BELSHIPS

ANNUAL REPORT 2016

We are excited about our journey over the coming years

DEAR READER

I am proud to present the annual report for Belships ASA, and to introduce you to a company with a long history, extensive experience, strong expertise and a promising future.

From its origin in 1918 and focus on specialized heavy lift ships, the company made a valuable contribution for the Allied forces during World War II and during the Korean War. Later on, the company also entered both the tanker- and the energy sector.

Today, Belships ASA has developed into a pure dry bulk player with full concentration on one non-specialized asset type. The company has been stock listed on the Oslo Stock Exchange since 1937.

Our subsidiary, Belships Management (Singapore) Pte Ltd, has made its mark on one of the world's most challenging industries for close to 35 years – an industry where clients manage valuable assets and demand the highest level of expertise and ability from their partners. We focus without compromise on strict risk management to minimize the hazards to both people and the environment and we appreciate the demands and challenges made by our esteemed clients.

Belships ASA outlined in 2013 a bold newbuilding program for eco-design Ultramax bulk carriers to be constructed by Imabari Shipbuilding Group in Japan. This strategic move has transformed the business area into a state-of-the-art dry bulk service provider with high focus on quality, fuel efficiency and emission control. The Company took delivery of one 61,000 dwt Ultramax in September 2015 and a sister ship in March 2016. A 63,000 dwt Ultramax, owned by a sister company of the shipbuilder and scheduled for delivery in January 2018, will be chartered by the Company with purchase options. The first ship, Belforest, is fixed for a 12 months period to Cargill, wheras the second ship, Belisland, is fixed to Canpotex for a 5 year period from delivery in March 2016.

Our corporate strategy is to provide our reputable clients a reliable transportation solution based on long-term charters and partnership. We will have focus on growth in fleet size and diversification of our customer base through a careful selection of counterparts.

We are excited about our journey over the coming years.

Bernt Ulrich Müller
Chief Executive Officer
Belships ASA

KEY FINANCIAL FIGURES

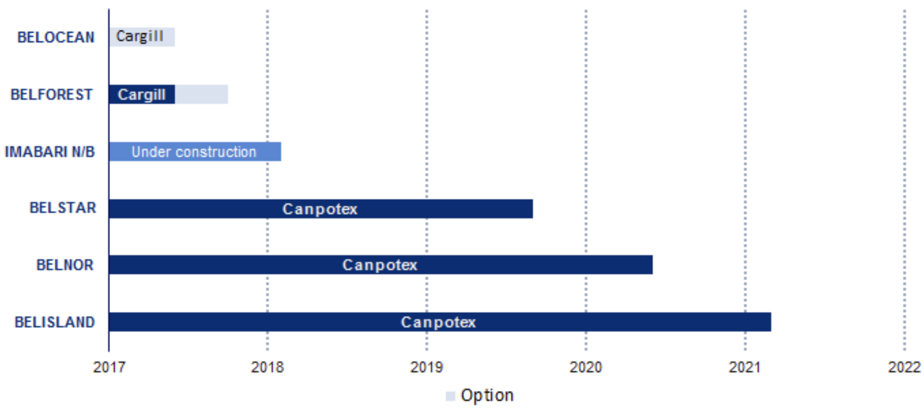
USD 1 000		2016	2015
Operating income		25 415	21 984
Operating result		-8 907	-26 660
Net result for the year		-14 593	-30 150
EBITDA		11 280	9 873
Total assets		105 612	103 248
Equity		20 144	34 831
Equity per share	NOK	3.71	6.56
Interest coverage ratio		-1.84	-12.20
Current ratio	%	97.16	115.31
Equity ratio	%	19.07	33.74
Earnings per share	US cent	-31.18	-64.42

FLEET LIST

SHIP		OWNER-SHIP	BUILT YEAR	DWT	EMPLOYMENT	T/C-RATE (NET USD/DAY)
Supramax						
M/S Belstar		100 %	2009	58 018	T/C to 08/19	16 000
M/S Belnor		100 %	2010	58 018	T/C to 05/20	16 000
M/S Belocean		100 %	2011	58 018	T/C to 05/17	4 000
Ultramax						
M/S Belforest		BBC	2015	61 320	T/C to 05/17 +4mo	5 775
M/S Belisland		BBC	2016	61 252	T/C to 03/21	17 300
Imabari newbuilding	1	TC	2018	63 000		

1) Delivery during 1st quarter of 2018 for long-term charter 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



DIRECTORS' REPORT 2016

THE DRY BULK MARKET

While 2016 began on a negative note with dry bulk rates and prices collapsing to 30-year lows, the market rebounded from Q1. The key drivers behind the increasing freight rates were higher Chinese imports of iron ore, coal and grain products including increasing trade of steel products. According to Marsoft, Chinese imports rose by 6.2%, in tonne-mile terms, in 2016. It was a further decline in domestic Chinese iron ore production, which led to a 7.5% increase in Chinese iron ore imports for the year as a whole. After a shortening of the workweek at Chinese mines, causing a shortage of coal in the second half of the year, Chinese imports of coal went up again in 2016 to an annualized pace of 245 million tons.

Turning to the supply-side, the dry bulk fleet expanded by 2.2% in 2016, down from 2.6% growth in 2015. Scrapping activity was record high during the first half of the year, but the activity fell sharply in the second half due to a combination of rising freight rates and the onset of the monsoon season.
The Baltic Exchange Capesize Index ended the fourth quarter at USD 10 978 per day, whereas the Panamax-index ended at USD 6 826 per day. The Supramax-index ended the quarter at USD 9 445 per day. As per today, the Cape index stands at USD 9 425 per day, Panamax-index at USD 8 982 per day and Supramax-index at USD 8 848 per day.
The Baltic S&P Assessment values today a 5 year old Supramax at USD 14.4 million, which is up from USD 9.9 million one year ago.

OPERATIONS

M/S Belstar, M/S Belnor and M/S Belocean continued into 2016 on their long-term charter parties to Canpotex Shipping Services Ltd., Canada. Canpotex is one of the world's largest exporters of potash, a fertilizer product imported in large volumes by countries such as China, India and Brazil. The net time charter rate is USD 16 000 per day. The newbuilding M/S Belisland delivered ex yard to Canpotex in March by substituting M/S Belocean for the remaining 5-year period of the c/p. The net charter rate is USD 17 300 per day. In February M/S Belocean was fixed for 10-15 months to Cargill at around USD 4 000 per day. In July M/S Belforest was extended to Cargill for 10-14 months at around USD 6 000 per day, which is below market level as at today.

The company's tonnage is modern, and all ships operated satisfactorily without significant off-hire. The operating expenses were close to budgeted levels.
Belships' newbuilding program with Imabari Shipbuilding Group in Japan for 2 x 61 000 dwt eco-design Ultramax bulk carriers is completed. In addition, Belships will take delivery of a 63 000 dwt Ultramax bulk carrier from Imabari in January 2018 for long term charter including purchase option.
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 10 ships, including Belships' own ships.

RESULTS

The Group had an operating income of USD 25 415 000 in 2016 (USD 21 984 000), giving a EBITDA of USD 11 280 000 (USD 9 873 000) and a consolidated operating result of USD -8 970 000 (USD -26 660 000).

Improvement in operating result by USD 17.7 million is mainly explained by reduced impairment of ships. The pre-tax result was USD -14 419 000 (USD -29 973 000), while net result for the Group was USD -14 593 000 (USD -30 150 000).

The parent company's net result for the year was NOK -143 824 000 (NOK -36 111 000). 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	-143 824 000
TOTAL ALLOCATIONS	**-143 824 000**

GOING CONCERN

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act.
Belships has three long-term T/C agreements with Canpotex. The sale & leaseback of M/S Belforest (Q3 2015) and M/S Belisland (Q1 2016) provided additional liquidity to the Group.
The main shareholder has provided an on demand guarantee of USD 5 million. Current activity will also generate sufficient liquidity to cover current debt and operating expenses throughout 2017. Based on this, 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 representation 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 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 have low emissions of pollutants and 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 2016. Management activities in Singapore were stable over the year. The Group employed 62 office staff at the end of 2016. Ships under management had 210 crew members on board. The sick leave was less than 2% in 2016. The Group was not subject to any serious accidents in 2016.

Belships aims to treat women and men equally. No discrimination on the grounds of gender is tolerated. Of the Group's office staff, 34 are women. The working environment at the various companies within the Group is considered to be satisfactory.

FINANCIAL AND OTHER MATTERS

The Group's solvency and financial position is satisfactory. By end of 2016 the book equity of the Belships share was NOK 3.71, while the book equity ratio was 19.1 % (33.7%). Added value related to the long-term charter for M/S Belisland is not included in the balance sheet.
Consolidated liquidity was USD 7.9 million (of which USD 3,5 million in deposit) as at 31 December 2016, against USD 8.0 million at the beginning of the year. Total mortgage debt had a balance of USD 36.3 million at year-end and was reduced by USD 5.0 million during 2016. Down payment of lease commitments amounted to USD 1.7 million.
In Q1 2016 Belships entered into a sale and leaseback agreement for M/S Belisland, which was sold and leased back for a period of 15 years with purchase options from year 5 onwards. Sales price was USD 24 million and this transaction improved Belships cash position with USD 7 million. In March 2016, M/S Belisland replaced M/S Belocean for the remaining 5 years of the charterparty with Canpotex. In connection with the sale and leaseback a new costprice of M/S Belsiland was established. The value of the favorable Charter party with Canpotex is not reflected in the ship value/book value of M/S Belisland.
The leases of M/S Belforest and M/S Belisland are considered to be financial leases.
The Group has conducted impairment tests in line with IAS 36, valuing the ships based on observable market values of equivalent ships 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 13.8 million in 2016, compared to USD 31.8 million in 2015.
Belships aims to provide its shareholders with a competitive dividend yield, but the current market do not allow any payment of dividend.

At the end of 2016 Belships held 548 000 treasury shares in total at an average cost of NOK 9.91 per share. In August 2016, the employees were granted options to purchase 200 000 shares at a strike price of NOK 3.11. These options can be exercised from the annual general meeting 2017 until the annual general meeting in 2018.
The Belships' share value has increased by 65 per cent in the course of 2016. By comparison, the OSEBX increased by 12%. A total of 5 501 000 shares were traded in 183 of 253 trading days. In 2015 a total of 2 112 000 shares were traded in 124 of the 251 trading days.
The Group is exposed to market risks due to changes in FX rates, interest rates, freight rates and oil prices.
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. Hedging of the Group's interest exposure on bank loan is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 85% (leases excluded).
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 counterpart risk by entering into long term time charter contracts with reputable charterers.
The Group's limited tax cost is expected to continue. Three ships are owned by a Singaporean subsidiary within the local tonnage tax regime.
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 labour 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

Not surprisingly, seasonal factor led to a dip in spot rates during the first six weeks of 2017, but it is worth noting that rates in all sectors were well above their year-earlier levels. Last few weeks the spot rates have strengthened and the period activity is picking up.

New ships ordering is now down to almost zero and the order book is shrinking. Scrapping, cancellations and slippage together with little new ordering activity are helping to mitigate the net supply growth, which until 2019 could in fact be negative according to Fearnleys.

Belships' ships are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of USD 63 million.
Focus will be to further develop Belships as an owner and operator of modern bulk carriers to reputable counterparts. Our ambition is to build a portfolio of quality ships and robust charter parties that will generate distributable cash flows.

OSLO, 16 MARCH 2017
BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter 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 2016.

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 2016 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 representation of the Group and parent company's assets, liabilities, profit and overall financial position as of 31 December 2016
- 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

OSLO, 16 MARCH 2017
BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter Board member	Kjersti Ringdal Board member
Sissel Grefsrud Board member	Carl Erik Steen Board member	Bernt Ulrich Müller Chief Executive Officer

Consolidated Statements of Comprehensive Income

1 JANUARY – 31 DECEMBER / USD 1 000	NOTE	2016	2015
Operating income			
Freight income		**21 338**	17 570
Other operating income		**4 077**	4 414
Total operating income	4	**25 415**	21 984
Operating expenses			
Ship operating expenses	8	**-8 197**	-5 717
Operating expenses ship management	8	**-3 405**	-3 694
Payroll expenses	9	**-1 659**	-1 933
Other general administrative expenses	6	**-874**	-767
Total operating expenses		**-14 135**	-12 111
Operating result (EBITDA)		**11 280**	9 873
Depreciations on fixed assets	7	**-4 901**	-4 686
Impairment of ships	7	**-13 823**	-31 847
Loss on sale of ship/effect on onerous contracts	7	**-1 463**	0
Operating result (EBIT)		**-8 907**	-26 660
Financial income and expenses			
Interest income		**13**	29
Interest expenses	13	**-4 833**	-2 185
Currency exchange gain/(loss)		**69**	-483
Other financial items	8	**-761**	-674
Net financial items		**-5 512**	-3 313
Net result before tax		**-14 419**	-29 973
Tax	12	**-174**	-177
Net result for the year		**-14 593**	-30 150
Hereof non-controlling interests		**53**	109
Hereof majority interests		**-14 646**	-30 259
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) on defined benefit plan		**-39**	-23
Total comprehensive income		**-14 632**	-30 173
Hereof non-controlling interests		**53**	109
Hereof majority interests		**-14 685**	-30 282
Earnings per share (US cent)	11	**-31.18**	-64.42
Diluted earnings per share (US cent)	11	**-31.18**	-64.42

Consolidated balance sheets

PER 31 DECEMBER / USD 1 000	NOTE	2016	2015
FIXED ASSETS			
Tangible fixed assets			
Ships	7	**93 009**	87 730
Newbuilding instalments	7	**0**	4 225
Prepaid timecharter hire		**1 500**	0
Other fixed assets	7	**1 683**	1 676
Total fixed assets		**96 192**	93 631
Financial fixed assets			
Financial investments		**108**	151
Other long-term receivables	13	**183**	200
Total financial assets		**292**	351
Total fixed assets		**96 483**	93 982
CURRENT ASSETS			
Trade debtors	13	**91**	4
Other receivables	13	**1 120**	1 269
Cash and cash equivalents (restricted)	15	**3 203**	1 996
Cash and cash equivalents	15	**4 715**	5 997
Total current assets		**9 129**	9 266
TOTAL ASSETS		**105 612**	103 248
EQUITY			
Paid-in capital		**43 620**	43 588
Retained earnings		**-23 887**	-9 202
Non-controlling interests		**411**	445
Total equity	20	**20 144**	34 831
LIABILITIES			
Provision for liabilities			
Pension obligations	17	**648**	796
Other long-term liabilities			
Mortgage debt	13	**30 883**	35 767
Obligation under finance leases	13	**42 811**	21 809
Financial instruments	22	**323**	602
Other long-term liabilities		**1 407**	1 407
Total other long-term liabilities		**75 424**	59 585
Short-term liabilities			
Current portion of mortgage debt/lease liability	13	**6 778**	5 688
Tax payable	12	**131**	121
Public taxes and duties payable		**284**	301
Trade creditors		**256**	380
Other short-term liabilities	13	**1 948**	1 546
Total short-term liabilities		**9 396**	8 036
Total liabilities		**85 468**	68 417
TOTAL EQUITY AND LIABILITIES		**105 612**	103 248

OSLO, 16 MARCH 2017

BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter Board member	Kjersti Ringdal Board member
Sissel Grefsrud Board member	Carl Erik Steen Board member	Bernt Ulrich Müller Chief Executive Officer

Consolidated cash flow statements

1 JANUARY – 31 DECEMBER/USD 1 000	NOTE	2016	2015
CASH FLOW FROM OPERATIONS			
Net result before tax		**-14 419**	-29 973
Adjustments to reconcile result before tax to net cash flows:			
Loss on sale of ship/effect on onerous contracts	7	**1 463**	0
Depreciations on fixed assets	7	**4 901**	4 686
Impairment of ships	7	**13 823**	31 847
Share-based compensation expense	16	**31**	25
Difference between pension expenses and paid pension premium	17	**-210**	-205
Net finance costs		**5 512**	3 313
Working capital adjustments:			
Change in trade debitors and trade creditors		**-212**	39
Change in other short-term items		**-241**	-213
Interest received		**13**	29
Interest paid		**-4 833**	-2 185
Income tax paid		**-118**	-41
Net cash flow from operating activities		**5 710**	7 322
CASH FLOW FROM INVESTING ACTIVITIES			
Payment on newbuilding	7	**-20 531**	-22 615
Sale of ship (net sales amount)	7	**23 637**	27 634
Prepayment bareboat hire		**0**	-6 000
Payment of other investments		**-1 923**	-1 732
Net cash flow from investing activities		**1 183**	-2 713
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term debt	13	**-6 491**	-5 187
Proceeds from new loan	7	**0**	1 423
Paid costs related to financing		**-484**	-559
Net cash flow from financing activities		**-6 975**	-4 323
Net change in cash and cash equivalents during the period		**-82**	286
Cash and cash equivalents at 1 January		**7 993**	8 064
Change currency NOK deposits		**7**	-357
Cash and cash equivalents at 31 December *		**7 918**	7 993

**) Includes certain restricted cash. See note 15.*

Consolidated statements of changes in equity

USD 1000	Note	Majority interests: Paid-in: Share capital	Majority interests: Paid-in: Treasury shares	Majority interests: Paid-in: Share premium reserves	Majority interests: Paid-in: Other equity	Majority interests: Other equity	Non-controlling interest	Total equity
As at 31 December 2016								
Equity as at 31 December 2015		14 272	-166	13 751	15 732	-9 203	445	34 831
Net result for the year		0	0	0	0	-14 646	53	-14 593
Other comprehensive income	17	0	0	0	0	-39	0	-39
Total comprehensive income		**0**	**0**	**0**	**0**	**-14 685**	**53**	**-14 632**
Share-based payment expense	16	0	0	0	31	0	0	31
Non-controll. interests transact.		0	0	0	0	0	-86	-86
Equity as at 31 December 2016		**14 272**	**-166**	**13 751**	**15 763**	**-23 888**	**412**	**20 144**
As at 31 December 2015								
Equity as at 31 December 2014		14 272	-166	13 751	15 707	21 079	408	65 051
Net result for the year		0	0	0	0	-30 259	109	-30 150
Other comprehensive income		0	0	0	0	-23	0	-23
Total comprehensive income		**0**	**0**	**0**	**0**	**-30 282**	**109**	**-30 173**
Share-based payments expense		0	0	0	25	0	0	25
Non-controll. interests transact.		0	0	0	0	0	-72	-72
Equity as at 31 December 2015		**14 272**	**-166**	**13 751**	**15 732**	**-9 203**	**445**	**34 831**

Notes to the consolidated accounts

NOTE 1
GENERAL INFORMATION

Belships is an owner and operator of dry bulk ships, presently operating a fleet of five ships. The company is also providing ship management services.

Belships ASA is a public limited liability company incorporated and domiciled in Norway and listed on Oslo Stock Exchange. The head office is located in Lilleakerveien 4 in Oslo, Norway.

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

The consolidated financial statements have been approved by the Board on 16 March 2017.

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

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

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 as adopted by the European Union (IFRS). 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.

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act. Belships has three long-term T/C agreements with Canpotex, which is favourable in the current market. Further the sale & leaseback agreements for M/S Belforest and M/S Belisland have contributed with additional liquidity to the Group. The main shareholder has provided an on demand guarantee of USD 5 million. Based on this, the Board considers that the conditions for a going concern are in place.

B) CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of Belships ASA and its subsidiaries as at 31 December 2016. 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 8.6200 (2015: USD 8.8090) and SGD 5.9645 (2015: SGD 6.2386).

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

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. Leases are classified as financial leases if the terms of the lease agreement transfers substantially all the risks and rewards incidental to ownership of an asset. All other leases are classified as operating lease.

Assets financed under financial leases are capitalized at inception of the lease at the fair value of the leased vessel or, if lower, at the present value of the minimum lease payments. The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are split between interest cost and reduction of the lease liability. Interest cost is recognized in the income statement.

Financial leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. For operating leases, the payments (time charter hire or bareboat hire) are recognized as an expense on a straight line basis over the term for the lease.

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 fulfilled 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 impairment indicators. 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 income statement.

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.

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 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.

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) CHANGES IN ACCOUNTING POLICES

The accounting policies adopted are consistent with those of the previous financial year. Adoption of new standards effective from 2016 did not have any impact on the Group. Standards issued but not yet effective are as follows:

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).
Based on the current activity of the Group, implementation of IFRS 15 is not expedted to have any significant impact. The standard is effective from 1 January 2018.

IFRS 16 Leases
IFRS 16 replaces existing IFRS lease requirements in IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ("lessee") and the supplier ("lessor"). The new lease standard requires lessees to recognize assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
Based on the current activity of the Group, implementation of IFRS 16 is not expected to have any significant impact. The new standards is effective from 1 January 2019.

NOTE 3
USE OF ESTIMATES AND JUDGEMENT 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 impairment assessment of ships and lease classification assessment. 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.

SHIPS – IMPAIRMENT ASSESSMENT

The Group assess, at each reporting date, whether there are any indications that the ships may be impaired. Impairment is only made if carrying amount is higher than the asset's recoverable amount. Each ship is defined as a separate cash generating unit. The recoverable amount is based on the average of two independent broker estimates (charterfree), in addition to the net present value of the estimated fair value of the belonging charters for ships under contract with Canpotex. The key assumptions used for impairment testing of the ships are described in note 7.
The impairment calculation demands some degree of estimation. Management makes estimates and judgement of the estimated fair value of the belonging charters and the discount rate. For the broker values, management compares the value with comparable external non-distressed transactions of bulk ships, adjusted for size, yard and construction year.
Further, management also assess external available sources for the expected development in the world wide fleet, parity between newbuilding prices versus second-hand transactions and assumptions regarding future freight rates and implied capital cost to assess if the broker values used as basis is reliable. The dry bulk sector has several sources for second-hand prices and assumptions regarding future market development (rates and estimated fleet growth). Changes to these estimates could have significant impact on impairment/reversal of impairments.

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.

OPERATING VERSUS FINANCIAL LEASE AGREEMENTS

Based on the content of a leasing agreement, the Company determines whether the agreement is considered as an operating or a financial lease agreement. In this determination, assumptions are made and if the same assumptions were judged differently, it could have an effect on the income statement and the statement of financial position. One of the most significant judgements is the forecasted future market value of the leased ship at the dates when the purchase option is expected to be declared.

In 2016 the Company entered into a sale and leaseback agreement on the ship M/S Belisland with a Japanese counterpart, and leased back for a period of 15 years, with annual purchase options from year 5. Based on an assessment of the terms of the lease contracts, including the levels of purchase options from year 5 and onwards, the Management has assessed that the leaseback is a financial lease.

The ship was at the inception of the lease measured at the lower of the fair value and the present value of minimum lease payments and expected timing of declaration of the purchase option. For the purpose of calculating the net present value, the interest rate implicit in the lease or the Company's current incremental borrowing rate is used as a discount factor.

Notes to the consolidated accounts

NOTE 4
SEGMENT INFORMATION

The Belships Group is divided into the operating segments dry bulk and technical management and is in accordance with the reporting to the Chief Operating Decision Maker (CEO).

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.

The dry bulk segment consists of ships chartered to Canpotex Shipping Services Ltd and Cargill International, and revenues from those charterers are representing 69% and 14% of total turnover respectively. The Group had no other single customers in any segment neither in 2016 nor 2015 where revenue 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 2016	DRY CARGO	TECHNICAL MANAGEMENT	ADMINI-STRATION	GROUP TRANSACTIONS	TOTAL
Freight revenue	20 903	0	0	435	**21 338**
Management fees – external	0	3 798	279	0	**4 077**
Management fees – internal	0	699	437	-1 136	**0**
Operating income	**20 903**	**4 497**	**716**	**-701**	**25 415**
Operating expenses	-8 896	-3 405	0	699	**-11 602**
General administrative exps.	-47	0	-2 488	2	**-2 533**
Operating expenses	**-8 943**	**-3 405**	**-2 488**	**701**	**-14 135**
Operating result (EBITDA)	**11 960**	**1 092**	**-1 772**	**0**	**11 280**
Loss sale ship/effect onerous contr.	-1 463	0	0	0	-1 463
Depreciations on fixed assets	-4 779	-53	-69	0	**-4 901**
Impairment of ships	-13 823	0	0	0	**-13 823**
Operating result	**-8 105**	**1 039**	**-1 841**	**0**	**-8 907**
Financial income	0	5	8	0	**13**
Financial expenses	-5 019	-68	-438	0	**-5 525**
Result before tax	**-13 124**	**976**	**-2 271**	**0**	**-14 419**
Tax	0	-174	0	0	**-174**
Net result	**-13 124**	**802**	**-2 271**	**0**	**-14 593**
Hereof non-controlling interests	0	53	0	0	**53**
Hereof majority interests	-13 124	749	-2 271	0	**-14 646**
Assets	99 749	3 866	1 998	0	**105 612**
Liabilities	82 317	1 880	1 270	0	**85 467**
Cash flow from operating activities	6 942	979	-2 211	0	**5 710**
Cash flow from investing activities	1 366	0	-183	0	**1 183**
Cash flow from financing activities	-6 975	0	0	0	**-6 975**

1 JANUARY – 31 DECEMBER 2015	DRY CARGO	TECHNICAL MANAGEMENT	ADMINI-STRATION	GROUP TRANSACTIONS	TOTAL
Freight revenue	17 273	0	0	297	**17 570**
Management fees – external	0	4 151	263	0	**4 414**
Management fees – internal	0	476	300	-776	**0**
Operating income	**17 273**	**4 627**	**563**	**-479**	**21 984**
Operating expenses	-6 193	-3 694	0	476	**-9 411**
General administrative exps.	-46	0	-2 657	3	**-2 700**
Operating expenses	**-6 239**	**-3 694**	**-2 657**	**479**	**-12 111**
Operating result (EBITDA)	**11 034**	**933**	**-2 094**	**0**	**9 873**
Depreciations on fixed assets	-4 582	-45	-59	0	**-4 686**
Impairment of ships	-31 847	0	0	0	**-31 847**
Operating result	**-25 395**	**888**	**-2 153**	**0**	**-26 660**
Financial income	0	14	15	0	**29**
Financial expenses	-2 403	-66	-873	0	**-3 342**
Result before tax	**-27 798**	**836**	**-3 011**	**0**	**-29 973**
Tax	0	-177	0	0	**-177**
Net result	**-27 798**	**659**	**-3 011**	**0**	**-30 150**
Hereof non-controlling interests	0	109	0	0	**109**
Hereof majority interests	-27 798	550	-3 011	0	**-30 259**
Assets	94 149	3 570	5 529	0	**103 249**
Liabilities	65 364	1 866	1 186	0	**68 417**
Cash flow from operating activities	8 675	906	-2 259	0	**7 322**
Cash flow from investing activities	-2 703	0	-10	0	**-2 713**
Cash flow from financing activities	-5 730	1 407	0	0	**-4 323**

Notes to the consolidated accounts

NOTE 5
LEASE AGREEMENTS

LEASE OBLIGATIONS

Belships ASA entered on 25 September 2015 into a sale and lease back agreement for M/S Belforest. The bareboat period is 12 years with purchase options from year 3 onwards.
M/S Belisland, a 61 000 dwt Ultramax bulk carrier, was constructed at Imabari Shipbuilding in Japan and delivered 15 March 2016. The ship was at time of delivery sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards.
Both leases are considered as financial leases.
In January 2018 Belships will take delivery of a newbuilding on time charter for 8 years incl. purchase option. The newbuilding is an 63 000 dwt eco-design Ultramax bulk carrier from Imabari Shipbuilding in Japan.

Payment if options on financial leased ships is exercised
If the Company has an option to purchase a ship at a price, which at the inception of the lease is expected to be significant lower than the fair value at the date the option becomes exercisable, the lease payments comprise the payment required to exercise the option. Hence, the lease liabilities recorded in the balance sheet consist of one part which is deemed hire payments and one part which is the payment required if the option to purchase the ship should be exercised. The table below provides an overview of the split between hire payments and payments required if the option is exercised.

NET PRESENT VALUE OF LEASE LIABILITY	< 1 YR	1-5 YR	> 5 YR	TOTAL
Maturity of financial lease liability	2 435	14 788	11 174	28 397
Whereof payments of purchase option	0	0	16 250	16 250
Hire obligation under financial lease	**2 435**	**14 788**	**27 424**	**44 647**

CONTRACTED TIME CHARTER REVENUE

M/S Belstar, M/S Belnor and M/S Belocean has been on 10-years time charters to Canpotex Shipping Services Ltd from time of delivery from yard in 2009, 2010 and 2011 respectively, at a net rate of USD 16 000 per day. There is no option to charter beyond this period.
On 25 February 2016, M/S Belocean ended her contract with Canpotex. The ship was replaced by the newbuilding M/S Belisland at a net rate of USD 17 300 per day with effect from time of delivery 15 March 2016 until the expiry of the remaining 5 year period. Cargill chartered from end of February 2016 M/S Belocean for 10-15 months at an average net rate of USD 3 750 per day.
M/S Belforest is chartered to Cargill unto May 2017 with charterers option for additional 4 months at a net rate of USD 5 775 per day.

AS AT 31 DECEMBER 2016	< 1 YR	1-5 YR	> 5 YR	TOTAL
Contracted timecharter revenue	19 446	43 316	0	62 762
Commitments related to long-term leased ships	4 909	19 650	37 210	100 486

AS AT 31 DECEMBER 2015	< 1 YR	1-5 YR	> 5 YR	TOTAL
Contracted timecharter revenue	21 199	60 461	1 070	82 730
Commitments related to long-term leased ships	2 306	23 726	39 680	65 712

Lease obligations are nominal amounts.

NOTE 6
OTHER GENERAL ADMINISTRATIVE EXPENSES

OTHER GENERAL ADMINISTRATIVE EXPENSES	2016	2015
Office expenses	**204**	197
Furniture, office supplies	**66**	82
Travelling, entertainment costs	**117**	86
Other services	**217**	228
Other general administrative expenses	**271**	174
Total administrative expenses Norwegian companies	**874**	767

NOTE 7
SHIPS AND OTHER FIXED ASSETS

	2016					2015				
		Ships					Ships			
	New-buildings	Ships excl. dry dock	Capital. costs dry dock	Total	Other fixed assets	New-buildings	Ships excl. dry dock	Capital. costs dry dock	Total	Other fixed assets
Cost per 1 January	8 475	145 490	3 709	149 199	**4 920**	14 125	118 756	954	119 710	4 896
Additions	20 531	22 740	1 140	23 880	183	22 600	26 734	2 755	29 489	71
Disposals	-29 006	0	0	0	-140	-28 250	0	0	0	-47
Cost per 31 Desember	**0**	**168 230**	**4 849**	**173 079**	**4 963**	**8 475**	**145 490**	**3 709**	**149 199**	4 920
Depreciations per 1 Jan.	4 250	60 381	1 088	61 469	3 565	0	30 467	324	30 791	3 490
Depreciation for the year	0	3 701	1 077	4 778	123	0	3 817	764	4 581	105
Impairment	0	13 823	0	13 823	0	5 750	26 097	0	26 097	0
Disposals	-4 250	0	0	0	-131	-1 500	0	0	0	-30
Deprec. as at 31 Dec.	**0**	**77 905**	**2 165**	**80 070**	**3 556**	**4 250**	**60 381**	**1 088**	**61 469**	**3 565**
Book value per 31 Dec.	**0**	**90 325**	**2 684**	**93 009**	**1 407**	**4 225**	**85 109**	**2 621**	**87 730**	**1 355**
Other fixed assets	0	0	0	0	276	0	0	0	0	320
Book value at 31 Dec.	**0**	**90 325**	**2 684**	**93 009**	**1 683**	**4 225**	**85 109**	**2 621**	**87 730**	**1 675**

SPESIFICATION OF THE GROUP'S SHIPS

SHIP	BUILT YEAR	OWNERSHIP	COST PRICE	ORDINARY DEPRECIATIONS	IMPAIRMENTS	CAPITALISED DRYDOCK EXPS.	BOOK VALUE
M/S Belstar	2009	100 %	40 542	-9 795	-13 135	185	17 797
M/S Belnor	2010	100 %	39 891	-8 874	-10 643	325	20 699
M/S Belocean	2011	100 %	38 317	-6 918	-20 387	741	11 753
M/S Belforest	2015	BBC	26 734	-918	-6 609	675	19 882
M/S Belisland	2016	BBC	22 740	-620	0	758	22 878
Total fleet			**168 224**	**-27 125**	**-50 774**	**2 684**	**93 009**

M/S Belstar, M/S Belnor and M/S Belocean (until mid February 2016) have continued the long-term contracts to Canpotex Shipping Services Ltd of Canada. In February 2016 M/S Belocean was fixed to Cargill International S.A of Switzerland for 10-15 month period. The ships have operated satisfactorily over the year. The three supramaxes are owned by the Group and reference is made to note 13 regarding financing.

M/S Belisland was delivered 15 March 2016. The remaining newbuilding commitment amounting to USD 19.8 million was paid at time of delivery. The ship was at time of delivery sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards. The sale generated a loss amounting to USD 1.1 million. The lease transaction is considered as a financial lease. The ship was chartered to Canpotex for 5 years from delivery.

M/S Belforest is leased for a period of 12 years with purchase options from year 3 onwards. The ship is chartered to Cargill unto mid of May 2017 with charterers option of further 4 months.

The counterparty risk with the charterers is considered to be low. The operating result is impacted by a provision of USD 0.4 million for unfavourable timecharter contracts for M/S Belocean and M/S Belforest.

IMPAIRMENT TESTS

Impairment tests for the company's assets are performed in accordance with IAS 36. Due to the declining dry bulk market (charter rates/ship values), Belships has had several impairment indicators in 2016, accordingly impairment tests have been performed every quarter. The impairment tests led to an impairment charge of USD 13.8 (31.8) million in 2016. The method and estimates applied in the impairment test is described in note 3.

For calculations of the net present value of the estimated fair value of the remaining 3-5 years charter, the Group has calculated the variance between the contractual rate and the current observable market rate for similar ships 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 5-year LIBOR at 1.75%, and the margin was fixed at 4% which is approximately equal to margin on external loan and implicit interest on the lease agreement. 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.
For ships where the Group has entered into sale & leaseback agreements, the implied price in the agreement has also been taken into consideration in the impairment test.
The Company's impairment model has taken into consideration market expectations of future development in the dry bulk market. If the market continue to further detoriate, or the period until recovery is prolonged, additional impairment can be expected.

The table below shows sensitivity in the impairment tests of the ships.

SENSITIVITY ANALYSIS	BELSTAR	BELNOR	BELOCEAN	BELFOREST	BELISLAND	TOTAL
Change in market value of the ships (incl. c/p agreements) when:						
WACC increase with 1%	-98	-149	0	0	-207	-454
WACC decrease with 1%	99	154	0	0	213	466
Market rate increase 5% and ship values increase 2.5%	-52	-97	297	500	-29	619
Market rate decrease 5% and ship values decrease 2.5%	52	97	-297	-500	29	-619

If the general charter rate increase more than expected in the company's impairment model, this will have a negative impact on the net present value on ships currently trading on long favorable charters, but partly offset by an increase in underlying broker values on the Company's ships. For ships without a long favorable charter, an increase in market value will have positive effect. If the general charter rate decrease more than expected, this will have a negative impact and additional impairment based on underlying broker values.

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 expenses are depreciated until 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.

NOTE 8
SPECIFICATIONS OPERATING EXPENSES AND OTHER FINANCIAL ITEMS

	2016	2015
Ship operating expenses		
Crew expenses	**4 568**	3 121
Maintenance and spare parts	**1 968**	1 426
Insurance	**872**	675
Other ship operating expenses	**789**	495
Total ship operating expenses	**8 197**	**5 717**

The increase from 2015 to 2016 is due to delivery of M/S Belisland in March 2016.

Operating expenses ship management		
Administration costs	**2 302**	2 448
General & selling expenses	**612**	622
Fixed costs	**492**	624
Total operating expenses ship management	**3 405**	**3 694**

Other financial items		
Net unrealised gain/(loss) on interest swaps	**278**	-87
Borrowing costs	**-740**	-426
Other financial items	**-299**	-161
Total other financial items	**-761**	**-674**

NOTE 9
SALARIES, NUMBER OF EMPLOYEES

	2016	2015
Salaries	**1 204**	1 303
Social security tax	**217**	260
Pension expenses	**140**	142
Other allowances	**98**	228
Total payroll expenses Norwegian companies	**1 659**	1 933

Average number of office staff in 2016 was 63 (2015: 63) of which 8 in the Norwegian companies.

Loans to employees are specified in note 13. Loans to members of the management amounted to 64 (62) at yearend.

REMUNERATION	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
2016			
Salaries	367	175	206
Pension expenses (defined contribution)	19	19	19
Other remuneration	49	21	23
2015			
Salaries	362	178	209
Pension expenses (defined contribution)	19	19	19
Other remuneration	64	23	24

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

BONUS
No bonus scheme was adopted for 2016. Nor for 2017.

SHARE OPTIONS
The Chief Executive Officer has a separate option scheme. For 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
The Board has received 77 in remuneration in 2016, divided into 19 to the Chairman and 14 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 11 in remuneration in 2016, divided into 5 to the Chairman and 3 to each of the other members. The remunerations are paid in NOK and was unchanged from 2015.

THE GROUP'S FEES TO THE AUDITOR (EXCLUDING VAT)	2016	2015
Remuneration for audit services	**58**	65
Other assurance services	**22**	0
Assistance related to tax	**9**	11
Other audit related assistance	**10**	14
Total	**99**	89

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 126 (128) in 2016.

Sonata AS issued in 2016 an on-demand guarantee amounting to USD 5 million to the lender. The guarantee carries a commission of 5% which amounted to 252 in 2016.

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 amounted to 64 (62) as at 31 December 2016.

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)	2016	2015
Average number of issued shares	**46 804 000**	46 804 000
Average number of options outstanding	**400 000**	400 000
Diluted average issued number of shares	**47 204 000**	47 204 000

EARNINGS PER SHARE		
Net result for the year	**-14 593**	-30 150
Earnings per share (US cent)	**-31.18**	-64.42
Diluted earnings per share (US cent)	**-31.18**	-64.42

Notes to the consolidated accounts

NOTE 12
TAXES

	2016	2015
Income tax expense	**174**	177

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 and jurisdiction are assessed and the amount recorded net.

RECONCILIATION OF THE YEAR'S INCOME TAX EXPENSE	2016	2015
Result for the year before tax	**-14 419**	-29 973
Statutory tax rate (Norway)	**25 %**	25 %
Estimated tax expense at statutory rate	**-3 605**	-7 493
Non tax deductible expenses	**107**	7 960
Change in temporary differences	**313**	355
Non taxed shipping income in Singapore	**1 969**	-1 113
Difference between Norwegian and Singapore regional national tax	**-70**	-32
Tax effect of deferred tax asset not recorded in the balance sheet including exchange rate effect	**1 460**	500
Total income tax expense/(income)	**174**	177

TAX LOSS CARRIED FORWARD

The Group had a tax loss carried forward of USD 58.5 million as at 31 December 2016 (2015: USD 46.7 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.

Future tax payable in the Group is expected to be low, due to AIS registration in Singapore and tax losses in Norway.

DEFERRED TAX PER 31 DECEMBER	2016	2015
Temporary differences		
Deferred sales gain/(loss)	**-829**	0
Accruals	**2 116**	1 010
Pensions	**-648**	-796
Total temporary differences	**639**	214
Tax loss carried forward	**-58 469**	-46 688
Net temporary differences	**-57 830**	-47 964
Nominal tax rate on deferred tax	**24 %**	25 %
Deferred tax assets	**-13 879**	-11 618
Deferred tax assets recognised in the Balance sheet	**0**	0
Deferred tax assets not recognised in the Balance sheet	**-13 879**	-11 618

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

NOTE 13
RECEIVABLES AND LIABILITIES

RECEIVABLES DUE LATER THAN 12 MONTHS	2016	2015
Loans to employees 1)	**178**	195
Other long-term receivables	**5**	5
Total long-term receivables	**183**	200

1) The average interest rate used for loans to employees was 2.28% (2.72%) in 2016. The repayment period is five years.

MORTGAGE DEBT

In 2014 Belships entered into a long-term financing agreement for M/S Belstar, M/S Belnor and M/S Belocean. The 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 110% 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.
The ship values have dropped significantly during the last two years. In order to avoid breach of loan covenants, Belships received a revised waiver from ship mortgage lender in November 2016. Main terms in the waiver period until 1 January 2018 are as follows: Minimum cash USD 5.0 million including restricted cash of USD 3.0 mill, minimum value 100% incl. restricted cash, minimum value adjusted equity of 20% and on-demand guarantee from main shareholder of USD 5 million. All the covenants were fulfilled as at 31 December 2016. The market value of the ships were 101% of the outstanding loan balance at year-end.

BAREBOAT COMMITMENT

Belships ASA entered in 2015 into a lease agreement for M/S Belforest. The bareboat period is 12 years with purchase options from year 3 onwards.
M/S Belisland was delivered 15 March 2016. Remaining newbuilding commitment amounting to USD 19.8 million was paid upon delivery. At time of delivery the ship was sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards.
Both leases are considered as financial leases.

REPAYMENT SCHEDULE	2017	2018	2019	2020	SUBSEQ	TOTAL
Mortgage debt	5 000	5 000	5 000	5 000	16 250	36 250
Obligation under finance leases	1 836	1 994	2 163	2 350	36 304	44 647
Total	**6 836**	**6 994**	**7 163**	**7 350**	**52 554**	**80 897**

INTEREST SWAP AGREEMENTS

Belships has an interest swap agreement with a fixed interest rate at 2.2% with a remaining duration of 1.5 years covering USD 10 million, reducing by USD 5 million per year. Another interest swap agreement started in September 2015 at a rate of 1.9% and with a duration of 5 years covering USD 19 million, reducing by USD 2 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.

NOTE 14
INVESTMENTS AND GROUP COMPANIES

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 management	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	60 %

INVESTMENT IN ASSOCIATED COMPANIES	BUSINESS LOCATION	OWNERSHIP/ VOTING PERCENTAGE
Belships (Myanmar) Shipmanagement Limited	Myanmar	40 %
Belchem Philippine Incorporation	Philippine	24 %
CST Belchem Singapore Pte Ltd	Singapore	20 %

NOTE 15
BANK DEPOSITS

The Group's bank balance amounted to 7 918 (7 993) at year-end. Restricted cash amounted to 3 203 (1 996), of which 3 000 (1 450) were related to deposit to external loan, 125 (458) to swap clearing account and 77 (88) to withholding tax employees.

Notes to the consolidated accounts

NOTE 16
OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2015, the Board was authorised to issue up to 200 000 share options to employees. The option price was 105% of closing share 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 3.89 was awarded in August 2015. No options have been exercised.
At the AGM in 2016, the Board was authorised to issue up to 200 000 share options to employees. The option price is 105% of closing share 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 3.11 was awarded in August 2016.

Both option programs require a service period of 12 months before they can be exercised. The option can be exercised after one year from the date of the AGM which approved the option program and runs unto the date of the next AGM. The option programs include all employees in the parent company. The employees must be employed in the company at the time when the options can be exercised in order to have a right to exercise them.

SUMMARY OF OUTSTANDING OPTIONS	2016	2015
Outstanding 1 January	**400 000**	200 000
Awarded	**200 000**	200 000
Exercised	**0**	0
Not exercised	**-200 000**	0
Outstanding 31 December	**400 000**	400 000

Market value of options estimated using the Black and Scholes options pricing model. For the options awarded in 2015 and 2016 the market value per share was NOK 0.75 and NOK 0.60 respectively. The market value of outstanding share options are calculated at time of award and charged against profit and loss over the period until they can be exercised. In 2016 the calculated costs amounted to 9 and 7 for the 2015- and 2016-options respectively.

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 39.0%.
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. 0.53% for 2016.
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 a separate 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 5.00, of which:

- 500 000 shares may be subscribed for if the company's market value exceeds NOK 300 million (Sub-option A).
- The remaining 1.5 million shares may be subscribed for if the company's market value exceeds NOK 750 million (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 2018, while sub-option B expires 30 June 2020.
In 2016 the calculated cost for this option amounted to 15.

NOTE 17
PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme, which is in line with the occupational pension scheme for employees in Norway in accordance with the Act on Mandatory occupational pensions. 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 121 (120) in 2016. Pension costs in Singapore is reclassified as operating expenses ship management and amounted to 210 (227) in 2016.

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	2016	2015
Discount rate	**2.60 %**	2.70 %
Future wage adjustment	**2.50 %**	2.50 %
Pension adjustment/G-adjustment	**2.50 %**	2.50 %
Return on pension plan assets	**2.60 %**	2.70 %

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		
1 January	**796**	1 138
Interest cost	**19**	21
Benefits paid	**-229**	-226
Actuarial (gains)/losses on obligation	**39**	23
Currency exchange gain/(loss)	**23**	-160
31 December	**648**	796

PENSION EXPENSES IN CONSOLIDATED ACCOUNTS	2016	2015
Pension expenses defined benefit scheme	**19**	21
Pension expenses defined contribution scheme	**121**	120
Net pension expenses in consolidated accounts	**140**	141

Notes to the consolidated accounts

NOTE 18
SUBSEQUENT EVENTS

No material events have taken place after 31 December 2016.

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.

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 2016 distributed among 481 shareholders (2015: 451). 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 2016. 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 2016 the Board received authorisation to issue up to 4.7 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 25 April 2017 propose no payment of dividend (2016: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2016		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	31 747 492	67.05 %
2	Tidships AS	6 041 336	12.76 %
3	Skandinaviska Enskilda Banken AB	987 419	2.09 %
4	Belships ASA	498 000	1.05 %
5	Carlings AS	400 000	0.84 %
6	Colorado Eiendom AS	355 000	0.75 %
7	Tidinvest II AS	315 414	0.67 %
8	Jenssen & Co A/S	302 816	0.64 %
9	Chrem Capital AS	270 000	0.57 %
10	Jovoko AS	250 000	0.53 %
11	Toru Nagatsuka	250 000	0.53 %
12	Liv Søland	240 000	0.51 %
13	ASL Holding AS	225 000	0.48 %
14	AR Vekst AS	218 995	0.46 %
15	HKG Holding AS	212 779	0.45 %
16	JSL AS	211 000	0.45 %
17	Carl Erik Steen	207 203	0.44 %
18	Bernhard Kielland	200 000	0.42 %
19	Arne Risøy	138 651	0.29 %
20	Torstein Søland	130 000	0.27 %
Total 20 largest shareholders		43 201 105	91.23 %
Other shareholders		4 150 895	8.77 %
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 *	31 747 492	0
Christian Rytter	270 000	0
Carl Erik Steen	207 203	0
Other members	0	0

**) Includes shares held by Sonata AS, a company in which Sverre J. Tidemand controls the only share with voting rights.*

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

**) See note 16 for more information about separate share option plan.*

For changes in equity, see separate statement.

NOTE 21
CONTINGENCIES

The Board is not aware of any material disputes the company may be in involved in at 31 December 2016.

NOTE 22
FINANCIAL MARKET RISK

Financial market risk is considered to be the risk of changes in foreign exchange rates and interest rates 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

The long-term interest rate is at a historical low level. Belships strategy is to manage interest risk. Hedging the Group's interest exposure is considered on an ongoing basis. Entering into interest rate hedging agreements are based on developments in the interest rate market and internal analysis.

In August 2011 Belships entered into an interest rate swap agreement with 2 years forward start at 2.2%. Remaining duration is 1.5 years covering USD 10 million, reducing by USD 5 million per year. The market value of the agreement amounts to -123 at yearend (2015: -295). Another interest swap agreement with forward start was entered into in June 2015 at a rate of 1.9% and with a duration of 5 years covering USD 20 million, reducing by USD 2 million per year. Market value of this agreement amounts to -200 (-307) at yearend. The hedging level of interest rate exposure is currently around 85% (leases excluded). The market value of the agreements are recorded as long-term liability.
The Group has during the two last years entered into two financial lease agreements, which also limit the interest rate exposure as the interest rate is fixed throughout the period.

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	2016	2015
Change in the interest rate level in basis points	**-100/+100**	-100/+100
Effect on result before tax	**388/-388**	438/-438

AVERAGE EFFECTIVE INTEREST RATE ON DEBT (%)		
Mortgage debt	**3.72**	3.10

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%. Added value related to the long-term charter party for M/S Belisland is not included in the balance sheet. In addition an improved market is expected to increase the equity capital ratio up to 35%. The equity ratio is calculated by dividing the book equity to total assets as shown below:

	2016	2015
Total equity as at 31 December	**20 144**	34 831
Total assets	**105 612**	103 248
Equity ratio as at 31 December	**19 %**	34 %

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.

	2016	2015
Interest-bearing debt	**80 472**	63 264
Trade creditors	**256**	380
Cash reserves	**-7 918**	-7 993
Net debt	**72 810**	55 651
Equity	**20 144**	34 831
Total equity and net debt	**92 954**	90 482
Net debt ratio	**78 %**	62 %

LIQUIDITY RISK
The Group's solvency and financial position is considered to be satisfactory. The debt ratio increased in 2016 mainly due to delivery of new ship. Total current assets cover 97% of 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 ships are employed on long-term charter to Canpotex Shipping Services Ltd and to Cargill, which is considered to be solid and reputable counterparts.
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 Group had a cash balance of NOK 2.9 million, SGD 0.7 million and CNY 9.9 million. Belships has no currency hedge agreements as at 31 December 2016.
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 2016. Interest swap agreements 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.

	LOANS AND RECEIVABLES		CHANGE IN FAIR VALUE THROUGH PROFIT AND LOSS		AVAILABLE FOR SALE		TOTAL	
SUMMARY OF FINANCIAL ASSETS AND OBLIGATIONS *	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial assets								
Investments					**108**	152	**108**	152
Other long-term receivables	**183**	200					**183**	200
Trade debtors	**91**	4					**91**	4
Other receivables	**1 120**	1 269					**1 120**	1 269
Bank deposits	**7 918**	7 993					**7 918**	7 993
Financial obligations								
Mortgage debt	**-36 250**	-41 250					**-36 250**	-41 250
B/B commitment	**-44 647**	-22 497					**-44 647**	-22 497
Financial instruments			**-323**	-602			**-323**	-602
Trade creditors	**-256**	-380					**-256**	-380
Other short-term liabilities	**-2 231**	-1 847					**-2 231**	-1 847
Total	**-74 071**	-56 508	**-323**	-602	**108**	152	**-74 286**	-56 958

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

ASSETS AND OBLIGATIONS MEASURED AT FAIR VALUE	LEVEL 1 2016	LEVEL 1 2015	LEVEL 2 2016	LEVEL 2 2015	LEVEL 3 2016	LEVEL 3 2015	TOTAL 2016	TOTAL 2015
Financial investments					**108**	152	**108**	152
Interest agreements			**-323**	-602			**-323**	-602
Total			**-323**	-602	**108**	152	**-215**	-450

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	2016	2015
Mortgage debt	-36 250	-41 250
B/B commitment	-44 647	-22 497
Total	**-80 897**	**-63 747**

The fair value of credit facilities and obligations under fiancial leases is estimated by discounting future cash flows using rates currently available for debt on similar items. The obligations under financial leases as of 31 December 2016 reflects best timing estimate of declaring purchase options. Further, the lease agreements are newly entered into, and there has not been any significant changes in the credit risk of the Group. Fair value of the obligations under financial leases are therefore not considered to be materially different from book value as of the reporting date. Based on the discussions Belships have had with its lender over the last year related to amendment of the loan agreement, the Group has not made observations indicating that there has been any significant difference between the fair value and carrying amount except for un-amortised loan transaction costs.

Belships ASA income statements

1 JANUARY – 31 DECEMBER/ NOK 1 000	NOTE	2016	2015
Operating income			
Freight income	2	**73 550**	6 457
Other operating income	10	**4 773**	3 986
Total operating income		**78 323**	10 443
Operating expenses			
T/C hire	2	**-42 529**	0
Ship operating expenses	9	**-24 257**	-3 922
Payroll expenses	10	**-13 933**	-14 612
Other general administrative expenses	11	**-6 793**	-6 641
Depreciation of fixed assets	2	**-14 065**	-2 914
Impairment of fixed assets	2	**-34 717**	-48 357
Total operating expenses		**-136 295**	-76 446
Operating result before sale of ship a.o.		**-57 971**	-66 003
Loss on sale of ship/effect on onerous contracts	2	**-31 108**	0
Operating result		**-89 079**	-66 003
Financial income and expenses			
Share dividend	8	**3 113**	17 496
Interest income		**71**	120
Interest expenses	12	**-26 758**	-6 223
Interest expense on loan to subsidiary	4	**-131**	-150
Write-down on shares in subsidiary	8	**-34 382**	0
Other financial items	9	**3 646**	7 842
Currency exchange gain/-loss	9	**-303**	10 806
Net financial items		**-54 744**	29 891
Net result before tax		**-143 824**	-36 111
Income tax expense	16	**0**	0
Net result for the year		**-143 824**	-36 111
Appropriations of net result:			
Transfer from/(to) other retained earnings		**143 824**	36 111
Total		**143 824**	36 111

Belships ASA balance sheets

AS AT 31 DECEMBER/ NOK 1 000	NOTE	2016	2015
FIXED ASSETS			
Tangible fixed assets			
Ships	2	**368 567**	215 036
Instalments newbuildings	2	**0**	37 218
Prepaid time charter hire	2	**12 930**	0
Other fixed assets	2	**5 745**	5 329
Total tangible fixed assets		**387 242**	257 583
Financial fixed assets			
Shares in subsidiaries	8	**207 136**	241 518
Other shares		**141**	141
Other long-term receivables	12	**1 581**	1 764
Total financial assets		**208 858**	243 423
Total fixed assets		**596 100**	501 006
CURRENT ASSETS			
Other receivables		**4 702**	4 904
Cash and cash equivalents	5	**4 962**	35 922
Total current assets		**9 664**	40 826
Total assets		**605 764**	541 832
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		**106 727**	106 463
Total paid-in capital		**293 668**	293 404
Retained earnings			
Other equity		**-117 116**	27 044
Total equity	6	**176 551**	320 448
LIABILITIES			
Long-term liabilities			
Bareboat commitment	12	**369 032**	190 586
Provision for losses on contracts	2	**17 612**	0
Pension obligations	7	**5 583**	7 008
Financial instruments	14	**1 480**	2 400
Intercompany balances	4	**5 848**	5 764
Total long-term liabilities		**399 556**	205 758
Short-term liabilities			
Bareboat commitment, current portion	12	**15 326**	6 060
Public taxes and duties payable		**2 447**	1 392
Trade creditors		**281**	788
Intercompany balances	4	**4 546**	6 126
Other short-term liabilities		**7 056**	1 260
Total short-term liabilities		**29 657**	15 626
Total liabilities		**429 213**	221 384
Total equity and liabilities		**605 764**	541 832

OSLO, 16 MARCH 2017

BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter Board member	Kjersti Ringdal Board member
Sissel Grefsrud Board member	Carl Erik Steen Board member	Bernt Ulrich Müller Chief Executive Officer

Belships ASA cash flow statements

1 JANUARY – 31 DECEMBER/ NOK 1 000	NOTE	2016	2015
CASH GENERATED FROM OPERATIONS			
Net result before tax		**-143 824**	-36 111
Adjustments to reconcile result before tax to net cash flows:			
Depreciation of fixed assets	2	**14 065**	2 914
Impairment of tangible fixed assets	2	**34 717**	48 357
Gain/loss from sale of fixed assets	2	**31 108**	0
Share-based payment transaction expense	3	**263**	223
Difference between pension expenses and paid pension premium	7	**-1 761**	-1 654
Change in pension contribution and premium fund		**0**	24
Net financial items		**54 744**	-29 891
Working capital adjustments:			
Change in trade debitors and trade creditors		**-507**	89
Change in intercompany balances		**-1 495**	-23 594
Change in other short-term items		**2 656**	-2 585
Interest received		**71**	120
Interest paid		**-26 889**	-3 803
Net other financial items		**3 852**	-8 355
Net cash flow from operations		**-33 000**	-54 266
CASH FLOW FROM INVESTING ACTIVITIES			
Investment newbuildings		**-174 043**	-45 568
Investments in fixed assets	2	**-1 426**	-88
Sale proceeds from fixed asset disposals	2	**202 204**	51 235
Dividends/Group contribution received	8	**3 113**	17 496
Repayment share capital subsidiary	8	**0**	40 284
Change in other investments		**-12 747**	397
Net cash flow from investing activities		**17 101**	63 756
CASH FLOW FROM FINANCING ACTIVITIES			
Instalments b/b commitments		**-15 061**	-1 427
Net cash flow from financing activities		**-15 061**	-1 427
Net change in cash and cash equivalens		**-30 960**	8 063
Cash and cash equivalents at 1 January		**35 922**	27 859
Cash and cash equivalents at 31 December	5	**4 962**	35 922
Restricted bank deposits	5	**1 749**	4 812

Notes to the Belships ASA accounts

NOTE 1
ACCOUNTING POLICIES

Belships is owner and operator of dry bulk ships on long-term charter to reputable customers. 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 16 March 2017.

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. Other assets inclusive accounts receivable within 12 months are 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 included in the balance sheets 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 company records previously unrecorded 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 booked directly against equity to the extent the tax items relate to equity transactions.

C) 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 income statement. 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 income statement, 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.
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.

D) IMPAIRMENT OF ASSETS

At the end of each quarter, every ship is assessed for impairment indicators. 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 Company. 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 income statement.
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 income statement. 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 income statement, the impairment loss will be reversed over the income statement.
Impairment loss for an investment in an equity instrument classified as held for sale, will not be reversed over the income statement.

E) LEASING

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. Leases are classified as financial leases if the terms of the lease agreement transfers substantially all the risks and rewards incidental to ownership of an asset. All other leases are classified as operating lease.
Assets financed under financial leases are capitalized at inception of the lease at the fair value of the leased vessel or, if lower, at the present value of the minimum lease payments. The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are split between interest cost and reduction of the lease liability. Interest cost is recognized in the income statement.
Financial leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. For operating leases, the payments (time charter hire or bareboat hire) are recognized as an expense on a straight line basis over the term for the lease.

F) INVESTMENTS IN OTHER COMPANIES

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

G) ACCOUNTS RECEIVABLE

Accounts receivable are booked at nominal amount less expected loss.

H) 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.

I) 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 fulfilled 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.

J) 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.

K) PROVISIONS

A provision is recorded 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 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.

L) 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.

M) 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.

N) CONTINGENT GAINS AND LOSSES

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

O) RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out at market terms. See note 15 for further information.

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 revealed if significant.

Q) 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 and 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.

R) 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.

S) 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.

T) FINANCIAL INSTRUMENTS

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

Notes to the Belships ASA accounts

NOTE 2
FIXED ASSETS

2016	Newbuilding	Ships			Other fixed assets		
		Ship excl. dry docking costs	Capitalised dry dock.costs	Total ships	Depreciable assets	Non depreciable assets	Total other fixed assets
Cost price							
As at 1 January	55 521	228 067	7 678	235 745	16 867	4 113	20 980
Additions	174 043	194 055	7 680	201 735	1 426	0	1 426
Disposals	-229 564	0	0	0	-1 209	0	-1 209
As at 31 December	**0**	422 122	15 358	**437 480**	17 084	4 113	**21 197**
Depreciations							
As at 1 January	18 303	20 325	384	20 709	15 151	500	15 651
Depreciation for the year	0	10 798	2 689	13 487	579	0	579
Impairment	0	34 717	0	34 717	0	0	0
Disposals	-18 303	0	0	0	-778	0	-778
As at 31 December	**0**	65 840	3 073	**68 913**	14 952	500	**15 452**
Book value at 31 December	**0**	356 282	12 285	**368 567**	2 132	3 613	**5 745**

2015	Newbuilding	Ships			Other fixed assets		
		Ship excl. dry docking costs	Capitalised dry dock.costs	Total ships	Depreciable assets	Non depreciable assets	Total other fixed assets
Cost price							
As at 1 January	84 880	0	0	0	16 799	4 093	20 892
Additions	190 169	228 067	7 678	235 745	68	20	88
Disposals	-219 528	0	0	0	0	0	0
As at 31 December	**55 521**	228 067	7 678	**235 745**	16 867	4 113	**20 980**
Depreciations							
As at 1 January	0	0	0	0	14 676	0	14 676
Depreciation for the year	0	2 056	384	2 440	475	0	475
Impairment	30 088	18 269	0	18 269	0	500	500
Disposals	-11 785	0	0	0	0	0	0
As at 31 December	**18 303**	20 325	384	**20 709**	15 151	500	**15 651**
Book value at 31 December	**37 218**	207 742	7 294	**215 036**	1 716	3 613	**5 329**

M/S BELISLAND

M/S Belisland, a 61 000 dwt Ultramax bulk carrier, was constructed at Imabari Shipbuilding in Japan and delivered 15 March 2016. Remaining newbuilding commitment amounting to USD 19.8 million (NOK 174 million) was paid upon delivery. The ship was at time of delivery sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards. The sale generated a loss amounting to NOK 9.1 million. The lease transaction is considered as a financial lease. The ship is chartered to Canpotex for 5 years.

M/S BELFOREST

M/S Belforest, a 61,000 dwt Ultramax bulk carrier was delivered on 25 September 2015 and is leased for a period of 12 years with purchase options from year 3 onwards. The transaction is considered as a financial lease. The ship is chartered to Cargill unto late of

May 2017 with charterers option of further 4 months, at charter rate of around USD 6,000 per day. A provision of NOK 0.7 million are entered for the timecharter agreement with Cargill.

Net impairment for M/S Belisland and M/S Belforest amounting to NOK 34.7 million in 2016. See note 7 in the consolidated accounts regarding impairment.

M/S BELOCEAN

M/S Belocean, owned by Belships Supramax Singapore (BSS), ended her charter with Canpotex on 25 February 2016 and was further chartered by Cargill for 10-15 months at an average net rate of USD 3,750 per day. The charter agreement with Cargill was done with Belships ASA which at same time entered into a timecharter agreement with BSS. The timecharter rate on the agreement with BSS amounts to USD 16,000 per day.

A provision of NOK 21.3 million is recorded as estimated net loss on the timecharter agreements for M/S Belocean and M/S Belisland.

PREPAYMENT OF TIMECHARTER HIRE

Prepayment of timecharter hire amounting to USD 1.5 million is related to the newbuilding with delivery in January 2018.

OTHER FIXED ASSETS

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.

NOTE 3
OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2015, the Board was authorised to issue up to 200 000 share options to employees. The option price was 105% of closing share 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 3.89 was awarded in August 2015. No options have been exercised.
At the AGM in 2016, the Board was authorised to issue up to 200 000 share options to employees. The option price is 105% of closing share 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 3.11 was awarded in August 2016.

Both option programs require a service period of 12 months before they can be exercised. The option can be exercised after one year from the date of the AGM which approved the option program and runs unto the date of the next AGM. The option programs include all employees in the parent company. The employees must be employed in the company at the time when the options can be exercised in order to have a right to exercise them.

SUMMARY OF OUTSTANDING OPTIONS	2016	2015
Outstanding 1 January	**400 000**	200 000
Awarded	**200 000**	200 000
Exercised	**0**	0
Not exercised	**-200 000**	0
Outstanding 31 December	**400 000**	400 000

Market value of options estimated using the Black and Scholes options pricing model. For the options awarded in 2015 and 2016 the market value per share was NOK 0.75 and NOK 0.60 respectively. The market value of outstanding share options are calculated at time of award and charged against profit and loss over the period until they can be exercised. In 2016 the calculated costs amounted to 74 and 64 for the 2015- and 2016-options respectively.

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 39.0%.
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. 0.53% for 2016.
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 a separate 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 5.00, of which:

- 500 000 shares may be subscribed for if the company's market value exceeds NOK 300 million (Sub-option A).
- The remaining 1.5 million shares may be subscribed for if the company's market value exceeds NOK 750 million (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 2018, while sub-option B expires 30 June 2020. The calculated cost for this option amounted to 125 in 2016.

NOTE 4
INTERCOMPANY BALANCES

No interest is calculated on short-term intercompany accounts as these items are only considered as ordinary operating balances. 131 (2015: 150) are paid to a subsidiary related to long-term intercompany accounts of 5 848 (5 764) at yearend.

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

NOTE 5
BANK DEPOSITS

Total bank deposit amounted to 4 962 (35 922) at year-end. Restricted funds for withholding tax for employees amounted to 668 (773) and other restricted deposits amounted to 1 081 (4 039) as at 31 December 2016.

Notes to the Belships ASA accounts

NOTE 6
EQUITY

	PAID-IN				RETAINED	
	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM RESERVES	OTHER EQUITY	OTHER EQUITY	TOTAL
Equity per 31 December 2015	94 704	-1 096	93 333	106 463	27 044	**320 448**
Actuarial (gains)/losses on obligation	0	0	0	0	-336	**-336**
Share-based payments	0	0	0	263	0	**263**
Result for the year	0	0	0	0	-143 824	**-143 824**
Equity per 31 December 2016	94 704	-1 096	93 333	106 726	-117 116	**176 551**

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2016 distributed among 481 shareholders (2015: 451). 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 2016. 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 2016 the Board received authorisation to issue up to 4.7 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 25 April 2017 propose no payment of dividend (2016: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2016		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	31 747 492	67.05 %
2	Tidships AS	6 041 336	12.76 %
3	Skandinaviska Enskilda Banken AB	987 419	2.09 %
4	Belships ASA	498 000	1.05 %
5	Carlings AS	400 000	0.84 %
6	Colorado Eiendom AS	355 000	0.75 %
7	Tidinvest II AS	315 414	0.67 %
8	Jenssen & Co A/S	302 816	0.64 %
9	Chrem Capital AS	270 000	0.57 %
10	Jovoko AS	250 000	0.53 %
11	Toru Nagatsuka	250 000	0.53 %
12	Liv Søland	240 000	0.51 %
13	ASL Holding AS	225 000	0.48 %
14	AR Vekst AS	218 995	0.46 %
15	HKG Holding AS	212 779	0.45 %
16	JSL AS	211 000	0.45 %
17	Carl Erik Steen	207 203	0.44 %
18	Bernhard Kielland	200 000	0.42 %
19	Arne Risøy	138 651	0.29 %
20	Torstein Søland	130 000	0.27 %
Total 20 largest shareholders		43 201 105	91.23 %
Other shareholders		4 150 895	8.77 %
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 *	31 747 492	0
Christian Rytter	270 000	0
Carl Erik Steen	207 203	0
Other members	0	0

**) Includes shares held by Sonata AS, a company in which Sverre J. Tidemand controls the only share with voting rights.*

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

**) See note 3 for more information about separate share option plan.*

NOTE 7
PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme, which is in line with the occupational pension scheme for employees in Norway in accordance with the Act on Mandatory occupational pensions. 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 1 011 in 2016 (2015: 968).

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.

	2016	2015
Assumptions		
Discount rate	**2.60 %**	2.70 %
Future wage adjustment	**2.50 %**	2.50 %
Pension adjustment/G-adjustment	**2.50 %**	2.50 %
Return on pension plan assets	**2.60 %**	2.70 %
Composition of the net pension obligations per 31 December		
Net pension obligations as at 1 January	**7 008**	8 458
Interest on accrued pension obligations	**163**	174
Employer benefits paid	**-1 925**	-1 827
Actuarial (gains)/losses on obligation	**337**	203
Net pension obligations as at 31 December	**5 583**	7 008

NET PENSION EXPENSES	2016	2015
Pension expenses defined benefit scheme	**163**	174
Pension expenses defined contribution scheme	**1 011**	968
Total pension expenses	**1 174**	1 142

NOTE 8
SHARES

	BUSINESS OFFICE	TIME OF PURCHASE	COST PRICE	OWNER-SHIP/ VOTING SHARE	COMPANY'S SHARE CAPITAL	NUMBER OF SHARES OWNED	PAR VALUE	BOOK-VALUE
Shares in subsidiaries								
Belships Management AS	Oslo	09.12.85	7 493	100 %	100	2	TNOK 50	657
Belships Management (Singapore) Pte Ltd 1)	Singapore	31.12.83	12 075	100 %	TSGD 60	60 000	SGD 1	12 076
Belships Supramax Singapore Pte Ltd 2)	Singapore	18.06.09	253 782	100 %	MSGD 58.5	58.5 mill.	SGD 1	189 000
Belships Chartering AS	Oslo	27.01.93	221 181	100 %	5 403	2 700	TNOK 2	5 403
Total								207 136

1) The company has provided dividend of 3 113 (17 496) in 2016

2) Book value of the shares is written-down with 34 382 in 2016, to be in line with booked equity in the subsidiary.

NOTE 9
SPECIFICATIONS

SHIP OPERATING EXPENSES	2016	2015
Crew expenses	**14 725**	2 071
Maintenance and spare parts	**3 977**	129
Insurance	**2 307**	397
Management fee	**2 039**	482
Other ship operating expenses	**1 209**	844
Total ship operating expenses	**24 257**	3 922

OTHER FINANCIAL ITEMS	2016	2015
Net guarantee commissions 1)	**-7 388**	-10 901
Financing costs	**3 270**	1 951
Other financial items	**473**	1 108
Net other financial items	**-3 646**	-7 842

1) The company is acting as a guarantor for the mortgage debt in the subsidiary Belships Supramax Singapore. A guarantee fee equal to 3% of loan balance amounting to 9 491 (10 901) has being charged in 2016.
Sonata AS issued in December 2015 an on-demand guarantee amounting to USD 5 million to the lender of the Group's mortgage debt. The guarantee carries an interest of 5% which amounted to 2 103 in 2016.

CURRENCY GAIN/(LOSS) IN INCOME STATEMENT	2016	2015
Realised currency exchange gain	**-37 184**	-26 598
Unrealised currency exchange gain	**-1 890**	0
Realised currency exchange loss	**35 868**	15 792
Unrealised currency exchange loss	**3 508**	0
Total	**303**	-10 806

Notes to the Belships ASA accounts

NOTE 10
SALARIES, NUMBER OF EMPLOYEES

SALARY EXPENSES	2016	2015
Salaries	**10 113**	10 505
Social security tax	**1 826**	2 096
Pension expenses	**1 174**	1 142
Other allowances	**819**	869
Total	**13 933**	14 612

Belships was charging the subsidiary Belships Management AS with a management fee amounting to 4 773 in 2016 (2015: 3 986).

The average number of employees in 2016 was 8 (2015: 8).

REMUNERATION TO THE MANAGEMENT	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
Salary	3 086	1 474	1 730
Share-based payment transaction expense	19	11	11
Pension expenses (defined contribution)	162	162	162
Other allowances	391	165	178

There exist no severance pay agreement.

SHARE OPTIONS

For information about share options, see note 3. The CEO has a separate option scheme that was approved in an extraordinary general meeting in June 2016. See note 3 for details.

BOARD REMUNERATION

Board members are not awarded share options. The Board has received 643 in remuneration in 2016 (2015: 643), divided into 161 to the Chairman and 120 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 90 in remuneration in 2016 (2015: 90), divided into 34 to the Chairman and 28 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)	2016	2015
Remuneration for audit services	**220**	220
Other assurance services	**38**	0
Assistance related to tax matters	**41**	51
Other audit related assistance	**0**	111

LOANS TO EMPLOYEES

Loans to employees amounted to 1 536 (1 719) as at 31 December 2016. Of this, 550 (548) to the management. See note 12 for further details regarding the loans.

NOTE 11
OTHER GENERAL ADMINISTRATIVE EXPENSES

	2016	2015
Office expenses	**1 712**	1 584
Other services	**1 692**	1 702
Data, office equipment a.o.	**552**	661
Communication, advertising	**301**	346
Travel expenses	**954**	691
Other general administrative expenses	**1 582**	1 657
Total	**6 793**	6 641

NOTE 12
RECEIVABLES AND LIABILITIES

BAREBOAT COMMITMENT

Belships ASA entered in 2015 into a lease agreement for M/S Belforest. The bareboat period is 12 years with purchase options from year 3 onwards.

M/S Belisland, a 61 000 dwt Ultramax bulk carrier, was constructed at Imabari Shipbuilding in Japan and delivered 15 March 2016. The remaining newbuilding commitment amounting to USD 19.8 million (NOK 174 million) was paid upon delivery. The ship was at time of delivery sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards.

Both leases are considered as financial leases. See note 13 in the consolidated accounts for repayment schedule.

INTEREST SWAP AGREEMENT

In 2015 Belships entered into an interest swap agreement at a rate of 1.9% and with a duration of 5 years covering USD 20 million, reducing by USD 2 million per year.

LOANS TO EMPLOYEES

Loans to employees amounted to 1 536 (1 719) as at 31 December 2016. The average interest rate used for the loans was 2.28% (2.72%) in 2016. The repayment period is five years.

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

NOTE 13
SUBSEQUENT EVENTS

No material events have taken place after 31 December 2016.

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 have been converted to NOK at currency rate 8.6200 (8.8090), which was Norges Bank's exchange rate at 31 December 2016. Income and expenses related to the ships occurs in USD. The company makes ongoing currency exchanges to cover the administrative expenses in NOK. At year end the company had a cash balance of NOK 2.9 (3.8) million.

No hedging agreement towards NOK are concluded.

The company does not use hedge accounting.

INTEREST SWAP AGREEMENT

An interest swap agreement was entered into in 2015 at a rate of 1.9% and with a duration of 5 years covering USD 20 million, reducing by USD 2 million per year. Market value of this agreement amounts to -1 480 (-2 400) at year end and is recorded as long-term liability.

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.

NOTE 15
RELATED PARTIES

The company performs management services for a subsidiary and receives fee for this. The fee amounted to 4 773 (3 986) in 2016.

The company receives a commission for acting as guarantor for mortgage debt in the subsidiary Belships Supramax Singapore Pte Ltd. The fee amounted to 9 491 (10 901) in 2016. See note 9 for further details.

All intercompany transactions have been conducted to market terms.

Sonata AS, the main shareholder in Belships ASA, issued in December 2015 an on-demand guarantee amounting to USD 5 million to the lender of the Group's mortgage debt. The guarantee carries a commission of 5% which amounting to 2 103. Except for this, it has not been issued loans or provided security to or from shareholders or related parties.

Members of the management have loans from the company. These amounts to 550 (548) per 31 December 2016.

Notes to the Belships ASA accounts

NOTE 16
TAX

TAX RESULT FOR THE YEAR FOR BELSHIPS ASA	2016	2015
Result for the year before tax	**-143 824**	-36 111
Change in temporary differences	**52 772**	-11 323
Permanent differences / other	**-2 852**	-17 555
Tax basis for the year	**-93 904**	-64 989
Taxes payable (25%)	**0**	0
Total income tax expense	**0**	0

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	2016	2015
Result for the year before tax	**-143 824**	-36 111
Statutory tax rate	**25 %**	25 %
Estimated tax expense at statutory rate	**-35 956**	-9 028
Permanent differences / other	**-713**	-4 389
Expected tax expense	**-36 669**	-13 417
Change in deferred tax assets	**36 669**	13 417
Actual tax expense	**0**	0
Effective tax percentage	**0 %**	0 %

DEFERRED TAX PER 31 DECEMBER	2016	2015
Deferred sale fixed asset gain/(loss)	**-7 142**	0
Provision for loss on contracts	**-22 015**	
Pension obligations	**-5 583**	-7 008
Interest swap	**-1 481**	-2 400
Temporary differences fixed assets	**20 218**	11 795
Impairment loss on shares in subsidiaries abroad	**-64 782**	-30 400
Tax loss carried forward	**-398 955**	-305 051
Net temporary differences	**-479 740**	-333 064
Statutory tax rate	**24 %**	25 %
Deferred tax assets	**-115 138**	-83 266
Deferred tax assets in Balance sheets	**0**	0
Deferred tax assets not in Balance sheets	**-115 138**	-83 266

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.

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Belships ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Belships ASA comprising the financial statements of the parent company and the Group.

The financial statements of the parent company comprise the balance sheet as at 31 December 2016, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2016, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment assessment of ships

Based on current market conditions management identified impairment indicators and tested recoverable amounts of the ships. The Group recognized an impairment charge of USD 13.8 million. When estimating recoverable amount for each ship, management's valuation model takes into consideration the average of two independent broker valuations (charter free) and the net present value of the estimated fair value of the related time-charter agreements for the ships, which has a remaining contract period of 3-5 years. Considering the extent of estimates and assumptions applied in the impairment evaluation, and Management's involvement and judgment in establishing them, we determined impairment of ships to be a key audit matter.

Our audit procedures included, among others, an evaluation of the valuation model prepared by Management, including a comparison of the average independent broker valuation to external observable transactions of similar ships, market data and external analysis of long–term expectations in the dry bulk sector. We tested assumptions regarding estimated fair value of the ships time-charter agreements against contract and market data. Furthermore, we compared the risk premium used in the weighted average cost of capital with external data and considered management's adjustments for company specific factors, and further evaluated the level of consistency applied in the valuation methodology from previous years. We also tested the mathematical accuracy of the valuation model and performed sensitivity analysis of the most critical assumptions.

Refer to note 3 in the consolidated financial statements regarding estimation uncertainties and note 7 in the consolidated financial statements regarding ships, applied valuation model and sensitivity to key assumptions.

Sale and leaseback M/S Belisland

In 2016 the Company entered into a sale and leaseback agreement for the ship M/S Belisland which required management's assessment of whether the transaction should be recognized as a financial or operational lease. Management concluded the lease agreement to be a financial lease due to the exercise prices of the purchase options from year 5 and onwards in the lease agreement. This was determined to be a key audit matter due to the financial significance and complexity of the transaction and judgment in the assessment.

In our audit, we gained an understanding of the substance of the transaction through discussions with management and reading of relevant agreements. We evaluated the exercise prices versus market value of the ship at inception and market data and external analysis of long-term expectations in the dry bulk sector.

Refer to note 3 in the consolidated financial statetements for further description of how the sale and leaseback transaction is recognized and presented in the financial statement.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Director (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of management for the financial statements

Management is 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 International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in 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 Board of Directors' report concerning the financial statements and in the statements on corporate governance and corporate social responsibility, the going concern assumption and 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 17 March 2017
ERNST & YOUNG AS

Jon-Michael Grefsrød

Jon-Michael Grefsrød
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 4 700 000 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.

The company has a share option scheme that applies to all employees in Norway. In addition the Chief Executive Officer has a separate share option agreement with the company. 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
– Sincerety & 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 CO_2, NOX and SOX.

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 ships 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. M/S Belforest and M/S Belisland have ballast water treatment systems in place. Belships is actively preparing for the expected implementation of regulations on ballast water treatment entering into force. In fact, some of our third party managed ships have already started to use ballast water treatment system.

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 labor rights into its existing business processes. In practice, a large part of the human and labor 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 Labor Organization's Maritime Labor 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 2016.

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 140 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. 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 ships are registered with the EU Naval Force (Maritime security centre) which co-ordinates ship's transit schedules with the appropriate naval ships in the Gulf of Aden and Somali basin. Depending on the present conditions and individual risk factors for the particular ship, preventive measures are evaluated for each transit in accordance with Belships' piracy policy. There were no incidents of attempted hijackings of Belships-vessels in 2016.

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.

Appendix

Definition of Non-IFRS financial measures

CURRENT RATIO
is defined as total current assets, divided by total current liabilities

EBITDA
is defined as operating result adjusted for depreciation and amortization, other gains/(losses), interest income, interest expenses and other financial items

EBIT
is defined as operating result adjusted for interest income, interest expenses and other financial items

EQUITY RATIO
is equal to shareholders' equity including non-controlling interest, divided by total assets

INTEREST COVERAGE RATIO
is equal to earnings before interest and taxes (EBIT), divided by interest expenses