension expenses (defined contribution)	11	11	11
Other remuneration	42	38	37

Remuneration in accordance with the Accounting Act § 7-31b is presented in [note 10](#) in the parent company accounts.

BONUS SCHEME

A bonus scheme for 2014 was adopted by the Board in March 2014 and applied to all the employees in Norway. However, no bonuses were triggered. The Board has not adopted any bonus scheme for 2015.

SHARE OPTIONS

The Chief Executive Officer has his own option agreement. For agreement details see [note 16](#).

For share options to the employees, see [note 16](#). The Board members have not been awarded share options.

ALLOWANCE TO THE BOARD

Board members are not awarded share options. The Board has received 99 in remuneration in 2014 (2013: 102), divided into 25 to the Chairman and 18 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 14 in remuneration in 2014 (2013: 14), divided into 5 to the Chairman and 4 to each of the other members.

THE GROUP'S FEES TO THE AUDITOR (EXCLUDING VAT)	2014	2013
Remuneration for audit services	83	73
Other assurance services	14	0
Assistance related to tax	8	11
Other audit related assistance	21	6
Total	126	90

Notes to the consolidated accounts

NOTE 10 RELATED PARTIES

The subsidiary Belships Management AS provides accounting services to Sonata AS, which is owned by the chairman and his family. Fees amounted to 159 in 2014 (2013: 164).

All fees are in line with prevailing market rates.

No loans were issued or security provided with respect to the company's shareholders or associated parties. Certain members of the management have loans from the company. These totaled 94 as of 31 December 2014 (2013: 121).

Notes to the consolidated accounts

NOTE 11 EARNINGS PER SHARE

Basic earnings per share is the ratio between net result of the year attributable to ordinary equity holders (i.e. net profit with dividend deducted) and the issued average number of shares outstanding during the period.

When calculating diluted earnings per share, net result attributable to ordinary equity holders and the number of issued average outstanding shares are adjusted for share options. In “the denominator” all share options (see [note 16](#)) which are “in-the-money” and exercisable are taken into consideration. In the calculations, share options are considered as having been converted at the time they were awarded.

The diluted earnings per share is equal to the basic earnings per share, as the Group's result before tax are negative.

AVERAGE NUMBER OF SHARES (EXCLUDING TREASURY SHARES)	2014	2013
Average number of issued shares	46 804 000	33 679 000
Average number of options outstanding	200 000	233 000
Diluted average issued number of shares	47 004 000	33 912 000
EARNINGS PER SHARE		
Net result for the year	-1 601	-154
Earnings per share (US cent)	-3.42	-0.46
Diluted earnings per share (US cent)	-3.42	-0.46

Notes to the consolidated accounts

NOTE 12 TAXES

	2014	2013
Income tax expense	23	166

In accordance with IAS 12 for treatment of taxes, tax reducing temporary differences and tax increasing temporary differences that are reversed, or can be reversed in the same period are assessed and the amount recorded net.

RECONCILIATION OF THE YEAR'S INCOME TAX EXPENSE	2014	2013
Result for the year before tax	-1 578	12
Statutory tax rate (Norway)	27 %	28 %
Estimated tax expense at statutory rate	-426	3
Non tax deductible expenses	4	88
Non taxable income	-110	-435
Non taxed shipping income in Singapore	-79	-1 035
Difference between Norwegian and Singapore regional national tax	22	101
Refund income tax in China	-106	0
Tax effect of deferred tax asset not recorded in the balance sheet including exchange rate effect	718	1 444
Total income tax expense/(income)	23	166

TAX LOSS CARRIED FORWARD

The Group had a tax loss carried forward of USD 48.8 million as at 31 December 2014 (2013: USD 57.6 million) in Norway. No deferred tax benefits are recognised in the balance sheet. The Group's revenue is generated mainly by companies in Singapore that are either within the national tonnage tax regime or are subject to regular national taxation. Dividends from these companies are nontaxable to the recipients. Taxable income subject to ordinary Norwegian taxation does not indicate any reporting of deferred tax benefits.

The general corporate income tax rate are from 1 January 2014 reduced from 28% to 27%.

Future tax payable in the Group is expected to be low.

DEFERRED TAX PER 31 DECEMBER	2014	2013
Temporary differences		
Deferred sales gain/(loss)	2 034	3 107
Accruals	-67	-518
Pensions	-1 138	-1 567
Total temporary differences	829	1 022
Tax loss carried forward	-48 793	-57 576
Net temporary differences	-47 964	-56 554
Deferred tax assets (27%)	-12 950	-15 270
Deferred tax assets recognised in the Balance sheet	0	0
Deferred tax assets not recognised in the Balance sheet	-12 950	-15 270

Calculation of deferred taxes is based on temporary differences between statutory books and tax values which exist at the end of the year.

Notes to the consolidated accounts

NOTE 13 RECEIVABLES AND LIABILITIES

RECEIVABLES DUE LATER THAN 12 MONTHS	2014	2013
Loans to employees 1)	285	364
Other long-term receivables	19	103
Total long-term receivables	304	467

1) The average interest rate used for loans to employees was 2.63% in 2014 (2013: 2.75%). The repayment period is five years.

MORTGAGE DEBT

In first quarter 2014 Belships entered into a new long term financing agreement for M/S Belstar, M/S Belnor and M/S Belocean. The new loan facility of USD 50 million is secured for a period of 6 years. The following principal conditions applies to the loan: agreed interest rate is LIBOR pluss margin of 2.75%, minimum market value of the ships is 115% of the outstanding loan balance, minimum value adjusted equity on a consolidated basis is 25% and the Group shall at all times have available liquidity of at least USD 5 million or 6% of total interest bearing debt. Repayment schedule for this loan is shown below.

REPAYMENT SCHEDULE	2015	2016	2017	2018	SUBSEQ.	TOTAL
Mortgage debt	5 000	5 000	5 000	5 000	26 250	46 250

All the covenants were fulfilled as of 31 December 2014.

FINANCING OF NEWBUILDINGS

Belships has during 1st quarter 2015 accepted a post-delivery financing offer for the two Imabari 61,000 dwt newbuildings for delivery in September 2015 and March 2016. The loan facility covers the lower of 70% of contract price or market value at the time of drawdown, with a maturity of 7 years. This will secure long-term financing of the newbuildings. The following principal conditions applies to the loan: agreed interest rate is LIBOR pluss margin of 2.50%, minimum market value of the ships is 115% of the outstanding loan balance, minimum value adjusted equity on a consolidated basis is 25% and the Group shall at all times have available liquidity of at least USD 5 million or 6% of total interest bearing debt. USD 1.5 million has to be blocked at a retention account.

INTEREST AGREEMENT

In August 2011 Belships entered into an floating to fixed interest rate swap agreement with 2 years forward start at 2.2% with a remaining duration of 3.5 years covering USD 20 million, reducing by USD 5 million per year. Hedging the Group's interest exposure is considered on an ongoing basis.

Hedge accounting is not used.

CURRENT RECEIVABLES AND SHORT-TERM LIABILITIES

Current receivables consist mainly of accrued revenues, and receivables related to operation of the ships. Other short term liabilities mainly include short term liability related to the ordinary operation of the ships. All current receivables and liabilities are due within 12 months.

Notes to the consolidated accounts

NOTE 14 FINANCIAL INVESTMENTS

	2014	2013
Shares 1)	161	306
Prepaid pension costs	4	76
Other investments	0	77
Total	165	459

1) The shares are stated at fair value and are defined as "available for sale"

THE FOLLOWING COMPANIES ARE INCLUDED IN THE CONSOLIDATED ACCOUNTS:	BUSINESS LOCATION	MAIN ACTIVITY	OWNERSHIP/ VOTING PERCENTAGE
Belships Management AS	Oslo	Management	100 %
Belships Management (Singapore) Pte Ltd	Singapore	Technical mgmt.	100 %
Belships Supramax Singapore Pte Ltd	Singapore	Shipping	100 %
Belships Chartering AS	Oslo	Shipping	100 %
Belships Management (Singapore) Pte Ltd			
Belships (Tianjin) Ship Management & Consultancy Co Ltd	China	Crewing	75 %
Belships (Shanghai) Shipmanagement Co Ltd	China	Crewing	80 %

Notes to the consolidated accounts

NOTE 15 BANK DEPOSITS

The Group's bank balance amounted to 8 064 at year-end (2013: 14 282). Restricted funds for withholding tax for employees amounted to 94 at 31 December 2014 (2013: 109). Other restricted deposits amounts to 511.

Belships objective is that surplus funds are available and invested in bank deposits.

Notes to the consolidated accounts

NOTE 16 OPTIONS TO EMPLOYEES

At the ordinary annual general meeting (AGM) in 2013, the Board was authorised to issue up to 200 000 options to employees. The option price was 105% of closing price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 6.47 was awarded in first quarter 2014. No options have been exercised. At the ordinary AGM in 2014, the Board was authorised to issue up to 200 000 options to employees. The option price is 105% of closing price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 5.89 was awarded in first quarter 2015. No options have been exercised.

Both option programs require a service period of 12 months before they can be exercised. The options can be exercised 12 to 24 months after being awarded. The option programs include all employees in the parent company. The employees must work in the company at the time when the options can be exercised in order to have a right to exercise them. The option's market value is calculated at award time and charged against income over the period until they can be exercised. 25 have been charged to income statement in connection with the options program in 2013, whilst the 2015 award granted based on approval given in AGM 2014 will be expensed in 2015 accordingly.

		2014		2013	
SUMMARY OF OUTSTANDING OPTIONS:		NUMBER	WEIGHTED AVER. EXERCISE PRICE	NUMBER	WEIGHTED AVER. EXERCISE PRICE
Outstanding 1 January		200 000		266 000	
Awarded		200 000		0	
Exercised		0		0	
Not exercised		-200 000	4.91	-66 000	7.30
Outstanding 31 December		200 000		200 000	
Range of exercise prices at yearend	NOK	6.47		4.91	
Weighted average remaining contractual life at yearend	Year	1.17		0.33	

Market value of options estimated using the Black and Scholes options pricing model.

The average market value of awarded options in 2013 was NOK 0.94 per share.

THE FOLLOWING FORMS THE BASIS FOR THE CALCULATION:

Share price at the time the option was awarded: The share price is set as equal to the stock exchange share price when the option was awarded.

Exercise price per option: The exercise price was 105 % of the stock exchange market price when the option was awarded.

Volatility: Historic volatility set as indication of future volatility. Expected volatility equals a historic volatility of 29.0%.

Duration of options: It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.

Dividend: Estimated dividend per share is NOK 0 per year.

Risk free interest rate: Interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 1.33% for 2013.

Decrease in the number of employees: Expected reduction is 0.

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

In addition to the above share option plan the CEO has an own share option plan with the following conditions:

The right to subscribe for up to 2 million shares in Belships ASA at a subscription price of NOK 7.00, of which:

- 500 000 shares may be subscribed for if the company's market value exceeds NOK 500 million (Sub-option A).
- The remaining 1.5 million shares may be subscribed for if the company's market value exceeds NOK 1 billion (Sub-option B). Sub-option B is for 2 million shares if Sub-option A is not exercised within the time allowed for Sub-option A.

The market value is the product of the volume-weighted closing price of the company's shares on the Oslo stock exchange in a 15-day period and the number of outstanding shares less treasury shares and/or shares Belships issues after the option agreement date. Sub-option A expires 30 June 2016, while sub-option B expires 30 June 2018. 234 have been charged to income statement in connection with this option program.

Notes to the consolidated accounts

NOTE 17 PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme. Annual payable cost is reflected in the income statements and the company does not have any future liabilities related to this scheme. Total costs related to these schemes amounted to 148 in 2014 (2013: 75). Pension costs in Singapore is reclassified as operating expenses ship management and amounted to 207 in 2014 and 193 in 2013.

DEFINED BENEFIT SCHEME

In addition to defined contribution scheme, the company has unfunded pension liabilities which are covered through the daily operations. These relate to early retirement and pension to persons, that have not been included in the defined contribution scheme. There are 7 retired persons included in this scheme.

Pension commitments are calculated by an independent actuary. The basis for the calculation is shown below. The new mortality table (K2013) for Norway is used in the calculations.

Social security costs are recorded based on net pension obligation in the balance sheet included estimate discrepancy.

ASSUMPTIONS	2014	2013
Discount rate	2.30 %	4.00 %
Future wage adjustment	2.75 %	3.75 %
Pension adjustment/G-adjustment	2.75 %	3.75 %
Return on pension plan assets	2.30 %	4.00 %

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

1 January	-1 644	-2 177
Interest cost	-55	-70
Benefits paid	417	441
Actuarial (gains)/losses on obligation	-99	3
Currency exchange gain/(loss)	243	159
31 December	-1 138	-1 644

PENSION EXPENSES IN CONSOLIDATED ACCOUNTS	2014	2013
Pension expenses defined benefit scheme	55	70
Pension expenses defined contribution scheme	148	75
Net pension expenses in consolidated accounts	203	145

Notes to the consolidated accounts

NOTE 18 SUBSEQUENT EVENTS

FINANCING OF NEWBUILDINGS

Belships has during 1st quarter 2015 accepted a post-delivery financing offer for the two Imabari 61,000 dwt newbuildings for delivery in September 2015 and March 2016. The loan facility covers the lower of 70% of contract price or market value at the time of drawdown, with a maturity of 7 years. See [note 13](#) for further details.

No further material events have taken place after 31 December 2014.

Notes to the consolidated accounts

NOTE 19 ENVIRONMENTAL ISSUES

The company has not been charged any penalties due to breach of environmental rules and regulations, and is not committed to implement any specific actions in that respect. For further information see the [Directors' report](#).

Notes to the consolidated accounts

NOTE 20 EQUITY

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2014 distributed among 456 shareholders (2013: 492). Each share has one vote.

TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2014. Belships ASA has lent 50 000 of the treasury shares to ABG Sundal Collier Norge ASA (ASC) in connection with ASC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the annual general meeting in 2014 the Board received authorisation to issue up to 2 million new shares. The authorisation has not been used and is valid to the next ordinary annual general meeting.

DIVIDEND

The Board of Directors of Belships ASA will at the general meeting on 7 May 2015 propose to not distribute dividend.

NUMBER OF SHARES	2014	2013
Ordinary shares, issued and paid-in per 1 January	47 352 000	24 852 000
Share issue	0	22 500 000
Ordinary shares, issued and paid-in per 31 December	47 352 000	47 352 000
Dividend paid (NOK per share)	0.05	0.00

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2014

		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	28 856 030	60.94 %
2	Tidships AS	6 201 058	13.10 %
3	Longbow Limited	2 308 680	4.88 %
4	Skandinaviska Enskilda Banken AB	973 297	2.06 %
5	Gemsco AS	873 088	1.84 %
6	Sverre J. Tidemand	582 782	1.23 %
7	Belships ASA	498 000	1.05 %
8	Importer AS	421 876	0.89 %
9	Carlings AS	400 000	0.84 %
10	Tidinvest II AS	315 414	0.67 %
11	Jenssen & Co AS	302 816	0.64 %
12	Chrem Capital AS	270 000	0.57 %
13	Kontrari AS	250 000	0.53 %
14	Liv Sølund	240 000	0.51 %
15	Carl Erik Steen	207 203	0.44 %
16	Granada Management AS	180 000	0.38 %
17	ASL Holding AS	175 000	0.37 %
18	JSL AS	175 000	0.37 %
19	ABG Sundal Collier Norge ASA	152 825	0.32 %
20	Torstein Sølund	130 000	0.27 %
Total 20 largest shareholders		43 513 069	91.89 %
Other shareholders		3 838 931	8.11 %
Total number of shares		47 352 000	100.00 %

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA

	OWNED SHARES	OUTSTANDING OPTIONS
Sverre J. Tidemand *	29 438 812	0
Christian Rytter *	270 000	0
Carl Erik Steen	207 203	0
Other members	0	0

*) Includes shares owned by family and companies with ownership of more than 50%, and shares owned by companies in which one has negative control.

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA

	OWNED SHARES	OUTSTANDING OPTIONS*
Ulrich Müller, Chief Executive Officer **	0	120 000
Stein H. Runsbech, Commercial Director	40 000	66 000
Osvald Fossholm, Financial Director	0	66 000

*) Includes options awarded in 1st quarter 2015. Ref. [note 16](#)

**) See [note 16](#) for more information about separate share option plan.

For changes in equity, see [separate statement](#).

Notes to the consolidated accounts

NOTE 21 CONTINGENCIES

The Board is not aware of any material disputes the company may be involved in at 31 December 2014.

Notes to the consolidated accounts

NOTE 22 FINANCIAL MARKET RISK

Financial market risk is considered to be the risk of changes in foreign exchange rates, interest rates, freight rates and oil prices that may affect the value of the Group's assets, obligations and future cash flows.

Belships has a continuing focus on its risk exposure. Derivatives may be used to reduce financial market risk, but are only used to hedge specific exposures. When use of derivatives are considered appropriate, only well-known conventional derivative instruments are considered, i.e. OTC agreements such as swaps, options and forward rate agreements. Derivative transactions are only made with renowned financial institutions. Credit risk relating to these derivatives is therefore limited.

Belships is only using derivatives to reduce or limit risk related to fluctuations in interest and foreign exchange rates. Financial derivatives are not used to obtain financial revenues through fluctuating interest rates, nor are financial derivatives used when there is no underlying exposure.

See [note 8](#) for the specification of other financial items.

INTEREST RATE RISK

Belships strategy is to manage interest risk. Hedging of the company's debt is considered on an ongoing basis. Entering into interest rate hedging agreements are based on developments in the interest rate market and internal analysis.

The Group has entered into a hedging agreement related to the mortgage debt, a floating to fixed interest swap agreement at 2.205% with duration of 5 years from August 2013, covering USD 20 million at yearend. The market value of the agreement amounts to -515 at yearend (2013: -816) and is recorded as long-term liability.

The table below shows the sensitivity related to changes in interest rate levels. The calculation includes total interest-bearing debt.

SENSITIVITY TO CHANGES IN INTEREST RATE LEVELS	2014	2013
Change in the interest rate level in basis points	-100/+100	-100/100
Effect on result before tax	480/-480	535/-535

AVERAGE EFFECTIVE INTEREST RATE ON DEBT (%)

	2014	2013
Mortgage debt	3.25	3.28
Bond issue	-	5.27

CAPITAL STRUCTURE AND EQUITY CAPITAL

The primary objective of the Group's capital management is to achieve best possible credit rating, and to maximize the shareholders values. The company's goal is to maintain an equity capital ratio of at least 35%. The equity ratio is calculated by dividing the book equity to total assets as shown below:

	2014	2013
Total equity as at 31 December	65 051	66 958
Total assets	114 465	119 424
Equity ratio as at 31 December	57 %	56 %

The company has received offers for long term financing of the two newbuildings, but currently no offer has been accepted. Adjusted for unpaid capital expenditure and assuming 70% loan financing, the book equity ratio is reduced to 41%.

Net debt is defined as interest-bearing debt (short and long-term) and accounts payable less cash. Equity comprises paid-in share capital and retained earnings.

	2014	2013
Interest-bearing debt	45 651	47 598
Trade creditors	381	562
Cash reserves	-8 064	-14 282
Net debt	37 968	33 878
Equity	65 051	66 958
Total equity and net debt	103 019	100 836
Net debt ratio	37 %	34 %

LIQUIDITY RISK

The Group's solvency and financial position is considered to be satisfactory. The debt ratio increased slightly in 2014 mainly due to payment of instalments to the shipyard during the year. Total current assets is exceeding total short-term liabilities as at 31 December.

CREDIT RISK

There will always be a credit risk related to the Group's business. Belships monitors this risk and the strategy is to carefully select counterparts. Historical losses have been small. The Group's three owned ships are employed on long-term charter to Canpotex Shipping Services Ltd, which is considered to be solid and well reputable.

There is no class of financial assets that is past due and/or impaired except for trade receivables. All accounts receivable in the balance sheet are due within 30 days from the balance sheet date.

CURRENCY RISK

The functional currency of all the consolidated companies is USD since the major part of revenues and costs are in USD. Belships currency exposure is related to administrative expenses in Norway, Singapore and China. This exposure is considered to be limited. At year end the company had a cash balance in NOK of approximately 12 millions.

To hedge payments of the administrative expenses in Norway, the company entered in December 2014 into 2 forward contracts to sell USD corresponding NOK 10 millions at a currency rate of USD 7.5122 in June 2015 and further to sell USD corresponding NOK 10 millions at a currency rate of USD 7.5222 in December 2015. The market value of the forward contracts amounted to 13 in total at yearend.

No further hedging agreement towards NOK has been concluded.

The company does not use hedge accounting.

FAIR VALUE MEASUREMENTS

The valuation has the following classification of levels for measuring fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Valuation based on other observable factors, either directly (prices) or indirectly (derived from prices) than quoted prices included within level 1 of the asset or obligation.

Level 3: Valuation based on factors not taken from observable markets (not observable assumptions).

There was no change in levels in 2014. Interest swap and currency exchange contracts are valued in accordance with the principles described as level 2. Fair value is defined as present value of future cash flows. For the above derivatives, fair value is confirmed by the financial institution, which is counterpart. The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts. The long-term liabilities have floating interest rate with a fixed margin. The margin is considered not to have significantly changed since drawing date, thus carrying amount is considered a reasonable estimate of fair value.

SUMMARY OF FINANCIAL ASSETS AND OBLIGATIONS *	LOANS AND RECEIVABLES		CHANGE IN FAIR VALUE THROUGH PROFIT AND LOSS		AVAILABLE FOR SALE		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
Financial assets								
Investments					165	459	165	459
Financial instruments			13				13	0
Other long-term receivables	304	467					304	467
Trade debtors	44	12					44	12
Other receivables	967	968					967	968
Bank deposits	8 064	14 282					8 064	14 282
Financial obligations								
Mortgage debt	-46 250	-47 598					-46 250	-47 598
Financial instruments			-515	-816			-515	-816
Trade creditors	-381	-562					-381	-562
Other short-term liabilities	-1 681	-1 788					-1 681	-1 788
Total	-38 933	-34 219	-502	-816	165	459	-39 270	-34 576

*) The figures express both book value and fair value as these are identical.

ASSETS AND OBLIGATIONS MEASURED AT FAIR VALUE	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
Forward exchange contracts			13				13	0
Financial investments					165	459	165	459
Mortgage debt			-46 250	-47 598			-46 250	-47 598
Interest agreement			-515	-816			-515	-816
Total			-46 752	-48 414	165	459	-46 587	-47 955

Belships ASA income statements

1 JANUARY – 31 DECEMBER / NOK 1 000	NOTE	2014	2013
Operating income			
Other operating income	10	3 858	4 155
Operating expenses			
Payroll expenses	10	-15 589	-12 218
Other general administrative expenses	11	-6 089	-6 247
Depreciation of fixed assets	2	-611	-633
Total operating expenses		-22 290	-19 098
Operating result		-18 432	-14 943
Financial income and expenses			
Share dividend	8	2 481	0
Interest income	12	451	669
Interest expenses	12	-28	-1 138
Interest expenses on intercompany balances	4	-93	0
Write-down of shares in subsidiary		0	-1 100
Other financial items	9	9 858	5 996
Currency exchange gain/-loss	9	-4 684	1 473
Net financial items		7 984	5 900
Net result before tax		-10 447	-9 043
Income tax expense	16	0	0
Net result for the year		-10 447	-9 043
Appropriations of net result			
Dividends	6	0	-2 340
Transfer from/(to) other retained equity		10 447	11 383
Total		10 447	9 043

Belships ASA balance sheets

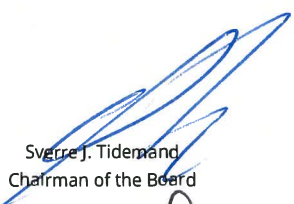
PER 31 DECEMBER / NOK 1 000	NOTE	2014	2013
FIXED ASSETS			
Tangible fixed assets			
Instalments newbuildings	2	84 880	32 883
Other fixed assets	2	5 716	5 884
Total tangible fixed assets		90 596	38 767
Financial fixed assets			
Shares in subsidiaries	8	281 802	281 802
Other shares and stakes		165	1 049
Other long-term receivables	12	2 161	2 476
Total financial assets		284 128	285 327
Total fixed assets		374 723	324 094
CURRENT ASSETS			
Other receivables		1 019	1 630
Cash and cash equivalents	5	27 859	58 905
Total current assets		28 878	60 535
Total assets		403 602	384 629
EQUITY			
Paid-in capital			
Share capital		94 704	94 704
Treasury shares		-1 096	-1 096
Share premium reserve		93 333	93 333
Other paid-in capital		106 240	104 313
Total paid-in capital		293 181	291 254
Retained earnings			
Other equity		63 358	74 542
Total equity	6	356 539	365 796
LIABILITIES			
Provisions and other long-term liabilities			
Pension obligations	7	8 458	9 999
Intercompany balances	4	5 538	0
Total provisions and other long-term liabilities		13 996	9 999

Short-term liabilities

Public taxes and duties payable	2 419	2 248
Trade creditors	699	1 473
Intercompany balances	4	29 947
Provision of dividend	6	0
Other short-term liabilities	1	204
Total short-term liabilities	33 067	8 834
Total liabilities	47 063	18 833
Total equity and liabilities	403 602	384 629

OSLO, 19 MARCH 2015

BELSHIPS ASA


Sverre J. Tidemand
Chairman of the Board


Sissel Grefsrud
Board member


Christian Rytter
Board member


Carl Erik Steen
Board member


Kjersti Ringdal
Board member


Bernt Ulrich Müller
Chief Executive Officer

Belships ASA cash flow statements

1 JANUARY – 31 DECEMBER / NOK 1 000	NOTE	2014	2013
CASH GENERATED FROM OPERATIONS			
Net result before tax		-10 447	-9 043
Adjustments to reconcile result before tax to net cash flows:			
Depreciation of fixed assets	2	611	633
Gain/(loss) from sale of fixed assets	2	6	11
Share-based payment transaction expense	3	1 927	74
Difference between pension exps. and paid pension premium	7	-2 278	-2 154
Change in pension contribution and premium fund	7	438	403
Finance income		-12 789	-8 138
Finance expenses		4 805	2 238
Working capital adjustments:			
Change in trade debtors and trade creditors		-774	278
Change in intercompany balances		32 916	-28 118
Change in other short-term items		569	192
Interest received		451	669
Interest paid		-121	-1 138
Net received other financial items		5 174	8 823
Net cash flow from operations		20 488	-35 270
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in fixed assets	2	-443	-1 200
Sale proceeds from fixed asset disposals	2	665	330
Dividends and group contribution received	8	2 481	10 827
Repayment share capital subsidiary		0	34 248
Instalment newbuildings	2	-51 997	-32 883
Change in other investments		101	-128
Net cash flow from investing activities		-49 193	11 194
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment bond issue (net)	12	0	-35 859
Share issue		0	85 182
Dividend paid to shareholders	6	-2 340	0
Net cash flow from financing activities		-2 340	49 323
Net change in cash and cash equivalents		-31 046	25 247
Cash and cash equivalents at 1 January		58 905	33 658
Cash and cash equivalents at 31 December	5	27 859	58 905
Restricted bank deposits	5	4 500	661

Notes to the Belships ASA accounts

NOTE 1 ACCOUNTING POLICIES

Belships is an owner and operator of dry bulk ships on long-term charter to reputable customers. The company also had activities within product tank and ship management in 2014. The product tank activity was terminated in first quarter 2014. Belships ASA is registered in Norway and listed on the Oslo Stock Exchange. The head office is located in Lilleakerveien 4 in Oslo, Norway.

The financial statements have been approved by the Board on 19 March 2015.

The accounts are prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP). The accounts form part of the consolidated accounts of Belships ASA. The consolidated financial statements have been prepared in accordance with IFRS as adopted by EU.

All amounts in the notes are in NOK 1 000 unless otherwise stated.

Belships has obtained approval from Oslo Stock Exchange and Norwegian tax authorities to only publish its financial statements in English.

A) CLASSIFICATION OF BALANCE SHEET ITEMS

Assets intended for long-term ownership or use are classified as fixed assets and others as current assets, with all accounts receivable within one year classified as current assets. Liabilities due within 12 months, are classified as short-term liabilities. Current assets are reported at the lower of cost and net realisable value, while current liabilities are carried at the nominal value at drawdown date.

B) TAXES ON INCOME

Tax expenses consist of tax payable and changes in deferred tax. Deferred tax/tax assets are calculated on all differences between accounting values and tax values of assets and liabilities.

Deferred tax assets are entered in the accounts when it is likely that the company will have sufficient profit for tax purposes in subsequent periods that will enable the company to utilise the tax asset. The companies enter previously unentered deferred tax assets to the extent it has become likely that the company can utilise the deferred tax asset. Similarly, the company will reduce the deferred tax asset to the extent the company no longer regards it as being likely that it can utilize the deferred tax asset.

Deferred tax and deferred tax asset are measured on the basis of expected future tax rates for the companies in the group where temporary differences have occurred.

Deferred tax and deferred tax assets are entered at nominal value and are classified as financial fixed assets (long-term liability) on the balance sheet.

Tax payable and deferred tax are entered directly against equity to the extent the tax items relate to equity transactions.

C) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses. When assets are sold or divested, capitalised value is deducted and any gains or losses are entered in the profit and loss account. Acquisition cost for tangible fixed assets is the purchase price, including expenses directly related to preparing the asset for use. Expenses incurred after the asset has been put to use are entered in the profit and loss account, whereas other expenses which are expected to create future financial gains are capitalised. Other fixed assets are depreciated at the declining balance method. Depreciation period and method are evaluated every year.

Newbuilding contracts

Newbuilding contracts are recorded as a fixed asset based on instalments paid to the yard. Building supervision costs and project costs related to the newbuilding contracts are capitalised.

D) INVESTMENTS IN OTHER COMPANIES

Investments in subsidiaries and jointly controlled companies are accounted for in the parent company using the cost method.

E) ACCOUNTS RECEIVABLE

Accounts receivable are booked at nominal amount less expected loss.

F) CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Liquid assets includes cash, bank deposits (restricted and unrestricted) and other short-term investments which can be converted to cash within 3 months. For restricted deposits, see note 5.

G) EQUITY

(i) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference

between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

(ii) Costs related to equity transactions

Transaction costs directly related to equity transactions are charged directly against the equity after tax deductions.

H) EMPLOYEE BENEFITS

Defined contribution pension scheme

All employees are member of the company's defined contribution scheme. The premium is charged as incurred by operations. Social security tax expense is recognized based on the pension plan payments.

Defined benefit pension scheme

The company has unfunded pension liabilities. These relate to early retirement and pension to persons, that have not been included in the service pension scheme. Pension obligations are estimated by an independent actuary.

Actuarial gains and losses arising from changes in actuarial assumptions are charged and credited to equity through other comprehensive income in the period in which they arise.

I) PROVISIONS

A provision is entered in the accounts when the company has a liability (legal or constructive) as a result of a previous event, where it is likely (more likely than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is considerable, the provision is calculated by discounting down the expected future cash flow with a discount rate before tax which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.

Provisions for loss-creating contracts are included when the group's expected income from a contract is lower than the inevitable costs which were incurred in discharging the obligations of the contract.

J) REVENUE RECOGNITION

Gains will be taken to income when it is likely that transactions will generate future financial gains which will be attributable to the company and the sum can be reliably estimated. Interest rate income is taken to income based on effective interest method according to when it is earned.

Dividend received from subsidiaries is accounted for in the same year as dividend has been accrued for in the subsidiary. If such dividend exceeds the prorata share of retained earnings after the acquisition of the shares, such excess portion represents repayment of capital and reduces the acquisition cost accordingly.

K) TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are converted at the rate at the time of the transaction. Monetary items in foreign currency are converted into Norwegian kroner using the rate on the balance sheet date. Non-monetary items which are measured at historical rates expressed in foreign currencies, are converted into Norwegian kroner using the currency rate at the time of the transaction. Non-monetary items which are measured at market value expressed in foreign currency are converted at the currency rate on the balance sheet date. Currency rate changes are charged against income during the accounting period.

L) CONTINGENT GAINS AND LOSSES

Provisions are made for contingent losses deemed probable and quantifiable. Contingent gains are not recognised.

M) RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out at market terms. See [note 15](#) for further information.

N) EVENTS AFTER THE BALANCE SHEET DATE

New information after the balance sheet date regarding the company's financial position as of the balance sheet date is taken into consideration in the annual accounts. Events after the balance sheet date that do not affect the company's financial position as of the balance sheet date, but which will have an impact on the company's financial position in the future are revealed if significant.

O) USE OF ESTIMATES IN PREPARATION OF THE ANNUAL ACCOUNTS

The management has used estimates and assumptions that have affected assets, debt, income, costs and information on potential liabilities. This applies particularly to pension liabilities, share-based remuneration. Future events can entail a change in these estimates. Estimates and the underlying assumptions are evaluated on an ongoing basis. Changes in accounting estimates are entered in the period when the changes occur. If the changes also apply to future periods, the effect is distributed over the current and future periods.

P) EARNINGS PER SHARE

Earnings per share are calculated by dividing the net result by a weighted, average number of shares in the reporting period. Diluted earnings per share are calculated on the basis the dilution effect of issued options and convertible loans, if any.

Q) SHARE-BASED REMUNERATION

The employees in Belships ASA have received options to purchase shares in the company. The market value of the awarded options is measured at the time of the award and charged to expense over the vesting period as a wage cost with corresponding increase in other paid-in equity. The market value of the options granted is estimated using the Black and Scholes option pricing model.

R) FINANCIAL INSTRUMENTS

Financial instruments are valued at lowest of cost and estimated fair value.

Notes to the Belships ASA accounts

NOTE 2 FIXED ASSETS

	2014			2013		
	NON DEPRECIABLE ASSETS	DEPRECIABLE ASSETS	TOTAL	NON DEPRECIABLE ASSETS	DEPRECIABLE ASSETS	TOTAL
Cost as at 1 January	4 093	16 356	20 449	4 093	15 940	20 033
Additions	0	443	443	0	1 200	1 200
Disposals	0	0	0	0	-784	-784
Cost as at 31 December	4 093	16 799	20 892	4 093	16 356	20 449
Depreciations as at 1 January	0	14 065	14 065	0	13 875	13 875
Depreciation for the year	0	611	611	0	633	633
Impairment (accumulated)	500	0	500	500	0	500
Disposals	0	0	0	0	-443	-443
Depreciations as at 31 December	500	14 676	15 176	500	14 065	14 565
Book value as at 31 December	3 593	2 123	5 716	3 593	2 291	5 884

Depreciable assets include vehicles, office furniture and office equipment. Depreciation period is 3-5 years. Non-depreciable assets include apartment and art, which is being tested for impairment annually.

Newbuilding contracts

Belships has placed order for two newbuilding contracts for fuel efficient Supramax bulk carriers from Imabari Shipbuilding Co. Ltd. The ships will be delivered in September 2015 and 2nd quarter 2016. Total newbuilding commitments amounts to USD 56.5 million (NOK 420.0 million) of which USD 14.13 million (NOK 84.9 million) are paid. Further payments are USD 2.83 million (NOK 21.0 million) on 30 March 2015, USD 2.83 million at launching and the remaining USD 16.95 million (NOK 125.99 million) upon delivery. Belships has during 1st quarter 2015 accepted a post-delivery financing offer for financing agreement for the newbuildings.

Notes to the Belships ASA accounts

NOTE 3 OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2013, the Board was authorised to issue up to 200 000 options to employees. The option price was 105% of closing price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 6.47 was awarded in first quarter 2014. No options have been exercised. At the AGM in 2014, the Board was authorised to issue up to 200 000 options to employees. The option price is 105% of closing price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 5.89 was awarded in first quarter 2015.

Both option programs require a service period of 12 months before they can be exercised. The options can be exercised 12 to 24 months after being awarded. The option programs include all employees in the parent company. The employees must work in the company at the time when the options can be exercised in order to have a right to exercise them. The option's market value is calculated at award time and charged against income over the period until they can be exercised. 188 have been charged to income statements in connection with the options program in 2013, whilst the 2015 award granted based on approval given in AGM 2014 will be expensed in 2015 accordingly.

SUMMARY OF OUTSTANDING OPTIONS	2014	2013
Outstanding 1 January	200 000	266 000
Awarded	200 000	0
Exercised	0	0
Not exercised	-200 000	-66 000
Outstanding 31 December	200 000	200 000

Market value of options estimated using the Black and Scholes options pricing model.
The average market value of awarded options in 2013 was NOK 0.94 per share.

THE FOLLOWING FORMS THE BASIS FOR THE CALCULATION:

Share price at the time the option was awarded: The share price is set as equal to the stock exchange share price when the option was awarded.

Exercise price per option: The exercise price was 105 % of the stock exchange market price when the option was awarded.

Volatility: Historic volatility set as indication of future volatility. Expected volatility equals a historic volatility of 29.0%.

Duration of options: It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.

Dividend: Estimated dividend per share is NOK 0 per year.

Risk free interest rate: Interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 1.33% for 2013.

Decrease in the number of employees: Expected reduction is 0.

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

In addition to the above share option plan the CEO has an own share option plan with the following conditions:

The right to subscribe for up to 2 million shares in Belships ASA at a subscription price of NOK 7.00, of which:

- 500 000 shares may be subscribed for if the company's market value exceeds NOK 500 million (Sub-option A).
- The remaining 1.5 million shares may be subscribed for if the company's market value exceeds NOK 1 billion (Sub-option B). Sub-option B is for 2 million shares if Sub-option A is not exercised within the time allowed for Sub-option A.

The market value is the product of the volume-weighted closing price of the company's shares on the Oslo stock exchange in a 15-day period and the number of outstanding shares less treasury shares and/or shares Belships issues after the option agreement date. Sub-option A expires 30 June 2016, while sub-option B expires 30 June 2018. 1 738 have been charged to income statement in connection with this option program.

Notes to the Belships ASA accounts

NOTE 4 INTERCOMPANY BALANCES

No interest is calculated on short-term intercompany accounts as these items are only considered as ordinary operating balances. 93 are paid to a subsidiary related to long-term intercompany accounts of 5 538 at yearend.

Interest at market terms is calculated on long-term intercompany balances, and the balance fall due when the cash position allows it.

Notes to the Belships ASA accounts

NOTE 5 BANK DEPOSITS

The company's bank balances amounted to 27 859 at year-end. Restricted funds for withholding tax for employees amounted to 702 at 31 December 2014. Other restricted deposits amounts to 3 799.

Belships objective is that surplus funds are available and invested in bank deposits.

Notes to the Belships ASA accounts

NOTE 6 EQUITY

	PAID-IN				RETAINED	TOTAL
	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM RESERVES	OTHER EQUITY	OTHER EQUITY	
Equity per 31 December 2013	94 704	-1 096	93 333	104 313	74 542	365 796
Actuarial (gains)/losses on obligation	0	0	0	0	-737	-737
Share-based payments	0	0	0	1 927	0	1 927
Result for the year	0	0	0	0	-10 447	-10 447
Equity per 31 December 2014	94 704	-1 096	93 333	106 240	63 358	356 538

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2014 distributed among 456 shareholders (2013: 492). Each share has one vote.

TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2014. Belships ASA has lent 50 000 of the treasury shares to ABG Sundal Collier Norge ASA (ASC) in connection with ASC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2014 the Board received authorisation to issue up to 2 million new shares. The authorisation has not been used and is valid to the next ordinary Annual general meeting.

DIVIDEND

The Board of Directors of Belships ASA will at the general meeting on 7 May 2015 propose to not distribute dividend.

NUMBER OF SHARES	2014	2013
Ordinary shares, issued and paid-in per 1 January	47 352 000	24 852 000
Share issue	0	22 500 000
Ordinary shares, issued and paid-in per 31 December	47 352 000	47 352 000
Dividend paid (NOK per share)	0.05	0.00

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2014

		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	28 856 030	60.94 %
2	Tidships AS	6 201 058	13.10 %
3	Longbow Limited	2 308 680	4.88 %
4	Skandinaviska Enskilda Banken AB	973 297	2.06 %
5	Gemsco AS	873 088	1.84 %
6	Sverre J. Tidemand	582 782	1.23 %
7	Belships ASA	498 000	1.05 %
8	Importer AS	421 876	0.89 %
9	Carlings AS	400 000	0.84 %
10	Tidinvest II AS	315 414	0.67 %
11	Jenssen & Co AS	302 816	0.64 %
12	Chrem Capital AS	270 000	0.57 %
13	Kontrari AS	250 000	0.53 %
14	Liv Søland	240 000	0.51 %
15	Carl Erik Steen	207 203	0.44 %
16	Granada Management AS	180 000	0.38 %
17	ASL Holding AS	175 000	0.37 %
18	JSL AS	175 000	0.37 %
19	ABG Sundal Collier Norge ASA	152 825	0.32 %
20	Torstein Søland	130 000	0.27 %
Total 20 largest shareholders		43 513 069	91.89 %
Other shareholders		3 838 931	8.11 %
Total number of shares		47 352 000	100.00 %

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA

	OWNED SHARES	OUTSTANDING OPTIONS
Sverre J. Tidemand *	29 438 812	0
Christian Rytter *	270 000	0
Carl Erik Steen	207 203	0
Other members	0	0

*) Includes shares owned by family and companies with ownership of more than 50%, and shares owned by companies in which one has negative control.

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA

	OWNED SHARES	OUTSTANDING OPTIONS *
Ulrich Müller, Chief Executive Officer **	0	120 000
Stein H. Runsbech, Commercial Director	40 000	66 000
Osvold Fossholm, Financial Director	0	66 000

*) Includes options awarded in 1st quarter 2015. Ref. [note 3](#)

**) See [note 3](#) for more information about separate share option plan.

Notes to the Belships ASA accounts

NOTE 7 PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme. Annual payable cost is reflected in the income statements and the company does not have any future liabilities related to this scheme. Total costs related to this scheme amounted to 930 in 2014 (2013: 443).

DEFINED BENEFIT SCHEME

In addition to defined contribution scheme, the company has unfunded pension liabilities which are covered through the daily operations. These relate to early retirement and pension to persons, that have not been included in the defined contribution scheme. There are 7 retired persons included in this scheme.

Pension commitments are calculated by an independent actuary. The basis for the calculation is shown below. The new mortality table (K2013) for Norway is used in the calculations.

Social security costs are recorded based on net pension obligation in the balance sheet included estimate discrepancy.

	2014	2013
Assumptions		
Discount rate	2.30 %	4.00 %
Future wage adjustment	2.75 %	3.75 %
Pension adjustment/G-adjustment	2.75 %	3.75 %
Return on pension plan assets	2.30 %	4.00 %
Composition of the net pension obligations per 31 December		
Net pension obligations as at 1 January	9 999	12 116
Interest on accrued pension obligations	347	423
Employer benefits paid	-2 625	-2 557
Actuarial (gains)/losses on obligation	737	17
Net pension obligations as at 31 December	8 458	9 999
NET PENSION EXPENSES	2014	2013
Pension expenses defined benefit scheme	347	423
Pension expenses defined contribution scheme	930	443
Total pension expenses	1 277	866

Notes to the Belships ASA accounts

NOTE 8 SHARES

	BUSINESS OFFICE	TIME OF PURCHASE	COST PRICE	OWNER-SHIP/ VOTING SHARE	COMPANY'S SHARE CAPITAL	NUMBER OF SHARES OWNED	PAR VALUE IN TOTAL	BOOK- VALUE
Shares in subsidiaries								
Belships Management AS	Oslo	09.12.85	7 493	100 %	100	2	100	657
Belships Management (Singapore) Pte Ltd 1)	Singapore	31.12.83	12 075	100 %	SGD 60	500	SGD 60	12 076
Belships Supramax Singapore Pte Ltd	Singapore	18.06.09	294 066	100 %	SGD 100	100 000	SGD 100	263 666
Belships Chartering AS	Oslo	27.01.93	221 181	100 %	5 403	2 700	5 403	5 403
Total								281 802

1) The company has provided dividend of 2 481 in 2014.

Notes to the Belships ASA accounts

NOTE 9 OTHER FINANCIAL ITEMS

OTHER FINANCIAL ITEMS	2014	2013
Guarantee commission 1)	10 237	8 823
Premium at bond instalment	0	-2 346
Other financial items	-379	-481
Total	9 858	5 996

1) The company is acting as a guarantor for the mortgage debt in the subsidiary Belships Supramax Singapore. A guarantee fee of 3% of loan balance has being charged.

CURRENCY GAIN/(LOSS) IN INCOME STATEMENT	2014	2013
Realised currency exchange gain	798	3 427
Unrealised currency exchange gain	306	0
Realised currency exchange loss	-5 788	-1 954
Total	-4 684	1 473

Notes to the Belships ASA accounts

NOTE 10 SALARIES, NUMBER OF EMPLOYEES

SALARY EXPENSES	2014	2013
Salaries	9 590	8 703
Social security tax	1 843	1 813
Pension expenses	1 277	866
Other allowances	2 879	836
Total	15 589	12 218

Belships was charging the subsidiary company Belships Management AS with a management fee amounting to 3 858 in 2014 (2013: 4 155).

The average number of employees in 2014 was 8 (2013: 8).

REMUNERATION TO THE MANAGEMENT	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
Salary	3 089	1 392	1 631
Share-based payment transaction expense	56	31	31
Pension expenses (defined contribution)	153	153	153
Other allowances	186	171	218

There exist no severance pay agreement.

BONUS SCHEME

A bonus scheme for 2014 was adopted by the Board in March 2014 and applied to all the employees in Norway. However, no bonuses were triggered. The Board has not adopted any bonus scheme for 2015.

SHARE OPTIONS

For information about share options, see [note 3](#). The CEO has a separate option agreement that was approved in the annual general meeting in May 2014. See [note 3](#) for details of the agreement.

BOARD REMUNERATION

Board members are not awarded share options. The Board has received 624 in remuneration in 2014 (2013: 600), divided into 156 to the Chairman and 117 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 86 in remuneration in 2014 (2013: 83), divided into 32 to the Chairman and 27 to each of the other members.

GUIDELINES FOR THE REMUNERATION OF THE EXECUTIVE MANAGEMENT OF BELSHIPS ASA

In conformity with the provisions of section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board has prepared the following statement on the company's guidelines for the remuneration of the executive management:

- Belships will have a competitive bonus scheme to ensure that the company will have the necessary capacity and competence.
- Belships will seek to have fixed salaries at market terms. There will also be a variable part (bonuses and share options), which will be evaluated annually.

FEES TO THE AUDITOR (EXCLUDING VAT)	2014	2013
Remuneration for audit services	260	240
Other assurance services	90	0
Assistance related to tax matters	4	33
Other audit related assistance	130	36

LOANS TO EMPLOYEES

Loans to employees amounted to 2 116 as at 31 December 2014. Of this, 702 to the management. See [note 12](#) for details.

Notes to the Belships ASA accounts

NOTE 11 OTHER GENERAL ADMINISTRATIVE EXPENSES

	2014	2013
Office expenses	1 579	1 612
Other services	1 434	1 092
Data, office equipment a.o.	579	543
Communication, advertising	380	424
Travel expenses	585	886
Other general administrative expenses	1 532	1 690
Total	6 089	6 247

Notes to the Belships ASA accounts

NOTE 12 RECEIVABLES AND LIABILITIES

FINANCING OF NEWBUILDINGS

Belships has during 1st quarter 2015 accepted a post-delivery financing offer for the two Imabari 61,000 dwt newbuildings for delivery in September 2015 and March 2016. The loan facility covers the lower of 70% of contract price or market value at the time of drawdown, with a maturity of 7 years. This will secure long-term financing of the newbuildings. The following principal conditions applies to the loan: agreed interest rate is LIBOR pluss margin of 2.50%, minimum market value of the ships is 115% of the outstanding loan balance, minimum value adjusted equity on a consolidated basis is 25% and the Group shall at all times have available liquidity of at least USD 5 million or 6% of total interest bearing debt. USD 1.5 million has to be blocked at a retention account.

LOANS TO EMPLOYEES

Loans to employees amounted to 2 116 as at 31 December 2014 (2013: 2 217). The average interest rate used for loans to employees was 2.63% in 2014 (2013: 2.75%).

All short-term receivables and liabilities are due within 12 months.

Notes to the Belships ASA accounts

NOTE 13 SUBSEQUENT EVENTS

FINANCING OF NEWBUILDINGS

Belships has during 1st quarter 2015 accepted a post-delivery financing offer for the two Imabari 61,000 dwt newbuildings for delivery in September 2015 and March 2016. The loan facility covers the lower of 70% of contract price or market value at the time of drawdown, with a maturity of 7 years.

See [note 12](#) for further details.

No further material events have taken place after 31 December 2014.

Notes to the Belships ASA accounts

NOTE 14 FINANCIAL MARKET RISK

CURRENCY RISK

The functional currency of the company is USD and the presentation currency is NOK. Balance sheet items in USD are converted to NOK at currency rate of 7.4332, which was Norges Bank's exchange rate at 31 December 2014. The company's revenue has the recent years been limited. Revenues consist primarily of management fees, dividends and group contributions from subsidiaries. Operating revenues and expenses in this company are primarily in USD. At year end the company had a cash balance in NOK of approximately 12 millions.

To hedge payments of the administrative expenses in Norway, the company entered in December 2014 into 2 forward contracts to sell USD corresponding NOK 10 millions at a currency rate of USD 7.5122 in June 2015 and further to sell USD corresponding NOK 10 millions at a currency rate of USD 7.5222 in December 2015. The market value of the forward contracts amounted to 96 in total at yearend.

Due to limited risk, no further hedging agreement towards NOK has been concluded.

The company does not use hedge accounting.

CREDIT RISK

There will always exist a credit risk related to the company's business. Belships monitors this risk and the strategy is to carefully select counterparts. Historical losses have been limited.

Notes to the Belships ASA accounts

NOTE 15 RELATED PARTIES

The company performs management services for a subsidiary and receives fee for this. The fee amounted to 3 858 in 2014 (2013: 4 155).

The company receives a commission for acting as guarantor for mortgage debt in the subsidiary Belships Supramax Singapore Pte Ltd. This amounted to 10 238 in 2014 (2013: 8 823). See [note 9](#).

All intercompany transactions have been conducted to market terms.

It has not been issued loans or provide security to shareholders or related parties.

Members of the management have loans from the company. This amounts to 702 per 31 December 2014 (2013: 736).

Notes to the Belships ASA accounts

NOTE 16 TAX

TAX RESULT FOR THE YEAR FOR BELSHIPS ASA	2014	2013
Result for the year before tax	-10 447	-9 043
Change in temporary differences	-1 102	-1 714
Permanent differences / other	-2 394	-3 197
Tax basis for the year	-13 943	-13 954
Taxes payable (27%)	0	0
Total income tax expense	0	0

The general corporate income tax rate are from 1 January 2014 reduced from 28% to 27%. In accordance with NGAAP, tax reducing temporary differences and tax increasing temporary differences that are reversed, or can be reversed in the same period are assessed and the amount recorded net.

RECONCILIATION OF TAX EXPENSE	2014	2013
Result for the year before tax	-10 447	-9 043
Statutory tax rate	27 %	28 %
Estimated tax expense at statutory rate	-2 821	-2 532
Permanent differences / other	-646	-895
Expected tax expense	-3 467	-3 427
Change in deferred tax assets	3 467	3 427
Actual tax expense	0	0
Effective tax percentage	0 %	0 %

DEFERRED TAX PER 31 DECEMBER	2014	2013
Pensions	-8 458	-9 999
Pension plan assets	24	463
Impairment loss on fixed assets	-500	-500
Impairment loss on shares in subsidiaries abroad	-30 400	-30 400
Tax loss carried forward	-240 052	-226 109
Net temporary differences	-279 386	-266 545
Deferred tax assets (27%)	-75 434	-71 967
Deferred tax assets in Balance sheets	0	0
Deferred tax assets not in Balance sheets	-75 434	-71 967

Calculation of deferred taxes is based on temporary differences between statutory books and tax values which exist at the end of the year. Deferred tax assets are not recorded in the balance sheet, as future utilization of tax losses cannot be reasonably assured.

To the Annual Shareholders' Meeting of
Belships ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Belships ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2014, the statements of income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2014, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require 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 auditor's judgment, including the 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 entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating 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 on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Belships ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

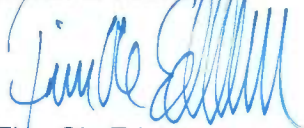
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, March 19, 2015

ERNST & YOUNG AS



Finn Ole Edstrøm

State Authorised Public Accountant (Norway)

Belships' values and ethical guidelines are intended to safeguard good corporate ethics

CORPORATE GOVERNANCE

Good corporate governance is a prerequisite for cooperation based on trust between the company's owners, its Board and management, with a view to achieving the objective of long-term growth.

All relevant parties must be confident that the company is soundly operated and that the corporate governance is well defined, fit for purpose and carried out with integrity and independence.

Belships competitiveness hinges on stakeholders and prospective customers trust in the company's integrity and ethical behavior. Board members, management and employees will therefore always strive to uphold and develop trust in the company. Belships' values and ethical guidelines are intended to safeguard good corporate ethics.

Operations

The company's business is operation, purchase and sale of ships as well as participation in companies with similar objectives. The company is listed on the Oslo Stock Exchange and is for the time being engaged in dry bulk and technical management of ships.

Share capital and dividends

Belships aims to maximize the value for the company's share through an efficient and profitable management of the company's resources. A competitive return is to be obtained through growth in the value of the company's shares and the payment of competitive dividends. When increasing share capital through the issue of new shares for cash payment, the company's shareholders have normally a pre-emptive right of subscription.

The Board will propose private placements or the issue of shares as consideration in connection with investments only when this will safeguard the long-term interests of existing shareholders.

Until the coming General Meeting (GM), the Board is entitled to acquire on behalf of the company 200 000 own shares and to issue 2 000 000 new shares under conditions determined by the GM.

Equal rights for shareholders and transactions with related parties

The company has only one class of shares and the company's articles of association contain no limitations on voting rights. All shares carry equal rights and can be transferred freely.

In situations where the Board proposes that existing shareholders should waive their right to subscribe for shares, this will only be done where justified in light of the company's and the shareholders' interests. The justification shall be published in connection with the announcement of the increase in capital.

Belships provides limited management services to the company's principal shareholder. These services are provided at market terms. Any material transactions with closely related parties follow from sections 3-8 and 3-9 of the Norwegian Limited Liability Companies Act, and the agreements are adopted by the GM on the basis of a report submitted to the GM beforehand. The option programs are adopted by special authorization from the GM.

General Meeting

The GM is the company's supreme authority. The GM elects the Board and the auditor. Pursuant to the Limited Liability Companies Act, notice of GM must be sent to the shareholders no later than 21 days before the GM is to be held. The GM must be held by 30 June. Shareholders are registered in the Shareholders' Register with address. All shareholders are entitled to attend the GM and must give notice of attendance two days before the meeting is held. The Board, the company's management and the auditor attend GMs.

Election committee and audit committee

Considering the scope of the company's operations, the Board considers it reasonable and appropriate that the company should only have one board committee: the audit committee. The committee is made up of Christian Rytter (Chairman), Kjersti Ringdal and Sissel Grefsrud.

Members of the Board represent, directly and indirectly, more than 50 per cent of the shareholdings in Belships ASA. For this reason, no election committee has been established. The Board fulfills this role itself, and the work to review candidates for the Board is handled by ad hoc committees of the Board and chaired by the Chairman.

Board – composition and independence

The Board shall consist of 3-7 members. The Board elects its chairman. Members may be re-elected every two years. Board appointments are communicated through the notice of GM and the members are elected by majority vote.

The Board is made up of directors with broad experience and knowledge of the sector. Four directors are independent of day-to-day management, the majority shareholder and major business connections. Three directors own shares in the company.

The duties of the Board, risk management and internal control

The Board supervise the work of the administration. This means that the Board must review and approve strategies and follow up the implementation of the resolutions adopted.

Strategic decisions or decisions of material importance must be approved by the Board. The Board also appoints the Chief Executive Officer and determines his/her remuneration and the general framework for the Group's wage level.

The Board has prepared rules of procedure for the Chief Executive Officer, which specify his responsibilities and the decisions that have to be approved by the Board. The Board's duties comprise the review and supervision of the Group's internal control procedures and risk management. The same applies to ensuring that the company's integrity is safeguarded.

Focus is on ensuring that the Board functions as a team of independent members. The Board has also prepared rules of procedure for the Board's audit committee, which is to support the Board in performing its duties relating to reporting, audit, internal control and overall risk management.

The Board has an overall responsibility for safety, security and the environment. Our subsidiary in Singapore, which is responsible for the technical operation of Belships own and other ships, concentrates in particular on these matters.

The Board meets at least six times a year and receives a monthly report on the company's operations. In addition, the Board is consulted on or informed about matters of special importance.

Remuneration of directors

Remuneration of directors is approved by the company's GM. The remuneration is granted at the end of the year of service. Directors have no options to buy shares in the company, nor do they receive compensation other than the Board fees. The company endeavors to grant directors a remuneration based on market terms.

Remuneration to officers

The Board prepares guidelines for the remuneration of officers, pursuant to the law, which are submitted to the GM. Remuneration to the Chief Executive Officer is approved by the Board on the Chairman's recommendations.

In 2012 the company introduced a new bonus scheme that applies to all employees in Norway and was effective as of 2013. The Chief Executive Officer has an option to purchase shares. Details concerning the remuneration of the company's officers are provided in a separate note to the accounts.

Information and communication

The company keeps Oslo Stock Exchange, the stock market and shareholders fully updated through interim reports, annual reports and press releases on important events. The company also has a website, which is regularly updated. Belships regards timely and accurate information as essential for obtaining a price for the share that will reflect the company's underlying value and prospects.

Company takeover

The Board has not prepared any principles for how to act in the event of a take-over bid. If such a bid should be made, the Board considers it important that shareholders are treated equally and that the company's operations are not unnecessarily disturbed. The Board's actions will take this into account in such a situation.

Auditor

The company's auditor attends at least one Board meeting a year, normally in connection with the presentation of the annual accounts. In its meeting with the auditor, the Board focuses in particular on procedures relating to the company's internal control as well as current accounting issues.

The Board and the auditor meet at least once a year without the Chief Executive Officer or other executives being present. The auditor also attends the company's GM and has access to the company's minutes of board and GMs. The Board reviews the auditor's engagement on an annual basis.

The company's auditor is Ernst & Young. Besides ordinary audits, Belships receives assistance from Ernst & Young in connection with accounting and tax issues within the field in which the auditor can assist under the rules of independence. The auditing and counseling fees appear from the notes to the accounts.

The company's management meets the auditor regularly to discuss current tax and accounting issues.

The Board makes a running assessment of whether the audit is performed in a satisfactory manner.

Strong commitment to customers and quality creates value

CORPORATE SOCIAL RESPONSIBILITY

Belships main contribution to society is to grow a long-term, sustainable value-creating business for our stakeholders. Our aim is to ensure that our business practices as well as investments are sustainable, and contribute to long-term economic, environmental and social development.

Belships has a clearly defined vision and mission statement and a set of core values, which we believe will ensure that the Company grows a value-creating and sustainable business.

Vision

Strong commitment to customers and quality creates value.

Mission

We are an ambitious global organization with focus on:

- Safety & environment
- Customers
- Quality
- People

Core values

- Respect
- Commitment
- Sincerity & Honesty

Our core values are reflected in everything we do. They are an integrated part of how we conduct our business.

Belships has identified the Company's material sustainability issues and their potential impact on our business. With reference to the Norwegian Accounting Act section 3-3c, the following chapters present how Belships integrates the most material sustainability issues into its business strategies and processes.

1. Environment

International shipping contributes significantly to global emissions of greenhouse gases (GHG) through consumption of bunkers. Although international shipping is a significant contributor to global emissions, it produces substantially less emissions per unit distance when carrying a shipment than other methods of transportation.

Belships recognizes its environmental responsibility and strive to comply with and maintain high standards in order to reduce the environmental impact from its operations. The Company is focusing on reducing bunkers consumption, which is the main source of the shipping sector's emissions of CO₂, NO_x and SO_x.

Belships ambition is to optimize bunker consumption and the company conducts improvement projects and testing aimed at reducing its environmental impact, including hull cleaning and propeller polishing in addition to testing of fuel additives for improved combustion, both aimed at reducing fuel consumption and air pollution.

Belships are further certified with Environmental Management Systems Certificate ISO 14001 as well as ISO 9001:2000. The certificates are issued by the classification society and establish environmental standards and implementation routines. Continuous efforts are made in order to reduce the general waste produced by the vessels and to dispose of waste onshore in a controlled manner at approved port waste reception facilities. The fleet complies with the IMO recommendations on waste management.

Pollution by invasive species carried with ballast water has become an important issue. The Company's newbuildings will have ballast water treatment systems in place. Belships is actively preparing for the expected implementation of stricter regulations on ballast water treatment entering into force.

Belships is closely monitoring the development of all environmental regulation. The Company will continue to comply with all legislation and follow best practices to minimize the Company's impact on the environment.

2. Human and Labour rights

It is Belships policy to integrate attention to human and labour rights into its existing business processes. In practice, a large part of the human and labour rights agenda is covered by the Company's health and safety efforts. The health and safety of our employees is a key priority for Belships. As an international and multi-local industrial employer, the Company respects international and local legislation, including the provision of the International Labour Organization's Maritime Labour Convention of 2006 (the "MLC"). The MLC is widely known as the "seafarers' bill of rights", and sets out seafarers' right to decent working conditions, including elements such as minimum age of seafarers, payment of wages, hours of work or rest, onboard medical care, paid annual leave and freedom of association.

Belships values its employees as a key resource. The Company will continue to focus on attracting and keeping the best qualified and motivated employees. As a global organization, Belships has a diversified working environment in which employment, promotions, responsibility and job enrichment are based on qualifications and abilities and not on gender, age, race and political or religious views. The Company does not tolerate discrimination in any form.

Belships aims to continuously provide and enhance healthy, high-quality working conditions, both onshore and onboard vessels. Crewing and technical management are handled by Belships' subsidiaries in Singapore and China. These companies also have external customers and offer ship management-services to ship owners worldwide. A dedicated and well-trained ship- and onshore team is monitoring the health, safety, environment and quality performance.

Belships' goal is to run the operations of the Company with zero fatal accidents. This goal was achieved in 2014.

Attracting and retaining qualified seafarers remains an area of strategic importance for Belships. The objective is to strengthen Belships' brand and image. To ensure a continued recruitment of dedicated and qualified officers, Belships is engaged in training of seafarers and education of cadets and has 160 cadet positions onboard the Company's vessels. The Company will further develop the crewing strategy and the implementation of crew welfare initiatives in order to meet the Company's ambition of maintaining the officers' retention rate at a high level and maintaining a challenging and motivating work place, thus creating top performing vessels.

Belships faces same challenges as other shipping companies when it comes to piracy in the Gulf of Aden, Somali Basin and West Africa. Piracy is still a challenge for the shipping industry and cannot be solved by the Company or the shipping industry alone. It must be dealt with by the international community and relevant authorities of UN working together. To create a secure environment in which our crew feels safe, the company has adopted a best management-practice consistent with the industry standards and under suggestion by Intertanko and Oil Companies International Marine Forum to deter piracy. All of our vessels are registered with the EU Naval Force (Maritime security centre) which co-ordinates vessel's transit schedules with the appropriate naval vessels in the Gulf of Aden and Somali basin. Depending on the present conditions and individual risk factors for the particular vessel, preventive measures are evaluated for each transit in accordance with Belships' piracy policy. There were no incidents of attempted hijackings of Belships-vessels in 2014.

3. Anti-corruption

Belships has defined a set of core values being reflected in everything the Company does, and are an integrated part of how the Company does its business.

Belships believes that corruption prevents well-functioning business processes and curbs economic development. Corruption or corrupt behavior is not accepted by the Company. Belships focuses on transparency in its business practices, supports free enterprise and competes in a fair and ethical manner.