

FUSJONSPLAN

for fusjon mellom

Belships Chartering AS

Org. nr. 966 100 370

Lilleakerveien 4, 0283, Oslo

(som overtakende selskap)

og

LHS Holdco AS

Org. nr. 921 350 775

Nedre Bekkegate 1, 4371 Egersund

LHS Holdco II AS

Org. nr. 921 350 597

Nedre Bekkegate 1, 4371 Egersund

LHN Holdco 1 AS

Org. nr. 921 312 474

Nedre Bekkegate 1, 4371 Egersund

LHN Holdco 2 AS

Org. nr. 921 312 415

Nedre Bekkegate 1, 4371 Egersund

(som overdragende selskaper)

med vederlag i form av aksjer i

Belships ASA

Org nr. 930 776 793

Lilleakerveien 4, 0283, Oslo

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FUSJONSPLAN

Denne fusjonsplanen ("**Fusjonsplanen**") er inngått 4. oktober 2018 mellom:

- (1) **Belships Chartering AS**, org nr. 966 100 370, Lilleakerveien 4, 0283 Oslo, Norge ("**Belships Chartering**")
- (2) **LHS Holdco AS**, org nr 921 350 775, Nedre Bekkegate 1, 4371 Egersund;
- (3) **LHS Holdco II AS**, org nr 921 350 597, Nedre Bekkegate 1, 4371 Egersund;
- (4) **LHN Holdco 1 AS**, org nr 921 312 474, Nedre Bekkegate 1, 4371 Egersund; og
- (5) **LHN Holdco 2 AS**, org nr 921 312 415, Nedre Bekkegate 1, 4371 Egersund

hver omtalt som "**Part**" og samlet som "**Partene**". LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS er i fellesskap omtalt som "**Lighthouse-selskapene**".

Belships Chartering er et norsk aksjeselskap og et heleid datterselskap av Belships ASA ("**Belships**"). Belships er et norsk allmennaksjeselskap underlagt reglene i den norske allmennaksjeloven og med forretningsadresse på Lilleaker. Aksjene i Belships er notert på Oslo Børs. Den største aksjeeieren er Sonata AS, som eier 67,05 % av aksjene. Lighthouse-selskapene er norske aksjeselskaper. På tidspunktet for gjennomføring av Fusjonen (som definert nedenfor) eier Lighthouse-selskapene aksjer i henholdsvis Lighthouse Shipholding AS, Lighthouse Shipholding II AS og Lighthouse Navigation Pte Ltd, se nærmere under punkt 3.4. Største eier i Lighthouse-selskapene er Kontrari AS og Kontrazi AS (i fellesskap "**Kontrari**").

1 INNLEDNING – HOVEDTREKK I FUSJONEN

Belships varslet markedet den 6. juli 2018 om at selskapet hadde fullført en strategisk evalueringsprosess og valgt å gå videre med et tilbud fra Kontrari AS som innebærer at (i) Kontrari kjøper 14 285 714 av aksjene i Belships (tilsvarende 30,2 %) fra Sonata AS ("**Aksjetransaksjonen**") og (ii) Lighthouse-selskapene fusjonerer inn i Belships mot utstedelse av aksjer i Belships ("**Fusjonen**"). Belships og Lighthouse-selskapene har siden 6. juli 2018 forhandlet og ført samtaler om de nærmere betingelsene for Fusjonen. Fusjonen innebærer at Belships Chartering overtar Lighthouse-selskapenes samlede eiendeler og gjeld mot at aksjeeierne i Lighthouse-selskapene mottar vederlagsaksjer i Belships.

Fusjonen er blant annet betinget av godkjenning i selskapenes generalforsamlinger, samt at visse andre betingelser blir oppfylt, jf. nærmere i punkt 8 nedenfor.

2 BEGRUNNELSE FOR FUSJONEN

Ved Fusjonen etableres en mer slagkraftig enhet med en flåte på 16 skip, dvs. at Belships vil øke flåten fra 7 skip til 16 skip, og betydelig styrke sin posisjon innenfor Supramax- og Ultramax-segmentene. Den konsoliderte flåten vil ha et større inntjeningspotensial og gi muligheter for å hente ut synergier i form av forbedret kostnadseffektivitet. En større flåte vil også kunne bidra til å forbedre selskapets kommersielle betingelser, ved at man får en sterkere forhandlingsposisjon overfor befraktere, lavere forsikringspremier og lavere lånemarginer. Videre har Belships og Lighthouse management-virksomheter som komplementerer hverandre, med Belships' tekniske operasjon og bemanningsvirksomhet basert i Singapore, og Lighthouses kommersielle operasjon basert i Bangkok. Som følge av Fusjonen vil Belships derfor ha en operasjonell struktur med alle sentrale tjenester og funksjoner in-house, og representere en attraktiv og velegnet plattform for kunder og videre vekst. I



tillegg vil Fusjonen legge til rette for at likviditeten i aksjen til Belships på sikt kan bedres, noe som igjen vil gi Belships større fleksibilitet og muligheter til kapitaltilgang.

3 FUSJONSMETODE – VEDERLAG OG BYTTEFORHOLD

3.1 Metode

Fusjonen foretas overensstemmende med reglene i allmennaksjeloven kapittel 13. Nærmere bestemt skal det gjennomføres en trekantfusjon etter allmennaksjeloven § 13-2 annet ledd ved at Belships Chartering overtar Lighthouse-selskapenes eiendeler og gjeld, rettigheter og forpliktelser i sin helhet. Lighthouse-selskapene oppløses. Som vederlag mottar aksjeeierne i Lighthouse-selskapene aksjer i Belships Charterings morselskap Belships, ved forhøyelse av aksjekapitalen i dette selskapet.

Grunnlaget for Belships' aksjeutstedelse er den fusjonsfordringen som Belships Chartering (som debitor) utsteder til Belships på det tidspunktet fusjonen gjennomføres. Fordringen som etableres vil ha pålydende verdi lik den regnskapsmessige (bokførte) egenkapital av de eiendeler, rettigheter og forpliktelser som tilføres Belships Chartering ved fusjonen, i tråd med allmennaksjeloven § 13-2 andre ledd. Fordringens skattemessige inngangsverdi vil være lik skattemessig verdi av egenkapitalen som overføres ved fusjonen, i tråd med skatteloven § 11-7. Fordringen står tilbake for øvrige kreditorer.

3.2 Fastsettelse av bytteforholdet - verdivurdering

Ved fastsettelsen av hva som er et rimelig bytteforhold for både Belships og Lighthouse-selskapenes aksjeeiere har Partene tatt hensyn til en rekke faktorer, herunder organisasjon, lønnsomhet, vekst, underliggende verdier, regnskaper og balanseførte verdier per 30. juni 2018. Verdssettelsen er basert på følgende prinsipper:

(i) Samtlige skip er taksert av Fearnleys, se Fearnleys rapporter av 12. juni 2018 (Lighthouse-selskapene) og 14. juni 2018 (Belships). Fearnleys var først engasjert av Belships til å takserer Belships-flåten som et ledd i forberedelsene til transaksjonen. Deretter engasjerte også Kontrari Fearnleys til å takserer Lighthouse-flåten med instruks om å legge til grunn de samme verdsettelsesprinsippene som var brukt i takseringen av Belships-flåten. I forbindelse med due diligence-undersøkelser på begge flåtene er det i tillegg blitt innhentet verdivurderinger fra Grieg Shipbrokers AS og fra Oslo Shipbrokers AS for å bekrefte de verdivurderingene som er lagt til grunn for beregningen av bytteforholdet. Samtlige verdivurderinger følger som bilag 11 til Fusjonsplanen;

(ii) Skipenes verdi er fastsatt basert på markedspris fratrukket netto rentebærende gjeld (eide skip) ("NIBD") eller gjenstående leasingkostnad (skip leid inn på bareboat);

Tidscertepartier for tre skip med Canpotex og tre skip med Cargill, samt Belships' innleide skip, Belnippon og Nybygg 2020, er verdsatt med en nåverdi-beregning av mer- eller mindre verdien av gjenværende tid på certepartiene per 30. juni 2018, målt mot gjeldende markedsrater.

(iii) Managementselskapene på begge sider, Lighthouse Navigation Pte Ltd (LHN) og Belships Management Singapore Pte Ltd., er verdsatt basert på EBITDA ganget med en multiplum på 5 og deretter justert for netto gjeld. Beregningen er basert på en gjennomsnittlig justert (siste fem år) EBITDA på USD 3,4 millioner og netto kontanter på USD 3,7 millioner (ingen gjeld) for LHN idet det er hensyntatt 50,01 % eierskap. For Belships Management er beregningen basert på en normalisert EBITDA på USD 0,5 millioner og netto kontanter på USD 0,3 millioner;

Partene har videre gjennomført en finansiell og juridisk due diligence av hverandre, med et for begge parter tilfredsstillende resultat.

På denne bakgrunn er Partene enige om følgende verdsettelse av de respektive Partene:

Belships	USD 37,66 millioner
LHN HoldCo 1 og 2 AS	USD 12,25 millioner
LHS Holdco AS	USD 61,30 millioner
LHS Holdco II AS	USD 29,27 millioner

Fordelingen mellom LHN HoldCo 1 og LHN HoldCo 2 er i forholdet 80:20, hvilket reflekterer innbyrdes eierforhold i LHN. Dette tilsier følgende verdsettelse:

LHN HoldCo 1 AS	USD 9,80 millioner
LHN HoldCo 2 AS	USD 2,45 millioner

Partene anser verdsettelsen som rimelig og at Fusjonen vil være til fordel for alle Partene og deres aksjeeierne.

3.3 Nærmere om bytteforholdet og antall vederlagsaksjer

Bytteforholdet mellom selskapene er som følge av ovennevnte verdsettinger avtalt til:

Fusjon mellom LHN HoldCo 1 AS og Belships	9,80:37,66
Fusjon mellom LHN HoldCo 2 AS og Belships	2,45:37,66
Fusjon mellom LHS Holdco AS og Belships	61,30:37,66
Fusjon mellom LHS Holdco II AS og Belships	29,27:37,66

Det er i dag 47 352 000 aksjer i Belships, hvorav Belships selv eier 548 000 aksjer, hver pålydende NOK 2. På gjennomføringstidspunktet vil antall aksjer i Lighthouse-selskapene være som følger:

LHN Holdco 1 AS	13 830 000
LHN Holdco 2 AS	3 480 000
LHS Holdco AS	499 186 900
LHS Holdco II AS	233 242 650

Lighthouse-selskapene har ikke utstedt tegningsretter, opsjoner, konvertible obligasjoner eller andre finansielle instrumenter som gir innehaverne rett til å kreve aksjer utstedt, eller andre særskilte rettigheter som nevnt i den norske allmennaksjeloven kapittel 11. Belships har en løpende opsjonsordning for nøkkelansatte. På den ordinære generalforsamlingen i Belships 24. april 2018 fikk styret fullmakt til å utstede opp til 200 000 nye aksjer for å videreføre opsjonsordningen.



Utover det som fremgår av denne Fusjonsplan eller den annen Parts forutgående samtykke, skal ingen av Partene eller Belships før Fusjonen trer i kraft foreta endringer i sin aksjekapital eller antallet aksjer, utstedte tegningsretter, opsjoner eller tilsvarende instrumenter som gir innehaver rett til å kreve utstedt aksjer, eller erverve egne aksjer. Tilsvarende skal verken Belships eller Lighthouse-selskapene frem til Fusjonen trer i kraft beslutte å utdele utbytte eller foreta andre utdelinger på aksjer.

Aksjekapitalen i Belships skal økes fra NOK 94 704 000 med NOK 255 531 986 til NOK 350 235 986 ved utstedelse av 127 765 993 nye aksjer. Aksjeinnskuddet utgjør NOK 352 025 453, hvorav NOK 255 531 986 er aksjekapital og NOK 96 493 467 er overkurs. Aksjeinnskuddet gjøres opp ved at Belships får en fordring på Belships Chartering på NOK 352 025 453. Fusjonsfordringen tilsvarer netto bokførte eiendeler som Belships Chartering tilføres ved fusjonen. Tilleggsvederlag skal ikke utdeles.

Aksjeeierne i Lighthouse-selskapene vil motta nyemitterte aksjer i Belships som vederlag for sine aksjer i Lighthouse-selskapene i følgende forhold:

Aksjeeiere:	Antall aksjer:
Aksjeeiere i LHN Holdco 1 AS	12 178 250
Aksjeeiere i LHN Holdco 2 AS	3 044 562
Aksjeeiere LHS Holdco AS	76 176 194
Aksjeeiere LHS Holdco II AS	36 366 987

Basert på ovennevnte vil bytteforholdet for hver av de selskapene som deltar i fusjonen være som følger:

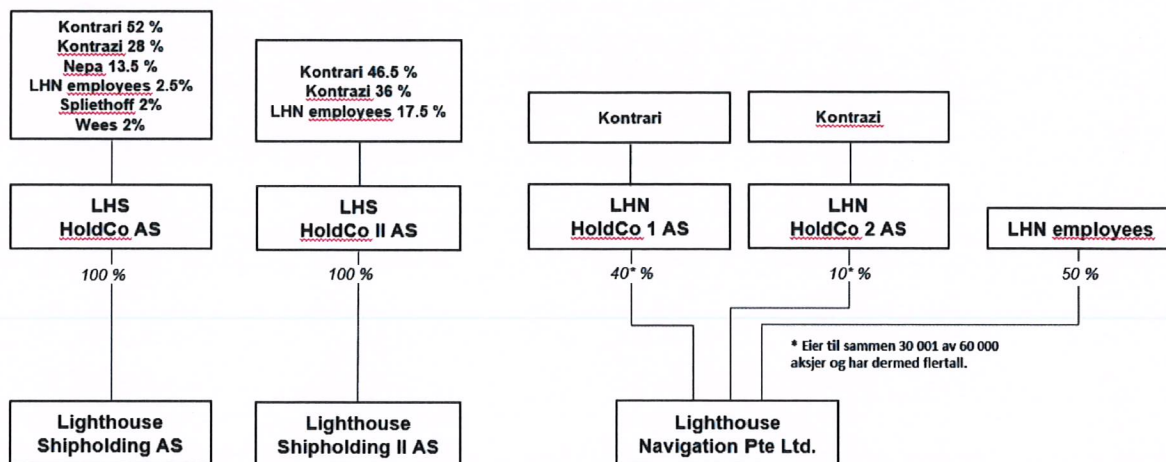
Navn på selskapene:	Antall vederlagsaksjer : antall aksjer i selskapet	Bytteforhold:
LHN Holdco 1 AS : Belships	12 178 250 : 13 830 000	0,88056758195458
LHN Holdco 2 AS : Belships	3 044 562 : 3 480 000	0,87487425707125
LHS Holdco AS : Belships	76 176 194 : 499 186 900	0,15260054759455
LHS Holdco II AS : Belships	36 366 987 : 233 242 650	0,15591911416226

Det totale antallet vederlagsaksjer til aksjeeierne i henholdsvis LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS fremgår av tabellen ovenfor. Den enkelte aksjonærs andel av vederlagsaksjene beregnes basert på bytteforholdet i tabellen ovenfor og vil i mange tilfeller resultere i et antall aksjer med desimaler. Ettersom aksjonærene bare vil bli tildelt hele aksjer, vil det være behov for å foreta en avrunding. Det vil bli benyttet alminnelige avrundingsregler for fordelingen av vederlagsaksjene på aksjeeierne i de respektive Lighthouse-selskapene. Dette innebærer at aksjeeiere som har en beholdning av aksjer i et av Lighthouse-selskapene som gir minst 0,5 aksjer i Belships (eventuelt i tillegg til det hele antall vederlagsaksjer vedkommende er berettiget til), vil motta én aksje i Belships for slik brøkdel. Aksjeeiere som har en beholdning aksjer i et av Lighthouse-selskapene som (eventuelt i tillegg til det hele antall vederlagsaksjer vedkommende er berettiget til) gir mindre enn 0,5 i Belships vil ikke motta vederlagsaksjer for slik brøkdel, dvs. at slike brøkdelsaksjer vil bli innløst uten noen form for kompensasjon.



3.4 Restrukturering av Lighthouse-selskapene

Selskapsstrukturen for Lighthouse-selskapene før gjennomføringen av Fusjonen kan illustreres som følger:



For å oppnå ovennevnte selskapsstruktur skal Lighthouse-selskapene ha gjennomført følgende transaksjoner (i fellesskap omtalt som "**Restruktureringen**"):

- Utestående lån mellom Lighthouse Shipholding AS og Lighthouse Shipholding II AS og deres aksjonærer skal konverteres til egenkapital;
- Utdeling av utbytte fra LHN til aksjonærene i LHN i form av i) aksjer i Lighthouse Shipholding AS og Lighthouse Shipholding II AS og ii) fordringer på Lighthouse Shipholding AS og Lighthouse Shipholding II AS;
- Etablering av holdingselskapene LHN Holdco 1 AS og LHN Holdco 2 AS over LHN ved hjelp av drop-down-fisjoner; og
- Etablering av holdingselskapene LHS Holdco AS og LHS Holdco II AS over hhv. Lighthouse Shipholding AS og Lighthouse Shipholding II AS ved at aksjonærenes aksjer i henholdsvis Lighthouse Shipholding AS og Lighthouse Shipholding II AS, samt aksjonærenes fordringer på disse selskapene, benyttes som tingsinnskudd i LHS Holdco AS og LHS Holdco II AS.

På tidspunkt for signering av Fusjonsplanen er ikke Restruktureringen gjennomført. Mellombalanser og vedtekter for Lighthouse-selskapene, jf. Bilag 1 og 9, reflekterer derfor balansen per nevnte tidspunkt og ikke etter at Restruktureringen er gjennomført.

4 NÆRMERE OM ORGANISERINGEN AV SELSKAPENE ETTER FUSJONEN

4.1 Organisering og lokalisering, foretaksnavn

Belships vil beholde sitt nåværende hovedkontor på Lilleaker etter Fusjonen, og virksomheten i det fusjonerte selskapet vil bli ledet fra hovedkontoret. LHN vil imidlertid etter Fusjonen ledes lokalt.

Belships vil ikke endre sitt foretaksnavn i forbindelse med Fusjonen, mens Belships Chartering vil endre sitt foretaksnavn til Belships Lighthouse AS.

4.2 Styre i Belships

I den samme generalforsamlingene hvor Belships godkjenner Fusjonsplanen og vedtar utstedelse av vederlagsaksjene, skal det velges et nytt styremedlem til styret i Belships i forbindelse med Aksjetransaksjonen. Det er foreslått at Peter Frølich velges som nytt styremedlem og at Frølich erstatter Christian Rytter. Det gjøres ingen endringer i styret i Belships eller i Belships Chartering i forbindelse med gjennomføring av Fusjonen.

4.3 Fusjonens betydning for de ansatte og sysselsetningen

Det er ingen ansatte i Lighthouse-selskapene, men samtlige ansatte i Lighthouse-selskapenes datterselskaper overføres indirekte til Belships som en følge av Fusjonen. Det er ingen ansatte i Belships Chartering.

Etter gjennomføringen av Fusjonen vil det nye Belships-konsernet, inkludert tilknyttede selskaper, ha ca 120 ansatte. Selskapets ambisjoner om vekst vil skape nye muligheter for høyt kvalifiserte medarbeidere.

4.4 Mellombalanser

Mellombalanser for Belships Chartering og Lighthouse-selskapene følger som bilag 9 til Fusjonsplanen. Erklæringer fra revisor om at balansene er gjort opp i overensstemmelse med gjeldende regnskapsregler følger som bilag 10.

For Belships vises det til halvårsrapporten for 2018 som også følger av bilag 9.

5 SELSKAPSRETTLIGE BESLUTNINGER

5.1 Belships ASA

5.1.1 Godkjennelse av fusjonsplanen

Fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering som overtakende selskap og LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS som overdragende selskaper, godkjenner. Vederlag til aksjonærene i de overdragende selskaper ytes i form av aksjer i Belships.

5.1.2 Utstedelse av vederlagsaksjer - kapitalforhøyelse

For å utstede vederlagsaksjer til aksjonærene i de overdragende selskapene foreslås følgende beslutning om forhøyelse av aksjekapitalen i Belships:

- (i) Som følge av Fusjonen forhøyes aksjekapitalen i Belships ASA med totalt kr 255 531 986, fra kr 94 704 000 til kr 350 235 986 ved utstedelse av 127 765 993 nye aksjer hver pålydende kr 2.
- (ii) Bytteforholdet i fusjonen er basert på at det skal betales kr 6,60 per aksje. Aksjeinnskuddet gjøres opp ved at Belships ASA får en fordring på Belships Chartering AS som tilsvarende verdien av den netto regnskapsmessige egenkapitalen som overføres til Belships Chartering AS i forbindelse med fusjonen på NOK 352 025 453. Disse regnskapsmessige verdiene gir en tegningskurs på NOK 2,76 per aksje. Aksjeinnskuddet utover aksjekapitalforhøyelsen regnskapsføres som overkurs.
- (iii) De nye aksjene tilfaller i sin helhet aksjeeierne i LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS. Aksjeeierne i Belships ASA skal således ikke ha fortrinnsrett til tegning av aksjene. Aksjene anses tegnet av aksjeeierne i LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS når generalforsamlingene i de respektive selskapene har godkjent fusjonsplanen.



- (iv) *Fordringen som Belships ASA får på Belships Chartering AS anses etablert ved fusjonens selskapsrettslige ikrafttredelse og skal fra dette tidspunkt belastes med markedsmessig rente.*
- (v) *Antatte utgifter til kapitalforhøyelsen er kr 100 000.*
- (vi) *De nye aksjene gir rett til utbytte som vedtas etter at kapitalforhøyelsen er registrert i Foretaksregisteret. Det gjelder ingen særlige vilkår for å utøve utbytteretten.*

Som følge av kapitalforhøyelsen endres vedtektenes § 4 til å lyde:

"Selskapets aksjekapital er kr 350 235 986 fordelt på 175 117 993 aksjer, hver pålydende kr 2."

5.2 Belships Chartering AS

5.2.1 Godkjenning av fusjonsplanen

Fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering som overtakende selskap og LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS som overdragende selskaper, godkjennes. Vederlag til aksjonærene i de overdragende selskaper ytes i form av aksjer i Belships.

5.2.2 Vedtektsendringer

Ved gjennomføring av Fusjonen skal selskapets navn endres til Belships Lighthouse AS.

Vedtektene for Belships Chartering, slik de vil være etter fusjonens ikrafttredelse, følger som bilag 3.

5.3 LHS Holdco AS

5.3.1 Godkjenning av fusjonsplanen

Fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering som overtakende selskap og LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS som overdragende selskaper, godkjennes. Vederlag til aksjonærene i de overdragende selskaper ytes i form av aksjer i Belships. LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 og LHN Holdco 2 oppløses som følge av fusjonen.

5.4 LHS Holdco II AS

5.4.1 Godkjenning av fusjonsplanen

Fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering som overtakende selskap og LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS som overdragende selskaper, godkjennes. Vederlag til aksjonærene i de overdragende selskaper ytes i form av aksjer i Belships. LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 og LHN Holdco 2 oppløses som følge av fusjonen.

5.5 LHN Holdco 1 AS

5.5.1 Godkjenning av fusjonsplanen

Fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering som overtakende selskap og LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS som overdragende selskaper, godkjennes. Vederlag til aksjonærene i de overdragende selskaper ytes i form av aksjer i Belships. LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 og LHN Holdco 2 oppløses som følge av fusjonen.

5.6 LHN Holdco 2

5.6.1 Godkjenning av fusjonsplanen

Fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering som overtakende selskap og LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS som overdragende selskaper,



godkjennes. Vederlag til aksjonærene i de overdragende selskaper ytes i form av aksjer i Belships. LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 og LHN Holdco 2 oppløses som følge av fusjonen.

6 REGNSKAPSMESSIGE FORHOLD

Fusjonen regnskapsføres som en transaksjon, slik at det regnskapsmessig overdragende selskaps eiendeler og gjeld innregnes til virkelig verdi på tidspunktet for Fusjonens selskapsrettslige ikrafttredelse ("**Virkningsdagen**") i samsvar med oppkjøpsmetoden. Regnskapsmessig gjennomføres Fusjonen som en omvendt overtakelse, dvs. at i konsernregnskapet til Belships vil Fusjonen regnskapsføres med Lighthouse-selskapene som det regnskapsmessig overtakende selskap (kontinuitet) og med Belships som det regnskapsmessig overdragende selskap (virkelig verdi). Tilsvarende i selskapsregnskapet til Belships Chartering vil Fusjonen gjennomføres som en omvendt overtakelse, og Fusjonen vil følgelig regnskapsføres med Lighthouse-selskapene som regnskapsmessig overtakende selskaper og med Belships Chartering som regnskapsmessig overdragende selskap.

Fusjonen er planlagt gjennomført med regnskapsmessig virkning fra Virkningsdagen. Alle transaksjoner, inntekter og kostnader knyttet til de eiendeler, rettigheter og forpliktelser som Belships Chartering skal overta ved fusjonen, tilordnes fra dette tidspunkt Belships Chartering.

Inntil Virkningsdagen skal det føres separate regnskaper for selskapene.

7 NORSKE SKATTEMESSIGE FORHOLD

Fusjonen gjennomføres med skattemessig virkning fra Virkningsdagen, jf. punkt 9 nedenfor og skatteloven § 11-10.

Fusjonen gjennomføres med skattemessig kontinuitet i Norge etter reglene for skattefri fusjon, jf. skatteloven kapittel 11. Således overtar Belships Chartering de skattemessige verdier som de overtatte eiendeler, rettigheter og forpliktelser har på Lighthouse-selskapenes hånd. Fusjonen antas dermed ikke å utløse umiddelbare skattemessige konsekvenser. For aksjonærene i Lighthouse-selskapene vil deres inngangsverdi på Lighthouse-aksjene videreføres uendret.

Partene har ikke utredet om og eventuelt på hvilken måte Fusjonen får skattemessige konsekvenser for aksjonærer som er hjemmehørende utenfor Norge.

Belships vil rapportere både sin egen og Lighthouse-selskapenes samlede inntekt og formue for skattefastsettingsåret 2018.

8 BETINGELSER FOR IKRAFTTREDELSE AV FUSJONEN

Hver av Partenes plikt til å gjennomføre Fusjonen er betinget av at:

- (i) Fusjonsplanen er godkjent med det nødvendige flertall i generalforsamlingene i Belships Chartering og Lighthouse-selskapene, samt at de respektive generalforsamlingene har truffet de beslutninger som er avtalt i Fusjonsplanen og at den annen Part for øvrig har overholdt bestemmelsene i Fusjonsplanen, herunder bestemmelsene i punkt 11.
- (ii) Fusjonsplanen er godkjent med det nødvendige flertall i generalforsamlingen i Belships, derunder at generalforsamlingen i Belships har fattet beslutning om å utstede vederlagsaksjer.
- (iii) Lovgivningen ikke er til hinder for å registrere Fusjonen, og Partene oppnår de tillatelser fra offentlige myndigheter som er nødvendige for å gjennomføre Fusjonen.



- (iv) Partene oppnår samtykke fra avtaleparter og tredjemenn til å gjennomføre Fusjonen, der slikt samtykke er påkrevd etter avtalen med tredjemann.
- (v) Alle betingelser for videreføring av Belships notering på Oslo Børs er, eller med rimelig grad av sikkerhet forventes, oppfylt.
- (vi) Fristen for innsigelser fra kreditorer etter allmennaksjeloven § 13-16 skal være utløpt for begge Parter, og forholdet til kreditorer som eventuelt har fremsatt innsigelser skal være avklart, eller domstolen har besluttet at Fusjonen uansett kan gjennomføres og registreres i Foretaksregisteret.
- (vii) Belships skal ha mottatt en skriftlig bekreftelse fra Lighthouse-selskapene i den form som følger av bilag 12 om at den restruktureringen som er omtalt i punkt 3.4 er gjennomført i henhold til Fusjonsplanen og det som for øvrig er avtalt.
- (viii) Aksjetransaksjonen omtalt under punkt 1 er gjennomført.
- (ix) Det foreligger signerte lock-up-avtaler, jf. punkt 13 nedenfor.
- (x) Det har ikke oppstått en vesentlig negativ endring i virksomheten, eiendelene, forpliktelsene, resultatet eller stillingen til Lighthouse-selskapene eller deres datterselskaper, Belships Chartering, Belships eller Belships' øvrige datterselskaper.
- (xi) Partene har etterlevd og oppfylt de forpliktelser og forutsetninger som følger av Fusjonsplanen.

Lighthouse-selskapenes plikt til å gjennomføre Fusjonen er i tillegg betinget av at Oslo Børs' uttalelse datert 28. september 2018 hvor Oslo Børs konkluderte med at det ikke kan pålegges tilbudsplikt som følge av Fusjonen, ikke er trukket tilbake eller endret, og at det ikke er tatt noen rettslige skritt for å angripe Oslo Børs' uttalelse.

Betingelsene i punkt iv, v, vii, viii, ix, x og xi kan frafalles av Partene helt eller delvis. Det samme gjelder for annet avsnitt for så vidt gjelder Lighthouse-selskapenes plikt til å gjennomføre Fusjonen.

Dersom betingelsene for gjennomføring ikke er oppfylt eller frafalt innen 30. april 2019, bortfaller Fusjonen med mindre styrene i Belships Chartering og Lighthouse-selskapene innen fristen avtaler å forlenge fristen for gjennomføring.

9 SELSKAPSRETTLIG IKRAFTTREDELSE

Fusjonen trer selskapsrettslig i kraft når seksukersfristen for å kreve innfrielse eller sikkerhetsstillelse er utløpt, og melding om Fusjonens ikrafttredelse deretter er registrert i Foretaksregisteret, jf. allmennaksjeloven jf. 13-17. Det tas sikte på registrering før 31. desember 2018.

På Virkningsdagen inntreffer følgende virkninger av Fusjonen:

- (i) Lighthouse-selskapenes eiendeler og gjeld, rettigheter og forpliktelser er overført til Belships Chartering,
- (ii) aksjekapitalen i Belships er forhøyet,
- (iii) aksjene i Lighthouse-selskapene er byttet om med aksjer i Belships,
- (iv) Lighthouse-selskapene er oppløst,



- (v) vedtektene i Belships og Belships Chartering er endret overensstemmende med forslaget i Fusjonsplanen,
- (vi) andre virkninger som i henhold til Fusjonsplanen skal inntre ved Fusjonens ikrafttredelse.

10 FORTSATT NOTERING PÅ OSLO BØRS

Etter Virkningsdagen vil Belships fortsette sin notering på Oslo Børs, og den første dagen for handel på Oslo Børs med de aksjer som Belships har utstedt som vederlagsaksjer antas å være første handelsdag ved Oslo Børs etter Virkningsdagen.

Belships skal senest innen fem børsdager etter signering av Fusjonsplanen sende en redegjørelse om fortsatt notering til Oslo Børs, jf. punkt 12.1 i Oslo Børs' Løpende Forpliktelser.

11 RÅDIGHETSBEGRENSNINGER I FORBINDELSE MED FUSJONEN

Lighthouse-selskapene, Belships og Belships Chartering skal fra dagens dato og frem til Virkningsdagen utøve sin forretningsvirksomhet på ordinær måte. Verken Lighthouse-selskapene, Belships eller Belships Chartering, eller deres datterselskaper, skal fra inngåelsen av Fusjonsplanen opptre i strid med bestemmelsene i denne planen, eller uten den annen Parts forutgående skriftlige samtykke beslutte eller foreta vesentlige investeringer, salg av virksomhet (herunder aksjer eller andeler i selskaper) eller forandringer i sin virksomhet eller kapitalstruktur, eller andre disposisjoner som er av vesentlig betydning for Fusjonen eller som faller utenfor rammen av ordinær drift.

Verken Belships, Belships Chartering eller Lighthouse-selskapene skal gjøre tiltak med sikte på at det skal bli fremsatt noe tilbud eller forslag som vil være til hinder for gjennomføring av Fusjonen eller redusere sannsynligheten for at Fusjonsplanen skal bli godkjent av deres respektive generalforsamlinger.

12 ENDRINGER I FUSJONSPLANEN

Styrene i selskapene kan i fellesskap, på vegne av generalforsamlingene, gjennomføre mindre endringer i Fusjonsplanen dersom dette er nødvendig eller ønskelig.

13 GODTGJØRELSE OG SÆRSKILTE RETTIGHETER

Dersom Fusjonen blir gjennomført, har daglig leder i Belships, Ulrich Müller, rett til en særskilt godtgjørelse tilsvarende 12 måneders grunnlønn. Det vises i denne sammenheng til børsmelding fra Belships 23. mars 2018 med en oppdatert lederlønnserklæring hvor denne bonusen fremgår. Utover dette, skal det ikke tilfalle styremedlemmer eller daglig leder særlige godtgjørelse, retter eller fordeler ved Fusjonen. Godtgjørelse til Partenes revisorer og andre rådgivere knyttet til deres sakkyndige redegjørelser for Fusjonsplanen, samt gjennomgang eller utarbeidelse av annen fusjonsdokumentasjon, skal skje i henhold til regning.

Kontrari, Sonata, Nepa Shipholding B.V ("Nepa"), Hans Spliethoff and Ted van Vees og ansatteaksjonærer i LHN vil innen gjennomføring av Fusjonen inngå lock-up-avtaler som hindrer dem å selge aksjer i Belships i seks måneder etter gjennomføringen av Fusjonen. Dersom Nepas aksjer i LHS Holdco AS overføres til Nepas aksjonærer forut for gjennomføringen av Fusjonen skal Nepas aksjonærer inngå tilsvarende lock-up-avtaler.

14 PARTENES INFORMASJONSPLIKT MV

Partene skal fram til Fusjonen trer i kraft holde hverandre informert om hverandres virksomhet og om andre forhold som kan være av betydning for Fusjonen. Partene skal, såfremt det er mulig i henhold til de lover og regler som gjelder for selskapenes informasjonsplikt, på forhånd informere hverandre om pressemeldinger og andre meddelelser i eller til massemedia, allmennheten eller til offentlige myndigheter som gjelder Fusjonen, eller som på annen måte kan ha betydning for virksomheten i Partene eller Belships etter Fusjonen.

15 OPPHØR AV FUSJONSPLANEN

Fusjonsplanen opphører dersom den blir hevet som følge av at betingelsene for Fusjonen ikke lar seg oppfylle innen den frist som følger av punkt 10 annet avsnitt eller på grunn av vesentlig mislighold.

Partene skal samarbeide om den informasjon som gis om et eventuelt opphør av Fusjonsplanen. Ved utforming og presentasjon av informasjon skal det tas hensyn til begge Parter synspunkter og interesser.

16 TVISTELØSNING

Denne avtalen er underlagt norsk rett.

Uenighet knyttet til Fusjonsplanen skal søkes løst i minnelighet. Tvister skal løses for de ordinære norske domstoler, med Oslo tingrett som verneting.



* * *

Oslo, 4. oktober 2018

Styret i Belships Chartering AS



Osvald Fossholm



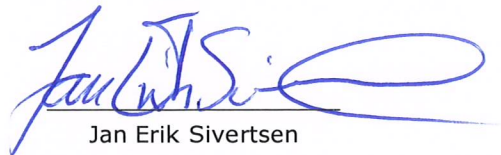
Edwin Johansen



Ulrich Müller

Egersund, 4. oktober 2018

Styret i LHS Holdco AS



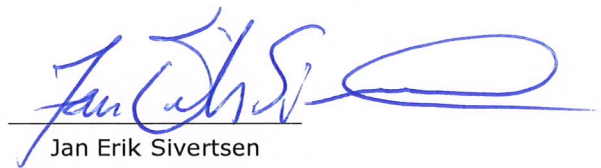
Jan Erik Sivertsen

Styret i LHS Holdco II AS



Jan Erik Sivertsen

Styret i LHN Holdco 1 AS



Jan Erik Sivertsen

Styret i LHN Holdco 2 AS



Jan Erik Sivertsen

På vegne av Belships ASA forplikter herved styret i Belships ASA seg til å foreslå for generalforsamlingen å øke aksjekapitalen for å kunne utstede de vederlagsaksjene som er nærmere beskrevet i punkt 5.1 i Fusjonsplanen. Styret tiltrer for øvrig de forpliktelser i Fusjonsplanen som er relevant for Belships ASA, derunder punkt 3.3, 10, 11 og 14.

Oslo, 4. oktober 2018

Styret i Belships ASA


Syerre Jørgen Tidemand
Christian Rytter
Kjersti Ringdal
Sissel Grefsrud
Carl Erik Steen

Vedtekter

for

LHN Holdco 2 AS

(vedtatt ved stiftelse 16. august 2018)

§ 1

Firmanavn

Selskapets firmanavn er LHN Holdco 2 AS.

§ 2

Forretningskommune

Selskapet skal ha sitt forretningskontor i Eigersund kommune.

§ 3

Selskapets virksomhet

Selskapets virksomhet skal være investeringer i verdipapirer og andre selskaper, herunder gjennom aksjeerverv.

§ 4

Aksjekapital og aksjer

Selskapets aksjekapital er NOK 30 000, fordelt på 30 000 aksjer, hver pålydende NOK 1.

§ 5

Styre og signatur

Selskapets styre skal bestå av ett styremedlem. Selskapets firma tegnes av styrets leder alene.

§ 6

Ordinær generalforsamling

På den ordinære generalforsamlingen skal følgende saker behandles og avgjøres:

- 1 Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte;
- 2 Valg av styremedlemmer og revisor (dersom disse er på valg);
- 3 Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

§ 7

Innkalling til generalforsamling

Når dokumenter som gjelder saker som skal behandles på generalforsamlingen, er gjort tilgjengelige for aksjeeierne på selskapets internettsider, gjelder ikke aksjelovens krav om at dokumentene skal sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen.

Vedtekter

for

LHN Holdco 1 AS

(vedtatt ved stiftelse 16. august 2018)

§ 1

Firmanavn

Selskapets firmanavn er LHN Holdco 1 AS.

§ 2

Forretningskommune

Selskapet skal ha sitt forretningskontor i Eigersund kommune.

§ 3

Selskapets virksomhet

Selskapets virksomhet skal være investeringer i verdipapirer og andre selskaper, herunder gjennom aksjeerverv.

§ 4

Aksjekapital og aksjer

Selskapets aksjekapital er NOK 30 000, fordelt på 30 000 aksjer, hver pålydende NOK 1.

§ 5

Styre og signatur

Selskapets styre skal bestå av ett styremedlem. Selskapets firma tegnes av styrets leder alene.

§ 6

Ordinær generalforsamling

På den ordinære generalforsamlingen skal følgende saker behandles og avgjøres:

- 1 Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte;
- 2 Valg av styremedlemmer og revisor (dersom disse er på valg);
- 3 Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

§ 7

Innkalling til generalforsamling

Når dokumenter som gjelder saker som skal behandles på generalforsamlingen, er gjort tilgjengelige for aksjeeierne på selskapets internettsider, gjelder ikke aksjelovens krav om at dokumentene skal sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen.

Vedtekter for LHS Holdco II AS

(sist endret 19.9.2018)

§ 1

Firmanavn

Selskapets firmanavn er LHS Holdco II AS.

§ 2

Forretningskommune

Selskapet skal ha sitt forretningskontor i Eigersund kommune.

§ 3

Selskapets virksomhet

Selskapets virksomhet skal være investeringer i andre selskaper og alt hva derved er forbundet.

§ 4

Aksjekapital og aksjer

Selskapets aksjekapital er NOK 233 242 650, fordelt på 233 242 650 aksjer, hver pålydende NOK 1.

§ 5

Styre og signatur

Selskapets styre skal bestå av ett styremedlem. Selskapets firma tegnes av styrets leder alene.

§ 6

Ordinær generalforsamling

På den ordinære generalforsamlingen skal følgende saker behandles og avgjøres:

- 1 Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte;
- 2 Valg av styremedlemmer og revisor (dersom disse er på valg);
- 3 Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

§ 7

Innkalling til generalforsamling

Når dokumenter som gjelder saker som skal behandles på generalforsamlingen, er gjort tilgjengelige for aksjeeierne på selskapets internettsider, gjelder ikke aksjelovens krav om at dokumentene skal sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen.

Vedtekter for LHS Holdco AS

(sist endret 19.9.2018)

§ 1 Firmanavn

Selskapets firmanavn er LHS Holdco AS.

§ 2 Forretningskommune

Selskapet skal ha sitt forretningskontor i Eigersund kommune.

§ 3 Selskapets virksomhet

Selskapets virksomhet skal være investeringer i andre selskaper og alt hva derved er forbundet.

§ 4 Aksjekapital og aksjer

Selskapets aksjekapital er NOK 499 186 900, fordelt på 499 186 900 aksjer, hver pålydende NOK 1.

§ 5 Styre og signatur

Selskapets styre skal bestå av ett styremedlem. Selskapets firma tegnes av styrets leder alene.

§ 6 Ordinær generalforsamling

På den ordinære generalforsamlingen skal følgende saker behandles og avgjøres:

- 1 Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte;
- 2 Valg av styremedlemmer og revisor (dersom disse er på valg);
- 3 Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

§ 7 Innkalling til generalforsamling

Når dokumenter som gjelder saker som skal behandles på generalforsamlingen, er gjort tilgjengelige for aksjeeierne på selskapets internettsider, gjelder ikke aksjelovens krav om at dokumentene skal sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen.

Bilag 2

BELSHIPS CHARTERING AS

Vedtekter

Vedtatt på konstituerende generalforsamling 27. januar 1993 med forandringer senest 12. januar 2012.

§ 1

Selskapets navn er Belships Chartering AS.

§ 2

Selskapets forretningskontor er i Oslo.

§ 3

Selskapets formål er shipping, herunder inngåelse av fraktavtaler, innbefraktning og drift av skip, samt alt hva som står i naturlig forbindelse med dette.

§ 4

Selskapets aksjekapital er NOK 5.402.700,- fordelt på 2.700 aksjer à NOK 2.001,-.

§ 5

Selskapets styre skal ha 1 - 5 medlemmer.

Selskapets firma tegnes av styremedlemmene hver for seg.

§ 6

Den ordinære generalforsamling skal behandle:

1. Fastsettelse av resultatregnskap og balanse
2. Anvendelse av årsoverskudd eller dekning av årsunderskudd i henhold til den fastsatte balanse, samt utdeling av utbytte.
3. Valg av revisor og fastsettelse av dennes honorar.
4. Valg av styre.
5. Andre saker som i henhold til lov eller vedtekter hører under generalforsamlingen.

Bilag 3

BELSHIPS CHARTERING AS

Vedtekter

Vedtatt på konstituerende generalforsamling 27. januar 1993 med forandringer senest [12. oktober 2018].

§ 1

Selskapets navn er Belships Lighthouse AS.

§ 2

Selskapets forretningskontor er i Oslo.

§ 3

Selskapets formål er shipping, herunder inngåelse av fraktavtaler, innbefraktning og drift av skip, samt alt hva som står i naturlig forbindelse med dette.

§ 4

Selskapets aksjekapital er NOK 5.402.700,- fordelt på 2.700 aksjer à NOK 2.001,-.

§ 5

Selskapets styre skal ha 1 - 5 medlemmer.

Selskapets firma tegnes av styremedlemmene hver for seg.

§ 6

Den ordinære generalforsamling skal behandle:

1. Fastsettelse av resultatregnskap og balanse
2. Anvendelse av årsoverskudd eller dekning av årsunderskudd i henhold til den fastsatte balanse, samt utdeling av utbytte.
3. Valg av revisor og fastsettelse av dennes honorar.
4. Valg av styre.
5. Andre saker som i henhold til lov eller vedtekter hører under generalforsamlingen.

Bilag 4

BELSHIPS ASA

Vedtekter
vedtatt på konstituerende generalforsamling
7. oktober 1935
med forandringer senest 27. juni 2013

§1

Selskapets navn er Belships ASA. Selskapet er et allment aksjeselskap.

§2

Selskapets forretningskontor er i Oslo.

§3

Selskapets virksomhet er å drive skipsfart, formidling av befraktning og kjøp og salg av skip, offshorevirksomhet, deltagelse i leting etter og produksjon av petroleum, industri og handel samt deltagelse i selskaper av enhver art med lignende formål.

§4

Selskapets aksjekapital er NOK 94.704.000,- fordelt på 47.352.000 aksjer á NOK 2,- fullt innbetalt og lydende på navn.

§5

Selskapets styre består av fra 3 - 7 medlemmer, eventuelt med varamenn, etter generalforsamlingens nærmere beslutning. Styret velger selv hvert år sin formann.

Selskapet tegnes av to av styrets medlemmer i forening eller av administrerende direktør alene. Styret kan meddele prokura. Administrerende direktør ansettes av styret.

§6

Ordinær generalforsamling i selskapet skal avholdes innen utløpet av juni måned hvert år. Den ordinære generalforsamling skal behandle og avgjøre følgende saker:

1. Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
2. Andre saker som etter loven eller vedtektene hører under generalforsamlingen.
3. Dokumenter som gjelder saker som skal behandles i selskapets generalforsamling, herunder dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen, trenger ikke sendes til aksjeeierne dersom dokumentene er gjort tilgjengelige på selskapets hjemmeside. En aksjeeier kan likevel kreve å få tilsendt dokumenter som gjelder saker som skal behandles i generalforsamlingen.

§7

Selskapets aksjer skal være registrert i Verdipapirsentralen.

Utbytte sendes til dem som er registrert som aksjeeiere den dagen utbyttet blir fastsatt.

I innkalling til generalforsamling kan det bestemmes at de aksjeeiere som ønsker å delta i generalforsamlingen, selv eller ved fullmektig, må melde seg hos selskapet innen en frist på inntil to dager før generalforsamlingen med oppgave over hvor mange aksjer de representerer, eventuelt hvem som møter som fullmektig og med hvor mange aksjer.

BELSHIPS ASA

Articles of Association Adopted by the statutory general meeting on 7 October 1935 last amended 27 June 2013

§1

The name of the company is Belships ASA.
The company is a public limited company.

§2

The company's registered business office is in Oslo.

§3

The objective of the company is shipping, charter brokerage and purchase and sale of vessels, offshore operations, participation in the exploration for and the production of petroleum, trade and industry as well as participation in companies of any sort with similar objectives.

§4

The company's share capital is NOK 94 704 000 distributed between 47 352 000 registered, fully paid-up shares with a nominal value of NOK 2.

§5

The company's board consists of three (3) to seven (7) members, possibly with deputies depending on the decision of the general meeting.
Each year the board elects a chairman among the board members.
The company is bound by the joint signatures of two (2) members of the board or by the signature of the managing director alone.
The board may authorise others to sign on behalf of the company per procurationem.
The managing director is appointed by the board.

§6

An ordinary general meeting of the company shall be held before the end of June each year. The ordinary general meeting shall consider and decide on the following matters:

1. Approval of the annual accounts and the annual report, including the distribution of dividends.
2. Other matters which are required by law or the Articles of Association to be dealt with by the general meeting.
3. Documents concerning matters to be considered at the company's general meeting, including documents which by law must be included in or enclosed with the notice of the general meeting, need not be sent to shareholders if the documents are made available on the company's website. Notwithstanding the foregoing, a shareholder may request a copy of documents which concern matters to be considered at the general meeting.

§7

The company's shares shall be registered with the Norwegian Central Securities Depository (VPS).
Dividends are to be disbursed to persons registered as shareholders on the day that the dividend is agreed upon.
In the notice of the general meeting, it may be decided that shareholders who wish to take part in the general meeting, either in person or by proxy, must notify the company to this effect by a deadline of up to two (2) days before the general meeting, stating the number of shares they represent, and where appropriate who will be acting as proxy and on behalf of how many shares.

Bilag 5

BELSHIPS ASA

Vedtekter
vedtatt på konstituerende generalforsamling
7. oktober 1935
med forandringer senest 26. oktober 2018

§1

Selskapets navn er Belships ASA. Selskapet er et allment aksjeselskap.

§2

Selskapets forretningskontor er i Oslo.

§3

Selskapets virksomhet er å drive skipsfart, formidling av befraktning og kjøp og salg av skip, offshorevirksomhet, deltagelse i leting etter og produksjon av petroleum, industri og handel samt deltagelse i selskaper av enhver art med lignende formål.

§4

Selskapets aksjekapital er NOK 350.235.986,- fordelt på 175.117.993 aksjer á NOK 2,- fullt innbetalt og lydende på navn.

§5

Selskapets styre består av fra 3 - 7 medlemmer, eventuelt med varamenn, etter generalforsamlingens nærmere beslutning. Styret velger selv hvert år sin formann.

Selskapet tegnes av to av styrets medlemmer i forening eller av administrerende direktør alene. Styret kan meddele prokura. Administrerende direktør ansettes av styret.

§6

Ordinær generalforsamling i selskapet skal avholdes innen utløpet av juni måned hvert år. Den ordinære generalforsamling skal behandle og avgjøre følgende saker:

1. Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
2. Andre saker som etter loven eller vedtektene hører under generalforsamlingen.
3. Dokumenter som gjelder saker som skal behandles i selskapets generalforsamling, herunder dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen, trenger ikke sendes til aksjeeierne dersom dokumentene er gjort tilgjengelige på selskapets hjemmeside. En aksjeeier kan likevel kreve å få tilsendt dokumenter som gjelder saker som skal behandles i generalforsamlingen.

§7

Selskapets aksjer skal være registrert i Verdipapirsentralen.

Utbytte sendes til dem som er registrert som aksjeeiere den dagen utbyttet blir fastsatt.

I innkalling til generalforsamling kan det bestemmes at de aksjeeiere som ønsker å delta i generalforsamlingen, selv eller ved fullmektig, må melde seg hos selskapet innen en frist på inntil to dager før generalforsamlingen med oppgave over hvor mange aksjer de representerer, eventuelt hvem som møter som fullmektig og med hvor mange aksjer.

BELSHIPS ASA

Articles of Association Adopted by the statutory general meeting on 7 October 1935 last amended 26 October 2018

§1

The name of the company is Belships ASA.
The company is a public limited company.

§2

The company's registered business office is in Oslo.

§3

The objective of the company is shipping, charter brokerage and purchase and sale of vessels, offshore operations, participation in the exploration for and the production of petroleum, trade and industry as well as participation in companies of any sort with similar objectives.

§4

The company's share capital is NOK 350,235,986 distributed between 175,117,993 registered, fully paid-up shares with a nominal value of NOK 2.

§5

The company's board consists of three (3) to seven (7) members, possibly with deputies depending on the decision of the general meeting.
Each year the board elects a chairman among the board members.
The company is bound by the joint signatures of two (2) members of the board or by the signature of the managing director alone.
The board may authorise others to sign on behalf of the company per procurationem.
The managing director is appointed by the board.

§6

An ordinary general meeting of the company shall be held before the end of June each year. The ordinary general meeting shall consider and decide on the following matters:

1. Approval of the annual accounts and the annual report, including the distribution of dividends.
2. Other matters which are required by law or the Articles of Association to be dealt with by the general meeting.
3. Documents concerning matters to be considered at the company's general meeting, including documents which by law must be included in or enclosed with the notice of the general meeting, need not be sent to shareholders if the documents are made available on the company's website. Notwithstanding the foregoing, a shareholder may request a copy of documents which concern matters to be considered at the general meeting.

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BELSHIPS

ANNUAL REPORT 2017

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 tonnage provider with full concentration on one non-specialized asset type. The company has been stock listed on the Oslo Stock Exchange since 1937.

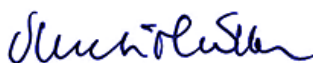
Our subsidiary, Belships Management (Singapore) Pte Ltd, has made its mark on one of the world's most challenging industries for close to 35 years – an industry where clients manage valuable assets and demand the highest level of expertise and ability from their partners. We focus without compromise 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 tonnage provider with high focus on quality, fuel efficiency and emission control. The Company took delivery of one 61,000 dwt Ultramax in September 2015 (Belforest), a sister ship in March 2016 (Belisland) and one 63,000 dwt Ultramax in January 2018 (Belnippon). Both Belforest and Belnippon are on charter to Cargill, whereas Belisland is on charter to Canpotex. Another 63,000 dwt Ultramax will be delivered from Imabari Shipbuilding within first half 2020.

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.

Belships ASA will celebrate 100 years in 2018!

We are excited about our journey over the coming years.



Bernt Ulrich Müller
Chief Executive Officer
Belships ASA

KEY FINANCIAL FIGURES

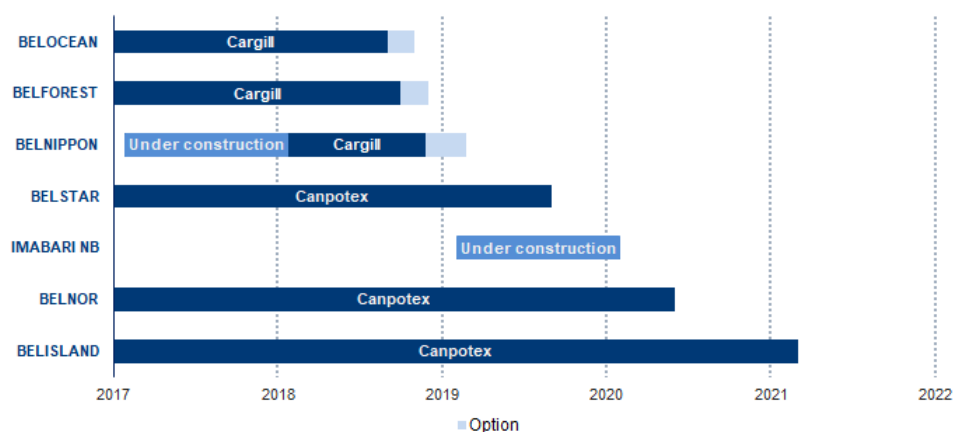
USD 1 000		2017	2016
Operating income		27 309	25 415
EBITDA		13 270	11 280
Operating result (EBIT)		11 614	-8 907
Net result for the year		6 364	-14 593
Total assets		102 129	105 612
Equity		26 382	20 144
Equity per share	NOK	4.62	3.71
Interest coverage ratio		2.45	-1.84
Current ratio	%	84.56	97.16
Equity ratio	%	25.83	19.07
Earnings per share	US cent	13.60	-31.18
Proposed dividend per share	NOK	0.10	0.00

FLEET LIST

SHIP	OWNERSHIP	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 08/18	9 770
Ultramax					
M/S Belforest	BBC to 2027 +3 yrs	2015	61 320	T/C to 09/18	9 986
M/S Belisland	BBC to 2031 +5 yrs	2016	61 252	T/C to 03/21	17 300
M/S Belnippon *	TC to 2026 +3 yrs	2018	63 602	T/C to 12/18	11 070
Imabari newbuilding	TC to 2028 +2 yrs	2020	63 000		

*) Delivered 24th January 2018

CHARTER COVERAGE



DIRECTORS' REPORT 2017

THE DRY BULK MARKET

Following the turnaround in the early part of 2016, the market continued to strengthen throughout 2017. The key drivers behind the increasing freight rates were higher Chinese imports of iron ore, coal, grain products and bauxite. Chinese imports rose by 6% in ton-mile terms in 2017. It was a further decline in domestic Chinese iron ore production, and a continued substitution to imported high-grade iron ore from Australia and Brazil. Chinese imports of coal increased further in 2017, despite the environmental concern from Chinese authorities.

Turning to the supply-side, the dry bulk fleet expanded by 2.1% in 2017, down from 2.6% growth in 2016. However, scrapping activity fell sharply compared to 2016 on the back of rising freight rates.

The Baltic Exchange Capesize Index ended the fourth quarter at USD 19 341 per day, whereas the Panamax-index ended at USD 11 183 per day. The Supramax-index ended the fourth quarter at USD 10 478 per day. As per today, the Cape index stands at USD 8 825 per day, Panamax-index at USD 12 902 per day and Supramax-index at USD 12 567 per day.

The Baltic Exchange S&P Assessment values today a 5 year old Supramax at USD 17.8 million, which is up from USD 14.4 million one year ago.

OPERATIONS

M/S Belstar, M/S Belnor and M/S Belisland continued in 2017 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 for Belstar/Belnor and USD 17 300 per day for Belisland. M/S Beloceano and M/S Belforest are both chartered to Cargill until September-October 2018 at around USD 10 000 per day net. M/S Belnippon, the long term 63 000 dwt t/c-in ship, was delivered from Imabari Shipbuilding on 24 January 2018 and has been chartered out to Cargill for 10-13 months at USD 11 500 per day.

The company's tonnage is modern, and all ships operated satisfactorily without significant off-hire. The operating expenses continued at a competitive level.

Belships will take delivery of a 63 000 dwt Ultramax bulk carrier from Imabari within first half 2020 for long-term charter including purchase option.

The subsidiary Belships Management (Singapore) Pte. Ltd. made a contribution of USD 1.2 million in net result from technical management services. The company expanded its customer base, and currently provides technical management for 12 ships, including Belships' own ships, and provides crewing for 24 ships.

RESULTS

The Group had an operating income of USD 27 309 000 in 2017 (USD 25 415 000), giving an EBITDA of USD 13 270 000 (USD 11 280 000) and a consolidated operating result of USD 11 614 000 (USD -8 907 000). Result before tax was USD 6 658 000 (USD -14 419 000), while net result for the Group was USD 6 364 000 (USD -14 593 000). The negative result in 2016 is explained by impairment of the fleet of USD 13.8 million. Net impairment reversal in 2017 amounted to USD 2.5 million.

The parent company's net result for the year was NOK 44 010 000 (NOK -143 824 000).

The Board proposes the result for the year allocated as follows:

AMOUNTS IN NOK

PROVISION FOR DIVIDEND	4 735 000
TRANSFER FROM OTHER RETAINED EARNINGS	39 275 000
TOTAL ALLOCATIONS	44 010 000

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 and two short term T/C agreements with Cargill covering most of 2018. Current activity will generate sufficient liquidity to cover current debt and operating expenses throughout 2018. Based on this, the Board considers that the conditions for a going concern are in place.

In the opinion of the Board, 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 are all installed with ballast water treatment systems.

ORGANISATION

Belships has its headquarter 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 2017. Management activities in Singapore were stable over the year. The Group employed 52 office staff at the end of 2017. Ships under management had 205 crewmembers onboard.

The sick leave was less than 2% in 2017. The Group was not subject to any serious accidents in 2017.

Belships aims to treat women and men equally. No discrimination on the grounds of gender is tolerated. Of the Group's office staff, 27 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 2017 the book equity of the Belships share was NOK 4.57 (NOK 3.71), while the book equity ratio was 25.8 % (19.1%). Added value related to the long-term charter for M/S Belisland is not included in the balance sheet.

Consolidated liquidity was USD 5.5 million as at 31 December 2017, against USD 7.9 million at the beginning of the year. Total mortgage debt had a balance of USD 28.3 million at year-end and was reduced by USD 8.0 million during 2017. Down payment of lease commitments in 2017 amounted to USD 1.8 million.

The waiver from the ship mortgage lender was terminated in 4th quarter and the on-demand guarantee from the main shareholder was returned. Main terms in the loan agreement are as follows: Minimum cash USD 3 million, annual instalment USD 5 million, minimum value 120% in 2018 and 125% in 2019 and payment of dividend is limited to 50% of net result.

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. Based on these internal valuations an impairment reversal was recorded in 2017.

Belships aims to provide its shareholders with a competitive dividend yield, and the board propose a dividend payment of NOK 0.10 per share.

At the end of 2017 Belships held 548 000 treasury shares in total at an average cost of NOK 9.91 per share. In August 2017, the employees were granted options to purchase 200 000 shares at a strike price of NOK 5.12. These options can be exercised from the annual general meeting 2018 until the annual general meeting in 2019.

The Belships' share value has increased by 21% in the course of 2017. By comparison, the OSEBX increased by 19%. A total of 17 535 000 shares were traded in 241 of 253 trading days. In 2016 a total of 5 501 000 shares were traded in 183 of the 253 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 78% (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 has since 1937 been 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

As expected, the market dropped ahead of the Chinese New Year celebration in February. However, last few weeks the spot rates have strengthened and the period activity has picked up. One year t/c-rates for Ultramax is now around USD 12 500-13 000 per day.

Ordering activity has picked up considerably, but new orders now will be for delivery in 2020 or later. The 2020 sulphur cap regulations will probably trigger an increased scrapping and slower sailing speeds to mitigate higher cost for low-sulphur bunkers. Net supply the next three years is expected to increase by 1.7% on average, whereas the demand is expected to increase by 3% in ton-mile terms.

Belships' ships are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of USD 52 million. Focus remains to continue developing Belships as an owner and operator of modern bulk carriers to reputable counterparts, building a portfolio of quality ships and robust charter parties that will generate distributable cash flows.

OSLO, 21 MARCH 2018
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 2017.

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 2017 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 2017
- 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, 21 MARCH 2018
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 statement of comprehensive income

1 JANUARY – 31 DECEMBER / USD 1 000	NOTE	2017	2016
Operating income			
Freight income		22 646	21 338
Other operating income		4 663	4 077
Total operating income	4	27 309	25 415
Operating expenses			
Ship operating expenses	8	-8 175	-8 197
Operating expenses ship management	8	-3 371	-3 405
Payroll expenses	9	-1 678	-1 659
Other general administrative expenses	6	-815	-874
Total operating expenses		-14 039	-14 135
Operating result (EBITDA)		13 270	11 280
Depreciations on ships and other fixed assets	7	-4 597	-4 901
Reversal/Impairment of ships	7	2 544	-13 823
Loss on sale of ship/effect on onerous contracts	7	397	-1 463
Operating result (EBIT)		11 614	-8 907
Financial income and expenses			
Interest income		26	13
Interest expenses	13	-4 735	-4 833
Currency exchange gain/(loss)		114	69
Other financial items	8	-361	-761
Net financial items		-4 956	-5 512
Net result before tax		6 658	-14 419
Tax	12	-294	-174
Net result for the year		6 364	-14 593
Hereof non-controlling interests		60	53
Hereof majority interests		6 304	-14 646
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain/(loss) on defined benefit plan		-6	-39
Total comprehensive income		6 358	-14 632
Hereof non-controlling interests		60	53
Hereof majority interests		6 298	-14 685
Earnings per share (US cent)	11	13.60	-31.18
Diluted earnings per share (US cent)	11	13.48	-31.18

Consolidated statement of financial position

PER 31 DECEMBER / USD 1 000	NOTE	2017	2016
NON CURRENT ASSETS			
Tangible assets			
Ships	7	91 242	93 009
Prepaid timecharter hire		405	1500
Other fixed assets	7	1 832	1 683
Total tangible assets		93 479	96 192
Financial assets			
Financial investments		126	108
Other long-term receivables	13	122	183
Total financial assets		248	292
Total non current assets		93 727	96 483
CURRENT ASSETS			
Trade debtors	13	323	91
Prepaid timecharter hire		1 095	0
Other receivables	13	1 525	1 120
Cash and cash equivalents (restricted)	15	229	3 203
Cash and cash equivalents	15	5 230	4 715
Total current assets		8 402	9 129
TOTAL ASSETS		102 129	105 612
EQUITY			
Paid-in capital		43 620	43 620
Retained earnings		-17 590	-23 887
Non-controlling interests		352	411
Total equity	20	26 382	20 144
LIABILITIES			
Provision for liabilities			
Pension obligations	17	530	648
Other non current liabilities			
Mortgage debt	13	22 999	30 883
Obligation under finance leases	13	40 816	42 811
Financial instruments	22	8	323
Other non current liabilities		1 458	1 407
Total other non current liabilities		65 281	75 424
Current liabilities			
Current portion of mortgage debt/lease liability	13	6 940	6 778
Tax payable	12	256	131
Public taxes and duties payable		155	284
Trade creditors		573	256
Other short-term liabilities	13	2 011	1 948
Total current liabilities		9 936	9 396
Total liabilities		75 747	85 468
TOTAL EQUITY AND LIABILITIES		102 129	105 612



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 statement of cash flows

1 JANUARY – 31 DECEMBER/USD 1 000	NOTE	2017	2016
CASH FLOW FROM OPERATIONS			
Net result before tax		6 658	-14 419
Adjustments to reconcile result before tax to net cash flows:			
Loss on sale of ship/effect on onerous contracts	7	-397	1 463
Depreciations on ships and other fixed assets	7	4 597	4 901
Reversal/Impairment of ships	7	-2 544	13 823
Share-based compensation expense	16	0	31
Difference between pension expenses and paid pension premium	17	-171	-210
Net finance costs		4 956	5 512
Working capital adjustments:			
Change in trade debtors and trade creditors		85	-212
Change in other short-term items		-345	-241
Interest received		26	13
Interest paid		-4 735	-4 833
Income tax paid		-138	-118
Net cash flow from operating activities		7 993	5 710
CASH FLOW FROM INVESTING ACTIVITIES			
Payment on newbuilding	7	0	-20 531
Sale of ship (net sales amount)	7	0	23 637
Payment of other investments		-271	-1 923
Net cash flow from investing activities		-271	1 183
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of current debt	13	-9 835	-6 491
Paid costs related to financing		-369	-484
Net cash flow from financing activities		-10 204	-6 975
Net change in cash and cash equivalents during the period		-2 482	-82
Cash and cash equivalents at 1 January		7 918	7 993
Change currency NOK deposits		23	7
Cash and cash equivalents at 31 December *		5 459	7 918

*) Includes certain restricted cash. See [note 15](#).

Consolidated statement of changes in equity

USD 1000	Note	Majority interests					Non-controlling interest	Total equity
		Paid-in						
		Share capital	Treasury shares	Share premium reserves	Other equity	Other equity		
As at 31 December 2017								
Equity as at 1 January 2017		14 272	-166	13 751	15 763	-23 888	412	20 144
Net result for the year		0	0	0	0	6 304	60	6 364
Other comprehensive income	17	0	0	0	0	-6	0	-6
Total comprehensive income		0	0	0	0	6 298	60	6 358
Share-based payment expense	16	0	0	0	0	0	0	0
Non-controll. interests transact.		0	0	0	0	0	-120	-120
Equity as at 31 December 2017		14 272	-166	13 751	15 763	-17 590	352	26 382
As at 31 December 2016								
Equity as at 1 January 2016		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		0	0	0	0	-39	0	-39
Total comprehensive income		0	0	0	0	-14 685	53	-14 632
Share-based payments expense		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

Notes to the consolidated accounts

NOTE 1 GENERAL INFORMATION

Belships is an owner and operator of dry bulk ships, presently operating a fleet of 6 ships (5 in 2017). 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 www.belships.com, or by inquiry to the company's head office.

The consolidated financial statements have been approved by the Board on 21 March 2018.

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.

Notes to the consolidated accounts

NOTE 2 SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED

A) BASIS OF PREPARATION

The consolidated financial statements of Belships ASA (the "Parent Company"), and all its subsidiaries (the "Group"), have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The Group accounts have been prepared on a historical cost basis, except for derivatives and shares held for trading, 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 time-charter agreements with Canpotex, which are favourable in the current market. The cash flow is positive in all entities. 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 2017. 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 8.2050 (2016: USD 8.6200) and SGD 6.1410 (2016: SGD 5.9645).

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 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 P) 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) INVESTMENT IN ASSOCIATES

An associate is an entity over which the Group has significant influence, but not control, and which is not a subsidiary. Significant influence is defined as the right to participate in the financial and operating policy decisions of the investee, but is not control over

those policies.

Interests in associates are accounted for using the equity method. Under this method, the investment is carried in the Consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any provisions for impairment. The Consolidated Income Statement reflects the Group's share of net income of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share in the Consolidated Statement of Comprehensive Income.

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 remote.

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) 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.

Q) 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.

R) 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.

S) 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.

T) 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.

U) 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.

V) RELATED PARTY TRANSACTIONS

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

W) 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](#).

X) 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.

Y) CHANGES IN ACCOUNTING POLICES

Amendments to IAS 7 Statement of Cash Flows

Disclosure Initiative The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information in [note 13](#).

Except for the above change, the same accounting policies and methods of computation are followed in this financial statement as compared with the annual financial statement for 2016.

Standards issued but not yet effective are as follows:

IFRS 9 Financial Instruments

The standard (as revised in 2014) will supersede IAS 39 upon its effective date for annual periods beginning on or after 1 January 2018. The number of categories of financial assets have been reduced to financial assets measured at amortized cost and financial assets measured at fair value. However, the standard introduces a "fair value through other comprehensive income" measurement category for certain simple debt instruments. IFRS 9 also presents a new impairment model which is based on expected credit losses, rather than on incurred credit losses. Implementation of the new standard is not expected to have any significant impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, effective from 1 January 2018, covers the recognition of revenue in the financial statements and related disclosure. IFRS 15 will replace IAS 18 Revenue. The main part of the group's revenue is freight income on ships. All ships are chartered out on time charter. The group has assessed that IFRS 15 will not have impact on revenue recognition, however additional break downs of revenue will be provided in note disclosure.

IFRS 16 Leases

IFRS 16, effective from 1 January 2019, covers the recognition of leases and related disclosure in the financial statement, and will replace IAS 17 Leases. The group is in the early phase of evaluating the impact of IFRS 16. The currently material lease contracts are related to ships and properties. Currently the company has 2 ships on financial lease in, and 1 ship on operational lease in. At this stage, the group does not intend to adopt the standard before its effective date.

Notes to the consolidated accounts

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, or if previous recorded impairment charges should be reversed. 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.

In 2017, the market conditions for bulk ships have improved with increasing freight rates and underlying ships values. When the freight rates increase, the net present value of ships on long favorable charters decreases. 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 valuations, 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 valuations used as basis are 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.

Based on an assessment of the terms of the lease contracts, including the levels of purchase options, the Management assessed in 2015 and 2016 that the leaseback is a financial lease for both M/S Belforest and M/S Belisland.

Leased ships are 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 segment reporting 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 64% and 18% of total turnover respectively. The Group had no other single customers in any segment neither in 2017 nor 2016 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. There are no particular focus on geographic region as all of the group's ships are on time charter out, and the charterers decide the trade routes on individual basis, accordingly no geographical segments are presented. Due to this, financial position is not allocated to geographical segments.

1 JANUARY – 31 DECEMBER 2017	DRY CARGO	TECHNICAL MANAGEMENT	ADMINI- STRATION	GROUP TRANSACTIONS	TOTAL
Freight revenue	22 190	0	0	456	22 646
Management fees – external	0	4 374	289	0	4 663
Management fees – internal	0	712	458	-1 170	0
Operating income	22 190	5 086	747	-714	27 309
Operating expenses	-8 887	-3 371	0	712	-11 546
General administrative exps.	-45	0	-2 450	2	-2 493
Operating expenses	-8 932	-3 371	-2 450	714	-14 039
Operating result (EBITDA)	13 258	1 715	-1 703	0	13 270
Effect on onerous contracts	397	0	0	0	397
Depreciations on fixed assets	-4 451	-59	-87	0	-4 597
Reversal of impairment of ships	2 544	0	0	0	2 544
Operating result	11 748	1 656	-1 790	0	11 614
Financial income	0	15	11	0	26
Financial expenses	-4 844	-138	0	0	-4 982
Result before tax	6 904	1 533	-1 779	0	6 658
Tax	0	-294	0	0	-294
Net result	6 904	1 239	-1 779	0	6 364
Hereof non-controlling interests	0	60	0	0	60
Hereof majority interests	6 904	1 179	-1 779	0	6 304
Assets	94 207	4 588	3 334	0	102 129
Liabilities	70 667	3 571	1 509	0	75 747
Cash flow from operating activities	8 264	1 592	-1 863	0	7 993
Cash flow from investing activities	-140	0	-131	0	-271
Cash flow from financing activities	-10 204	0	0	0	-10 204

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

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 charter period is 12 years with purchase options from year 3 onwards.

M/S Belisland was delivered 15 March 2016 and leased on bareboat charter for a period of 15 years with purchase options from year 5 onwards.

Both leases are considered as financial leases.

In January 2018 the newbuilding M/S Belnippon was delivered and entered the 8-years time charter agreement to Belships. Belships has purchase options from year 4 onwards.

In June 2017 Belships signed an agreement to charter in an Ultramax bulk carrier of 63 000 dwt to be delivered from Imabari Shipbuilding first half 2020. The charter period will be for minimum 8 years plus two yearly options, with purchase option from end of fourth year.

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	2 594	15 754	7 653	26 001
Whereof payments of purchase option	0	0	16 850	16 850
Hire obligation under financial lease	2 594	15 754	24 503	42 851

CONTRACTED TIME CHARTER REVENUE

M/S Belstar, M/S Belnor and M/S Belisland are fixed on long-time charters to Canpotex Shipping Services Ltd from time of delivery from yard in 2009, 2010 and 2016 respectively, at a net rate of USD 16 000 per day for Belstar and Belnor and USD 17 300 for Belisland. The charter agreements expire in 2019, 2020 and 2021, respectively. There is no option to extend the charter period.

M/S Belforest and M/S Beloceen have been on time charter to Cargill in 2017 at net average rates of USD 7 375 per day for Belforest and USD 7 006 per day for Beloceen.

M/S Belnippon was at time of delivery in January 2018 fixed on time charter to Cargill for 10-13 months at USD 11 500 per day.

FIXED INCOME AND COMMITMENTS AS AT 31 DECEMBER 2017	< 1 YR	1-5 YR	> 5 YR	TOTAL
Contracted timecharter revenue	26 431	25 371	0	51 802
Commitments related to long-term leased ships	9 746	50 563	78 313	138 621

FIXED INCOME AND COMMITMENTS 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

Lease obligations are nominal amounts.

Notes to the consolidated accounts

NOTE 6 OTHER GENERAL ADMINISTRATIVE EXPENSES

OTHER GENERAL ADMINISTRATIVE EXPENSES	2017	2016
Office expenses	200	204
Furniture, office supplies	80	66
Travelling, entertainment costs	43	117
Other services	266	217
Other general administrative expenses	227	271
Total administrative expenses Norwegian companies	815	874

Notes to the consolidated accounts

NOTE 7 SHIPS AND OTHER FIXED ASSETS

	2017				2016				
	Ships				Ships				
	Ships excl. dry dock	Capital. costs dry dock	Total fixed assets	Other fixed assets	New- buildings	Ships excl. dry dock	Capital. costs dry dock	Total fixed assets	Other fixed assets
Cost per 1 January	168 230	4 849	173 079	4 963	8 475	145 490	3 709	149 199	4 920
Additions	0	140	140	235	20 531	22 740	1 140	23 880	183
Disposals	0	0	0	-1 179	-29 006	0	0	0	-140
Cost per 31 Desember	168 230	4 989	173 219	4 019	0	168 230	4 849	173 079	4 963
Depreciations per 1 Jan.	77 905	2 165	80 070	3 565	4 250	60 381	1 088	61 469	3 565
Depreciation for the year	3 365	1 086	4 451	146	0	3 701	1 077	4 778	123
Impairment/reversal(-)	-2 544	0	-2 544	0	0	13 823	0	13 823	0
Disposals	0	0	0	-1 109	-4 250	0	0	0	-131
Deprec. as at 31 Dec.	78 726	3 251	81 977	2 602	0	77 905	2 165	80 070	3 556
Book value per 31 Dec.	89 504	1 738	91 242	1 417	0	90 325	2 684	93 009	1 407
Other fixed assets	0	0	0	415	0	0	0	0	276
Book value at 31 Dec.	89 504	1 738	91 242	1 832	0	90 325	2 684	93 009	1 683

SPEIFICATION OF THE GROUP'S SHIPS

SHIP	BUILT YEAR	OWNERSHIP	COST PRICE	ORDINARY DEPRECIATIONS	ACCUMULATED IMPAIRMENTS	CAPITALISED DRYDOCK EXPS.	BOOK VALUE
M/S Belstar	2009	100 %	40 542	-10 512	-15 554	208	14 684
M/S Belnor	2010	100 %	39 891	-9 705	-13 268	65	16 983
M/S Beloceen	2011	100 %	38 317	-7 309	-18 036	393	13 365
M/S Belforest	2015	BBC	26 734	-1 602	-1 372	495	24 255
M/S Belisland	2016	BBC	22 740	-1 363	0	578	21 955
Total fleet			168 224	-30 491	-48 230	1 739	91 242

OWNED SHIPS (SUPRAMAXES)

M/S Belstar, M/S Belnor and M/S Beloceen were delivered from Yangzhou Dayang yard in China in 2009, 2010 and 2011. Belstar and Belnor are employed on 10-year time charters to Canpotex Shipping Services Ltd from time of delivery, at a net rate of USD 16 000 per day. 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.

M/S Beloceen has from 2016 been fixed on time charter to Cargill International S.A of Switzerland. Net average rate in 2017 was USD 7 006 per day.

Reference is made to [note 13](#) regarding financing of the ships.

CHARTERED SHIPS (ULTRAMAXES)

M/S Belforest and M/S Belisland was delivered from Imabari Shipbuilding in Japan in 2015 and 2016. The ships are leased on bareboat for a period of 12 years with purchase options from year 3 onwards for Belforest and a period of 15 years with purchase options from year 5 onwards for Belisland. Both leases are considered as financial leases. Belforest was from time of delivery fixed on time charter to Cargill. Average rate in 2017 were USD 7 375 per day. Belisland was from delivery chartered on long-time charter contract to Canpotex Shipping Services to 2021 at a net rate of USD 17 300 per day.

All the ships have operated satisfactorily over the year. The counterparty risk with the charterers is considered to be low.

IMPAIRMENT TESTS/CALCULATION OF RECOVERABLE AMOUNT

During 2017 the dry bulk market has improved (charter rates/ship values) and it is expected that the positive market momentum will continue. The Group has over the last years recorded significant impairment on its ships. As described in [note 3](#), with improved

market conditions the net present value of ships on long-term timecharter to Canpotex decreases, while the net present value of ships on short to medium timecharter to Cargill increases, due to this the company has tested the recoverable amount on its vessels in accordance with IAS 36.

On the ships M/S Beloceen and M/S Belforest the impairment test resulted in a reversal of USD 7.5 million, which is a part of prior year's impairment charges. The reversal is based on improvements in rates in 2017 and market expectations for future market rates based on broker valuations. The ships M/S Belstar and M/S Belnor were impaired with USD 5.0 million, due to shorter remaining period on long-term timecharters. No impairment indicators exists on Belisland, the ship has not been impaired historically. The recoverable amount on the ships are shown in the table below, while 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 2-4 years timecharter, 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 LIBOR at 1.75%, and the margin was fixed at 4.25%, 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.

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%	-27	-50	0	0	0	-77
WACC decrease with 1%	27	52	0	0	0	79
Market rate increase 5% and ship values increase 2.5%	-13	-197	334	606	0	730
Market rate decrease 5% and ship values decrease 2.5%	-2	172	-334	-606	0	-770

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 valuations.

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.

Notes to the consolidated accounts

NOTE 8 SPECIFICATIONS OPERATING EXPENSES AND OTHER FINANCIAL ITEMS

	2017	2016
Ship operating expenses		
Crew expenses	4 743	4 568
Maintenance and spare parts	1 986	1 968
Insurance	775	872
Other ship operating expenses	671	789
Total ship operating expenses	8 175	8 197
Operating expenses ship management		
Administration costs	2 182	2 302
General & selling expenses	552	612
Fixed costs	636	492
Total operating expenses ship management	3 371	3 405
Other financial items		
Net unrealised loss/(gain) on interest swaps	-315	-278
Borrowing costs	476	740
Other financial items	200	299
Total other financial items	361	761

Notes to the consolidated accounts

NOTE 9 SALARIES, NUMBER OF EMPLOYEES

	2017	2016
Salaries	1 254	1 204
Social security tax	228	217
Pension expenses	141	140
Other allowances	55	98
Total payroll expenses Norwegian companies	1 678	1 659

Average number of office staff in 2017 was 52 (2016: 63) of which 8 in the Norwegian companies.

Loans to employees are specified in [note 13](#). Loans to members of the management amounted to 51 (64) at year end.

REMUNERATION	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
2017			
Salaries	401	185	213
Pension expenses (defined contribution)	20	20	20
Other remuneration	50	37	41
2016			
Salaries	367	175	206
Pension expenses (defined contribution)	19	19	19
Other remuneration	49	21	23

Remuneration in accordance with the Accounting Act § 7-31b is presented in [note 10](#) in the parent company accounts. Other remuneration includes telephone, insurance agreements etc.

BONUS

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

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 81 in remuneration in 2017, divided into 20 to the Chairman and 15 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 11 in additional remuneration in 2017, divided into 5 to the Chairman and 3 to each of the other members. The remunerations are paid in NOK and was increased with 3.5% from 2016.

THE GROUP'S FEES TO THE AUDITOR (EXCLUDING VAT)	2017	2016
Remuneration for audit services	80	58
Other assurance services	12	22
Assistance related to tax	25	9
Other audit related assistance	0	10
Total	117	99

Notes to the consolidated accounts

NOTE 10 RELATED PARTIES

The subsidiary Belships Management AS provides accounting services to Sonata AS, which is owned by the chairman and his family. Fees amounted to 130 (126) in 2017.

Sonata AS issued in 2016 an on-demand guarantee amounting to USD 5 million to the ship mortgage lender. The guarantee carried a commission of 5% which amounted to 238 (252) in 2017. The waiver from the lender was terminated in December 2017 and the on-demand guarantee from Sonata was returned.

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 51 (64) as at 31 December 2017.

Notes to the consolidated accounts

NOTE 11 EARNINGS PER SHARE

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

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

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

AVERAGE NUMBER OF SHARES (EXCLUDING TREASURY SHARES)	2017	2016
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	6 364	-14 593
Earnings per share (US cent)	13.60	-31.18
Diluted earnings per share (US cent)	13.48	-31.18

Notes to the consolidated accounts

NOTE 12 TAXES

	2017	2016
Income tax expense	294	174

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	2017	2016
Result for the year before tax	6 658	-14 419
Statutory tax rate (Norway)	24 %	25 %
Estimated tax expense at statutory rate	1 598	-3 605
Non tax deductible expenses	-86	107
Change in temporary differences	1 832	313
Non taxed shipping income in Singapore	-228	1 969
Difference between Norwegian and Singapore regional national tax	-74	-70
Tax effect of deferred tax asset not recorded in the balance sheet including exchange rate effect	-2 748	1 460
Total income tax expense/(income)	294	174

TAX LOSS CARRIED FORWARD

The Group had a tax loss carried forward of USD 68.3 million as at 31 December 2017 (2016: USD 58.5 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	2017	2016
Temporary differences		
Deferred sales gain/(loss)	-696	-829
Accruals	9 690	2 116
Pensions	-529	-648
Total temporary differences	8 464	639
Tax loss carried forward	-68 257	-58 469
Net temporary differences	-59 793	-57 830
Nominal tax rate on deferred tax	23 %	24 %
Deferred tax assets	-13 752	-13 879
Deferred tax assets recognised in the Balance sheet	0	0
Deferred tax assets not recognised in the Balance sheet	-13 752	-13 879

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

Notes to the consolidated accounts

NOTE 13 RECEIVABLES AND LIABILITIES

RECEIVABLES DUE LATER THAN 12 MONTHS	2017	2016
Loans to employees 1)	116	178
Other long-term receivables	5	5
Total long-term receivables	122	183

1) The average interest rate used for loans to employees was 2.25% (2.28%) in 2017. 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 Belocan. The loan facility is secured for a period of 6 years. Main terms in the loan agreement are as follows: Minimum cash USD 3 million, annual instalment USD 5 million, minimum value 120% in 2018 and 125% in 2019 and payment of dividend is limited to 50% of net result. In order to avoid breach of loan covenants, Belships received a revised waiver from ship mortgage lender in November 2016. The waiver agreement included an on-demand guarantee from main shareholder of USD 5 million. The waiver was terminated in December 2017 and the on-demand guarantee from the main shareholder was returned. All the covenants were fulfilled as at 31 December 2017. The market value of the ships were 133% of the outstanding loan balance at year end.

BAREBOAT COMMITMENT

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 was delivered 15 March 2016 and leased for a period of 15 years with purchase options from year 5 onwards. Both leases are considered as financial leases.

REPAYMENT SCHEDULE	2018	2019	2020	2021	SUBSEQ	TOTAL
Mortgage debt	5 000	5 000	18 250	0	0	28 250
Obligation under finance leases	1 994	2 163	2 350	2 536	33 768	42 811
Capitalized financing costs	-123	-123	-26	-7	-27	-305
Total	6 871	7 040	20 574	2 529	33 740	70 755

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2016	Cash flows	Non-cash changes			2017
			Deprec. financing costs	Foreign exchange movem.	Fair value changes	
Non-current mortgage debt	32 290	-8 000	116	49		24 455
Current part of financing	6 778	162				6 940
Lease liabilities	42 811	-1 997	7	-3		40 818
Interest swap agreements	323	0			-315	8
Total liabilities from financing activities	82 202	-9 835	123	46	-315	72 221

INTEREST SWAP AGREEMENTS

Belships has an interest swap agreement with a fixed interest rate at 2.2%. The agreement covers USD 5 million and ends in August 2018. Another interest swap agreement started in September 2015 at a rate of 1.9% and with a duration of 5 years covering USD 17 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.

Notes to the consolidated accounts

NOTE 14 INVESTMENTS AND GROUP COMPANIES

THE FOLLOWING COMPANIES ARE INCLUDED IN THE CONSOLIDATED ACCOUNTS:

	OWNERSHIP/ VOTING PERCENTAGE	BUSINESS LOCATION	MAIN ACTIVITY
Belships Management AS	100 %	Oslo	Management
Belships Management (Singapore) Pte Ltd	100 %	Singapore	Technical management
Belships Supramax Singapore Pte Ltd	100 %	Singapore	Shipping
Belships Chartering AS	100 %	Oslo	Shipping

Belships Management (Singapore) Pte Ltd

Belships (Tianjin) Ship Management & Consultancy Co Ltd	75 %	China	Crewing
Belships (Shanghai) Shipmanagement Co Ltd	60 %	China	Crewing

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 %

Notes to the consolidated accounts

NOTE 15 BANK DEPOSITS

The Group's bank balance amounted to 5 459 (7 918) at year end. Restricted cash amounted to 229 (3 203), of which 142 (125) to swap clearing account and 87 (77) to withholding tax employees.

Notes to the consolidated accounts

NOTE 16 OPTIONS TO EMPLOYEES

The Group operates two equity-settled share-based payment schemes, one includes all the employees in the parent company and the other one relates to CEO.

At the Annual general meeting (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. No options have been exercised.

At the AGM in 2017, 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 5.12 was awarded in August 2017. No options have been exercised.

The above mentioned 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.

The options awarded in 2015 were in April 2017 canceled with an agreement between the company and the employees that the company paid out the difference between exercise and market price. The payment amounted to 32. In March 2018 options awarded in 2016 were canceled and the difference between exercise and market price were paid to the employees. This payment amounted to 59.

SUMMARY OF OUTSTANDING OPTIONS	2017	2016
Outstanding 1 January	400 000	400 000
Awarded	200 000	200 000
Exercised	0	0
Not exercised	-200 000	-200 000
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 2016 and 2017 the market value per share was NOK 0.60 and NOK 1.97 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 2017 the calculated costs amounted to 7 and 25 for the 2016- and 2017-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 77.0%.

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. 0.59% for 2017.

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.

Notes to the consolidated accounts

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 123 (121) in 2017. Pension costs in Singapore is reclassified as operating expenses ship management and amounted to 181 (210) in 2017.

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 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	2017	2016
Discount rate	2.40 %	2.60 %
Future wage adjustment	2.50 %	2.50 %
Pension adjustment/G-adjustment	2.50 %	2.50 %
Return on pension plan assets	2.40 %	2.60 %

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

1 January	648	796
Interest cost	15	19
Benefits paid	-171	-229
Actuarial (gains)/losses on obligation	6	39
Currency exchange gain/(loss)	33	23
31 December	530	648

PENSION EXPENSES IN CONSOLIDATED ACCOUNTS	2017	2016
Pension expenses defined benefit scheme	15	19
Pension expenses defined contribution scheme	123	121
Net pension expenses in consolidated accounts	139	140

Notes to the consolidated accounts

NOTE 18 SUBSEQUENT EVENTS

M/S Belnippon was delivered from Imabari Shipbuilding in January 2018 and has been fixed on time charter to Cargill for 10-13 months at USD 11 500 per day.

No other material events have taken place after 31 December 2017.

Notes to the consolidated accounts

NOTE 19 ENVIRONMENTAL ISSUES

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

Notes to the consolidated accounts

NOTE 20 EQUITY

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2017 distributed among 594 shareholders (2016: 481). 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 2017. 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 2017 the Board received authorisation to issue up to 4.0 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 Annual general meeting on 24 April 2018 propose a dividend of NOK 0.10 per share for 2017 (2016: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2017		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	31 747 492	67.05 %
2	Tidships AS	5 080 432	10.73 %
3	Eitzen Rederi AS	806 134	1.70 %
4	Belships ASA	498 000	1.05 %
5	Carlings AS	400 000	0.84 %
6	Chrem Capital AS	320 000	0.68 %
7	Tidinvest II AS	315 414	0.67 %
8	Jenssen & Co A/S	302 816	0.64 %
9	Toru Nagatsuka	270 000	0.57 %
10	Carl Erik Steen	269 154	0.57 %
11	Jovoko AS	250 000	0.53 %
12	Danske Bank A/S	245 339	0.52 %
13	Liv Seland	240 000	0.51 %
14	JSL AS	231 191	0.49 %
15	ASL Holding AS	225 000	0.48 %
16	Arne Risøy	217 902	0.46 %
17	AR Vekst AS	203 995	0.43 %
18	Bernhard Kielland	200 000	0.42 %
19	HKD Holding AS	198 117	0.42 %
20	Jomaho AS	160 000	0.34 %
Total 20 largest shareholders		42 180 986	89.08 %
Other shareholders		5 171 014	10.92 %
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 1)	31 747 492	0
Christian Rytter 2)	320 000	0
Carl Erik Steen	269 154	0
Other members	0	0

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

2) Shares held by 100% owned Chrem Capital AS.

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Ulrich Müller, Chief Executive Officer *	0	60 000
Stein H. Runsbech, Commercial Director	30 000	33 000
Osvald Fossholm, Financial Director	0	33 000

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

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

Notes to the consolidated accounts

NOTE 21 CONTINGENCIES

The Board is not aware of any material disputes the company may be involved in at 31 December 2017.

Notes to the consolidated accounts

NOTE 22 FINANCIAL MARKET RISK

Financial market risk is considered to be the risk of changes in foreign exchange rates 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 still at a 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%. At year end 2017 the agreement covered USD 5 million and it ends in August 2018. The market value of the agreement amounted to -20 at year end (2016: -123). 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 amounted to 12 (-200) at year end. The hedging level of interest rate exposure is currently around 78% (leases excluded). The market value of the agreements are recorded as long-term liability.

The Group entered in 2015 and 2016 into two financial lease agreements, which also limit the interest rate exposure as the interest rate is fixed throughout the period.

The company does not use hedge accounting.

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	2017	2016
Change in the interest rate level in basis points	-100/+100	-100/+100
Effect on result before tax	338/-338	388/-388

AVERAGE EFFECTIVE INTEREST RATE ON DEBT (%)

Mortgage debt	4.25	3.72
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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:

	2017	2016
Total equity as at 31 December	26 382	20 144
Total assets	102 129	105 612
Equity ratio as at 31 December	26 %	19 %

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

	2017	2016
Interest-bearing debt	70 755	80 472
Trade creditors	573	256
Cash reserves	-5 459	-7 918
Net debt	65 869	72 810
Equity	26 382	20 144
Total equity and net debt	92 251	92 954
Net debt ratio	71 %	78 %

LIQUIDITY RISK

All ships are secured on charter contract's which will generate sufficient cash flow to cover operational expenses and planned instalments. The ship management business also provide positive cash flow from operations. Further, the debt ratio was reduced in 2017 due to better earning, and with total current assets covering 85 % of total short term liabilities at 31 December 2017. After amendment in December 2017, the terms in the loan agreements also provides the Group with some financial flexibility. Based on this, the Group's solvency and financial position is considered to be satisfactory, and the board has further proposed a dividend on NOK 4.7 million (USD 0.6 million).

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. Except for USD the Group had a cash balance of NOK 8.2 million, SGD 0.9 million and CNY 0.8 million at end of 2017. Belships has no currency hedge agreements as at 31 December 2017.

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 2017. 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.

SUMMARY OF FINANCIAL ASSETS AND OBLIGATIONS *	LOANS AND RECEIVABLES		CHANGE IN FAIR VALUE THROUGH PROFIT AND LOSS		AVAILABLE FOR SALE		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Financial assets								
Investments					126	108	126	108
Other long-term receivables	122	183					122	183
Trade debtors	323	91					323	91
Other receivables	1 525	1 120					1 525	1 120
Bank deposits	5 459	7 918					5 459	7 918
Financial obligations								
Mortgage debt	-28 250	-36 250					-28 250	-36 250
B/B commitment	-42 811	-44 647					-42 811	-44 647
Financial instruments			-8	-323			-8	-323
Trade creditors	-573	-256					-573	-256
Other short-term liabilities	-2 166	-2 231					-2 166	-2 231
Total	-66 371	-74 071	-8	-323	126	108	-66 253	-74 286

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

ASSETS AND OBLIGATIONS MEASURED AT FAIR VALUE	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Financial investments					126	108	126	108
Interest agreements			-8	-323			-8	-323
Total			-8	-323	126	108	118	-215
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST						2017	2016	
Mortgage debt						-28 250	-36 250	
B/B commitment						-42 811	-44 647	
Total						-71 061	-80 897	

The fair value of credit facilities and obligations under financial 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 2017 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	2017	2016
Operating income			
Freight income	2	89 907	73 550
Other operating income	10	4 976	4 773
Total operating income		94 883	78 323
Operating expenses			
T/C hire	2	-48 757	-42 529
Ship operating expenses	9	-26 496	-24 257
Payroll expenses	10	-13 880	-13 933
Other general administrative expenses	11	-6 224	-6 793
Depreciation on ships and other fixed assets	2	-15 774	-14 065
Reversal/Impairment of fixed assets	2	33 013	-34 717
Total operating expenses		-78 118	-136 295
Operating result before sale of ship a.o.		16 765	-57 971
Loss on sale of ship/effect on onerous contracts	2	21 058	-31 108
Operating result		37 824	-89 079
Financial income and expenses			
Share dividend	8	8 725	3 113
Interest income		88	71
Interest expenses	12	-26 573	-26 758
Interest expense on loan to subsidiary	4	-128	-131
Write-down on shares in subsidiary	8	0	-34 382
Other financial items	9	5 282	3 646
Currency exchange gain/-loss	9	18 792	-303
Net financial items		6 186	-54 744
Net result before tax		44 010	-143 824
Income tax expense	16	0	0
Net result for the year		44 010	-143 824
Appropriations of net result:			
Dividend		-4 735	0
Transfer from/(to) other retained earnings		-39 275	143 824
Total		-44 010	143 824

Belships ASA balance sheets

AS AT 31 DECEMBER/ NOK 1 000	NOTE	2017	2016
NON CURRENT ASSETS			
Tangible assets			
Ships	2	386 529	368 567
Prepaid time charter hire	2	3 323	12 930
Other fixed assets	2	6 172	5 745
Total tangible assets		396 024	387 242
Financial assets			
Shares in subsidiaries	8	207 136	207 136
Other shares		141	141
Other long-term receivables	12	952	1 581
Total financial assets		208 229	208 858
Total non current assets		604 252	596 100
CURRENT ASSETS			
Prepaid time charter hire		9 029	0
Other receivables		9 845	4 702
Cash and cash equivalents	5	13 714	4 962
Total current assets		32 589	9 664
Total assets		636 841	605 764
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		106 729	106 727
Total paid-in capital		293 670	293 668
Retained earnings			
Other equity		-73 155	-117 116
Total equity	6	220 514	176 552
LIABILITIES			
Non current liabilities			
Bareboat commitment	12	334 908	369 032
Provision for losses on contracts	2	0	17 612
Pension obligations	7	4 340	5 583
Financial instruments	14	0	1 480
Intercompany balances	4	5 927	5 848
Total non current liabilities		345 175	399 556
Current liabilities			
Bareboat commitment, current portion	12	15 918	15 326
Public taxes and duties payable		1 276	2 447
Trade creditors		531	281
Intercompany balances	4	47 192	4 546
Other current liabilities		6 236	7 056
Total current liabilities		71 153	29 657
Total liabilities		416 327	429 213
Total equity and liabilities		636 841	605 764



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	2017	2016
CASH GENERATED FROM OPERATIONS			
Net result before tax		44 010	-143 824
Adjustments to reconcile result before tax to net cash flows:			
Depreciation on ships and other fixed assets	2	15 774	14 065
Reversal/Impairment of ships	2	-33 013	34 717
Gain/loss from sale of fixed assets/effect on onerous contracts	2	-21 058	31 108
Share-based payment transaction expense	3	2	263
Difference between pension expenses and paid pension premium	7	-1 291	-1 761
Net financial items		-6 186	54 744
Working capital adjustments:			
Change in trade debtors and trade creditors		250	-507
Change in intercompany balances		42 725	-1 495
Change in other short-term items		-2 730	2 656
Interest received		88	71
Interest paid		-26 701	-26 889
Net other financial items		3 778	3 852
Net cash flow from operations		15 647	-33 000
CASH FLOW FROM INVESTING ACTIVITIES			
Investment newbuildings		0	-174 043
Investments in tangible assets	2	-1 571	-1 426
Sale proceeds from tangible asset disposals	2	425	202 204
Dividends/Group contribution received	8	8 725	3 113
Change in other investments		585	-12 747
Net cash flow from investing activities		8 164	17 101
CASH FLOW FROM FINANCING ACTIVITIES			
Instalments b/b commitments		-15 060	-15 061
Net cash flow from financing activities		-15 060	-15 061
Net change in cash and cash equivalents		8 752	-30 960
Cash and cash equivalents at 1 January		4 962	35 922
Cash and cash equivalents at 31 December	5	13 714	4 962
Restricted bank deposits	5	1 877	1 749

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 21 March 2018.

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

2017

	Ships			Other fixed assets		
	Ships 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	422 122	15 358	437 480	17 084	4 113	21 197
Additions	0	0	0	1 571	0	1 571
Disposals	0	0	0	-7 066	0	-7 066
As at 31 December	422 122	15 358	437 480	11 589	4 113	15 702
Depreciations						
As at 1 January	65 840	3 073	68 913	14 952	500	15 452
Depreciation for the year	11 917	3 135	15 051	723	0	723
Reversal impairment	-33 013	0	-33 013	0	0	0
Disposals	0	0	0	-6 644	0	-6 644
As at 31 December	44 744	6 208	50 951	9 030	500	9 530
Book value at 31 December	377 378	9 150	386 529	2 558	3 613	6 171

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

M/S BELISLAND

M/S Belisland, a 61 000 dwt Ultramax bulk carrier was delivered on 15 March 2016 and is leased on bareboat charter for a period of 15 years with purchase options from year 5 onwards. The lease transaction is considered as a financial lease. The ship is chartered to Canpotex for 5 years at a net rate of USD 17 300 per day.

M/S BELFOREST

M/S Belforest, a 61 000 dwt Ultramax bulk carrier was delivered on 25 September 2015 and is leased on bareboat charter 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 September 2018 with charterers option of further 2 months, at charter rate of around USD 10 000 per day. A provision

of loss of NOK 0.7 million was entered in 2016 regarding the previous timecharter period with Cargill. The provision was reversed in 2017.

Reversal of previous impairments for M/S Belforest amounted to NOK 33 million in 2017. See [note 7](#) in the consolidated accounts regarding impairment.

M/S BELOCEAN

M/S Belocean is owned by Belships Supramax Singapore (BSS) and is on time charter to Belships ASA at USD 16 000 per day. The ship is employed in the market on time charter to Cargill at USD 9 770 per day.

In 2016 a provision of NOK 21.3 million was recorded as estimated net loss on the timecharter agreements for M/S Belocean and M/S Belisland. Due to improved market, this provision was reversed in 2017.

PREPAYMENT OF TIMECHARTER HIRE

Prepayment of timecharter hire amounting to USD 1.5 million is related to the newbuilding delivered 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.

Notes to the Belships ASA accounts

NOTE 3 OPTIONS TO EMPLOYEES

At the Annual general meeting (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. No options have been exercised.

At the AGM in 2017, 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 5.12 was awarded in August 2017. No options have been exercised.

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.

The options awarded in 2015 were in April 2017 canceled with an agreement between the company and the employees that the company paid out the difference between exercise and market price. The payment amounted to 32. In March 2018 options awarded in 2016 were canceled and the difference between exercise and market price were paid to the employees. This payment amounted to 454.

SUMMARY OF OUTSTANDING OPTIONS	2017	2016
Outstanding 1 January	400 000	400 000
Awarded	200 000	200 000
Exercised	0	0
Not exercised	-200 000	-200 000
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 2016 and 2017 the market value per share was NOK 0.60 and NOK 1.97 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 2017 the calculated costs amounted to 56 and 208 for the 2016- and 2017-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 77.0%.

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. 0.59% for 2017.

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.

Notes to the Belships ASA accounts

NOTE 4 INTERCOMPANY BALANCES

No interest is calculated on short-term intercompany balances, as these items are only considered as ordinary operating balances.

Interest at market terms is calculated on long-term intercompany balances, and the balance fall due when the cash position allows it. Interest cost of 128 (2016: 131) are paid to a subsidiary due to long-term intercompany balance of 5 927 (5 848) at year end.

Notes to the Belships ASA accounts

NOTE 5 BANK DEPOSITS

Total bank deposit amounted to 13 714 (4 962) at year-end. Restricted funds for withholding tax for employees amounted to 712 (668) and other restricted deposits amounted to 1 166 (1 081) as at 31 December 2017.

Notes to the Belships ASA accounts

NOTE 6 EQUITY

	NOTE	PAID-IN				RETAINED	TOTAL
		SHARE CAPITAL	TREASURYSHARES	SHARE PREMIUM RESERVES	OTHER EQUITY	OTHER EQUITY	
Equity per 31 December 2016		94 704	-1 096	93 333	106 726	-117 116	176 551
Actuarial gains/(losses) obligation	2	0	0	0	0	-48	-48
Share-based payments	3	0	0	0	2	0	2
Dividend		0	0	0	0	4 735	4 735
Result for the year		0	0	0	0	39 275	39 275
Equity per 31 December 2017		94 704	-1 096	93 333	106 728	-73 154	220 515

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2017 distributed among 594 shareholders (2016: 481). 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 2017. Belships ASA has provided 50 000 treasury shares to ABG Sundal Collier Norge ASA (ABGSC) as a facility for ABGSC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2017 the Board received authorisation to issue up to 4 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 annual general meeting on 24 April 2018 propose a dividend of NOK 0.10 per share (2017: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2017

		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	31 747 492	67.05 %
2	Tidships AS	5 080 432	10.73 %
3	Eitzen Rederi AS	806 134	1.70 %
4	Belships ASA	498 000	1.05 %
5	Carlings AS	400 000	0.84 %
6	Chrem Capital AS	320 000	0.68 %
7	Tidinvest II AS	315 414	0.67 %
8	Jenssen & Co A/S	302 816	0.64 %
9	Toru Nagatsuka	270 000	0.57 %
10	Carl Erik Steen	269 154	0.57 %
11	Jovoko AS	250 000	0.53 %
12	Danske Bank A/S	245 339	0.52 %
13	Liv Sjøland	240 000	0.51 %
14	JSL AS	231 191	0.49 %
15	ASL Holding AS	225 000	0.48 %
16	Arne Risøy	217 902	0.46 %
17	AR Vekst AS	203 995	0.43 %
18	Bernhard Kielland	200 000	0.42 %
19	HKD Holding AS	198 117	0.42 %
20	Jomaho AS	160 000	0.34 %
Total 20 largest shareholders		42 180 986	89.08 %
Other shareholders		5 171 014	10.92 %
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 1	31 747 492	0
Christian Rytter 2	320 000	0
Carl Erik Steen	269 154	0
Other members	0	0

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

2) Shares held by 100% owned Chrem Capital AS.

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA

	OWNED SHARES	OUTSTANDING OPTIONS
Ulrich Müller, Chief Executive Officer *	0	60 000
Stein H. Runsbeck, Commercial Director	30 000	33 000
Osvald Fossholm, Financial Director	0	33 000

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

Notes to the Belships ASA accounts

NOTE 7 PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme, 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 1 041 in 2017 (2016: 1 011).

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 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.

	2017	2016
Assumptions		
Discount rate	2.40 %	2.60 %
Future wage adjustment	2.50 %	2.50 %
Pension adjustment/G-adjustment	2.50 %	2.50 %
Return on pension plan assets	2.40 %	2.60 %
Composition of the net pension obligations per 31 December		
Net pension obligations as at 1 January	5 583	7 008
Interest on accrued pension obligations	127	163
Employer benefits paid	-1 418	-1 925
Actuarial (gains)/losses on obligation	48	337
Net pension obligations as at 31 December	4 340	5 583
NET PENSION EXPENSES	2017	2016
Pension expenses defined benefit scheme	127	163
Pension expenses defined contribution scheme	1 041	1 011
Total pension expenses	1 168	1 174

Notes to the Belships ASA accounts

NOTE 8 SHARES

	BUSINESS OFFICE	TIME OF PURCHASE	COST PRICE	OWNER-SHIP/ VOTING SHARE	COMPANY'S SHARE CAPITAL	NUMBER OF SHARES OWNED	PAR VALUE	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	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 7 225 (3 113) in 2017.

Notes to the Belships ASA accounts

NOTE 9 SPECIFICATIONS

SHIP OPERATING EXPENSES	2017	2016
Crew expenses	15 906	14 725
Maintenance and spare parts	4 536	3 977
Insurance	2 435	2 307
Management fee	1 985	2 039
Other ship operating expenses	1 634	1 209
Total ship operating expenses	26 496	24 257
OTHER FINANCIAL ITEMS	2017	2016
Net guarantee commissions 1)	-5 083	-7 388
Financing costs	-1 586	3 270
Other financial items	1 387	473
Net other financial items	-5 282	-3 646

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 7 061 (9 491) has being charged in 2017.

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 carried a commission of 5% which amounted to 1 978 (2 103) in 2017. The guarantee was returned in December 2017.

CURRENCY GAIN/(LOSS) IN INCOME STATEMENT	2017	2016
Realised currency exchange gain	-32 496	-37 184
Unrealised currency exchange gain	-6 917	-1 890
Realised currency exchange loss	16 221	35 868
Unrealised currency exchange loss	4 400	3 508
Total	-18 792	303

Notes to the Belships ASA accounts

NOTE 10 SALARIES, NUMBER OF EMPLOYEES

SALARY EXPENSES	2017	2016
Salaries	10 372	10 113
Social security tax	1 888	1 826
Pension expenses	1 168	1 174
Other allowances	451	819
Total	13 880	13 933

The parent company received a management fee from the subsidiary Belships Management AS amounting to 4 976 in 2017 (2016: 4 773).

The average number of employees in 2017 was 8 (2016: 8).

REMUNERATION TO THE MANAGEMENT	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
Salary	3 318	1 527	1 765
Share-based payment transaction expense	118	65	65
Pension expenses (defined contribution)	166	166	166
Other allowances	299	239	270
Total	3 901	1 997	2 266

Other allowances include telephone, insurance agreements etc. 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 666 in remuneration in 2017 (2016: 643), divided into 166 to the Chairman and 125 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 93 in additional remuneration in 2017 (2016: 90), divided into 35 to the Chairman and 29 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)	2017	2016
Remuneration for audit services	265	220
Other assurance services	93	38
Assistance related to tax matters	67	41
Other audit related assistance	0	0
Total	425	299

LOANS TO EMPLOYEES

Loans to employees amounted to 952 (1 536) as at 31 December 2017. Of this, 419 (550) to the management. See [note 12](#) for further details regarding the loans.

Notes to the Belships ASA accounts

NOTE 11 OTHER GENERAL ADMINISTRATIVE EXPENSES

	2017	2016
Office expenses	1 650	1 712
Other services	1 689	1 692
Data, office equipment a.o.	662	552
Communication, advertising	451	301
Travel expenses	358	954
Other general administrative expenses	1 414	1 582
Total	6 224	6 793

Notes to the Belships ASA accounts

NOTE 12 RECEIVABLES AND LIABILITIES

BAREBOAT CHARTER COMMITMENTS

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.

In 2016 Belships entered into a bareboat lease agreement for M/S Belisland. The ship is leased for a period of 15 years with purchase options from year 5 onwards.

Both leases are considered as financial leases.

TIME CHARTER COMMITMENTS

In January 2018 the newbuilding M/S Belnippon was delivered and entered the 8-years time charter agreement to Belships. Belships has purchase options from year 4 onwards.

In June 2017 Belships signed an agreement to charter in an Ultramax bulk carrier of 63 000 dwt to be delivered from Imabari Shipbuilding first half 2020. The charter period will be for minimum 8 years plus two yearly options, with purchase option from end of fourth year.

See [note 13](#) in the consolidated accounts for payment 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 952 (1 536) as at 31 December 2017. The average interest rate used for the loans was 2.20% (2.28%) in 2017. The repayment period is five years.

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

Notes to the Belships ASA accounts

NOTE 13 SUBSEQUENT EVENTS

M/S Belnippon was delivered from Imabari Shipbuilding in January 2018 and has been fixed on time charter to Cargill for 10-13 months at USD 11 500/day.

No further material events have taken place after 31 December 2017.

Notes to the Belships ASA accounts

NOTE 14 FINANCIAL MARKET RISK

CURRENCY RISK

The functional currency of the company is USD and the presentation currency is NOK. Balance sheet items in USD have been converted to NOK at currency rate 8.2050 (8.6200), which was Norges Bank's exchange rate at 31 December 2017. 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 deposit of NOK amounted to 8.2 million (NOK 2.9 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 amounted to 100 (-1 480) at year end. The amount is not recorded in the books.

CREDIT RISK

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

Notes to the Belships ASA accounts

NOTE 15 RELATED PARTIES

The company performs management services for a subsidiary and receives a fee for this. The fee amounted to 4 976 (4 773) in 2017.

The company receives a commission for acting as guarantor for mortgage debt in the subsidiary Belships Supramax Singapore Pte Ltd. The fee amounted to 7 061 (9 491) in 2017. 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 carried a commission of 5% which amounted to 1 978 (2 103) in 2017. The guarantee was returned in December 2017. 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 419 (550) per 31 December 2017.

Notes to the Belships ASA accounts

NOTE 16 TAX

TAX RESULT FOR THE YEAR FOR BELSHIPS ASA	2017	2016
Result for the year before tax	44 010	-143 824
Change in temporary differences	-92 828	52 772
Permanent differences / other	-8 403	-2 852
Tax basis for the year	-57 222	-93 904
Taxes payable (24%)	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	2017	2016
Result for the year before tax	44 010	-143 824
Statutory tax rate	24 %	25 %
Estimated tax expense at statutory rate	10 562	-35 956
Permanent differences / other	-2 017	-713
Expected tax expense	8 546	-36 669
Change in deferred tax assets	-8 546	36 669
Actual tax expense	0	0
Effective tax percentage	0 %	0 %

DEFERRED TAX PER 31 DECEMBER	2017	2016
Deferred sale fixed asset gain/(loss)	-5 714	-7 142
Provision for loss on contracts	0	-22 015
Pension obligations	-4 340	-5 583
Interest swap	0	-1 481
Temporary differences fixed assets	86 878	20 218
Impairment loss on shares in subsidiaries abroad	-64 782	-64 782
Tax loss carried forward	-456 177	-398 955
Net temporary differences	-444 133	-479 740
Statutory tax rate	23 %	24 %
Deferred tax assets	-102 151	-115 138
Deferred tax assets in Balance sheets	0	0
Deferred tax assets not in Balance sheets	-102 151	-115 138

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.

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 2017, 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 statement of financial position as at 31 December 2017, 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 2017, 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 2017 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.

Valuation assessment of ships

Based on current market conditions as of year-end 2017, management updated their valuation model for each of their ships and calculated the recoverable amounts, which in the group financial statements resulted in an impairment charge for USD 5.0 million and reversal of previously recorded impairment of USD 7.5 million. In the parent company financial statements a reversal of NOK 33.0 million in previous recorded impairment charge was recognized.

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 2-4 years. Considering the extent of estimates and assumptions applied in the valuation assessment of ships, and management's involvement and judgment in establishing them, we determined valuation assessment 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 market sector. 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 and note 2 in the parent company financial statements regarding ships, applied valuation model and sensitivity to key assumptions.

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.

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.

Independent auditor's report - Belships ASA

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, 22 March 2018

ERNST & YOUNG AS



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% 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 an option to purchase shares. Details concerning the remuneration of the company's officers are provided in a separate note to the accounts.

Information and communication

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

Company takeover

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

Auditor

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

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

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

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

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

Strong commitment to customers and quality creates value

CORPORATE SOCIAL RESPONSIBILITY

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

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

Vision

Strong commitment to customers and quality creates value.

Mission

We are an ambitious global organization with focus on:

- Safety & environment
- Customers
- Quality
- People

Core values

- Respect
- Commitment
- Sincerity & Honesty

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

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

1. Environment

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

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

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

Belships are further certified with Environmental Management Systems Certificate ISO 14001 as well as ISO 9001:2000. The certificates are issued by the classification society and establish environmental standards and implementation routines. Continuous efforts are made in order to reduce the general waste produced by the 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 2017.

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 ships in the Belships-fleet in 2017.

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

BACKGROUND ON USING NON-IFRS FINANCIAL KEY FIGURES

Belships consolidated financial information is prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS"). In addition, it is Managements's intention to provide additional performance measures when this is deemed relevant for understanding of the financial performance.

In the context of its standard and mandatory reporting, Belships ASA employs Alternative Performance Measures (APMs), which are not defined within the IFRS framework and which are published as non-IFRS financial key figures.

On the one hand, Belships ASA uses these non-IFRS financial key figures as major performance indicators for internal group controlling as well as for variable management compensation. On the other hand, these financial figures aim at increasing comparability with other companies and it is Managements experience that these measures are frequently used by equity investors, analysts and other stakeholders.

Non-IFRS financial key figures serve as additional information as presented in the consolidated financial statement in accordance with IFRS financial figures.

Definition of non-IFRS financial key figures applied:

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 result before tax 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



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, whereas 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

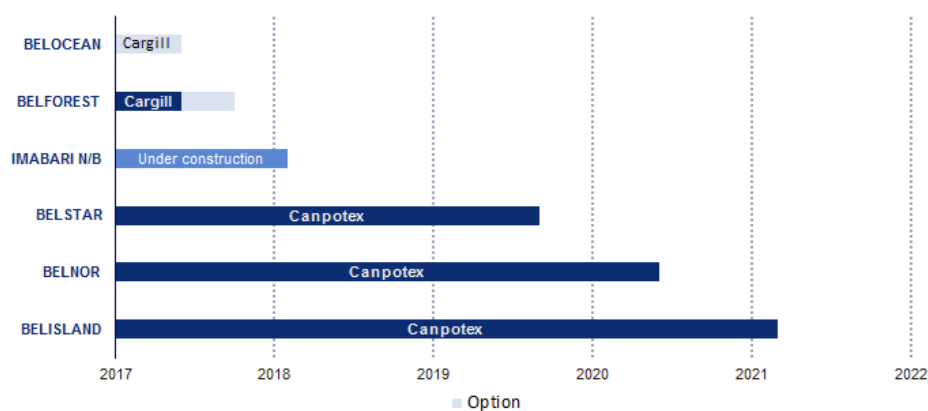
USD 1 000		2016	2015
Operating income		25 415	21 984
Operating result		-8 907	-26 660
Net result for the year		-14 593	-30 150
EBITDA		11 280	9 873
Total assets		105 612	103 248
Equity		20 144	34 831
Equity per share	NOK	3.71	6.56
Interest coverage ratio		-1.84	-12.20
Current ratio	%	97.16	115.31
Equity 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 Belocecan 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 Belocecan for the remaining 5-year period of the c/p. The net charter rate is USD 17 300 per day. In February M/S Belocecan 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 Beloceano for the remaining 5 years of the charterparty with Canpotex. In connection with the sale and leaseback a new costprice of M/S Belisland 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			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
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 debtors 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					Non-controlling interest	Total equity
		Paid-in						
		Share capital	Treasury shares	Share premium reserves	Other equity	Other 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.

Notes to the consolidated accounts

NOTE 2 SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED

A) BASIS OF PREPARATION

The consolidated financial statements of Belships ASA (the "Parent Company"), and all its subsidiaries (the "Group"), have been prepared in accordance with International Financial Reporting Standards 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 expedited 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.

Notes to the consolidated accounts

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 Beloceen 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 Beloceen 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 Beloceen 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.

Notes to the consolidated accounts

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

Notes to the consolidated accounts

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

SPEIFICATION 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 Beloceen	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 Beloceen (until mid February 2016) have continued the long-term contracts to Canpotex Shipping Services Ltd of Canada. In February 2016 M/S Beloceen 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 Beloceen 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 deteriorate, 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.

Notes to the consolidated accounts

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

Notes to the consolidated accounts

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

Notes to the consolidated accounts

NOTE 10 RELATED PARTIES

The subsidiary Belships Management AS provides accounting services to Sonata AS, which is owned by the chairman and his family. Fees amounted to 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.

Notes to the consolidated accounts

NOTE 11 EARNINGS PER SHARE

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

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

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

AVERAGE NUMBER OF SHARES (EXCLUDING TREASURY SHARES)	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.

Notes to the consolidated accounts

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 plus 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.

Notes to the consolidated accounts

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 %

Notes to the consolidated accounts

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.

Notes to the consolidated accounts

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.

Notes to the consolidated accounts

NOTE 19 ENVIRONMENTAL ISSUES

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

Notes to the consolidated accounts

NOTE 20 EQUITY

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 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's 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 Sølund	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 Sølund	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](#).

Notes to the consolidated accounts

NOTE 21 CONTINGENCIES

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

Notes to the consolidated accounts

NOTE 22 FINANCIAL MARKET RISK

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

SUMMARY OF FINANCIAL ASSETS AND OBLIGATIONS *	LOANS AND RECEIVABLES		CHANGE IN FAIR VALUE THROUGH PROFIT AND LOSS		AVAILABLE FOR SALE		TOTAL	
	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		LEVEL 2		LEVEL 3		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	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 financial 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

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 debtors 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 equivalents			
		-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 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.

Notes to the Belships ASA accounts

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.

Notes to the Belships ASA accounts

NOTE 4 INTERCOMPANY BALANCES

No interest is calculated on short-term intercompany accounts as these items are only considered as ordinary operating balances. 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.

Notes to the Belships ASA accounts

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	TOTAL
	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM RESERVES	OTHER EQUITY	OTHER EQUITY	
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 Sjøland	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 Sjøland	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.*

Notes to the Belships ASA accounts

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

Notes to the Belships ASA accounts

NOTE 8 SHARES

	BUSINESS OFFICE	TIME OF PURCHASE	COST PRICE	OWNER-SHIP/ VOTING SHARE	COMPANY'S SHARE CAPITAL	NUMBER OF SHARES OWNED	PAR VALUE	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.

Notes to the Belships ASA accounts

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.

Notes to the Belships ASA accounts

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

Notes to the Belships ASA accounts

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.

Notes to the Belships ASA accounts

NOTE 13 SUBSEQUENT EVENTS

No material events have taken place after 31 December 2016.

Notes to the Belships ASA accounts

NOTE 14 FINANCIAL MARKET RISK

CURRENCY RISK

The functional currency of the company is USD and the presentation currency is NOK. Balance sheet items in USD 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.

Notes to the Belships ASA accounts

NOTE 15 RELATED PARTIES

The company performs management services for a subsidiary and receives fee for this. The fee amounted to 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.

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 statements 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.

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
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
- Sincerity & Honesty

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

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

1. Environment

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

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

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

Belships are further certified with Environmental Management Systems Certificate ISO 14001 as well as ISO 9001:2000. The certificates are issued by the classification society and establish environmental standards and implementation routines. Continuous efforts are made in order to reduce the general waste produced by the 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



BELSHIPS

ANNUAL REPORT 2015

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 over 30 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 vessel in March 2016. A 63,000 dwt Ultramax, owned by a sister company of the shipbuilder and scheduled for delivery in Q1 2017, will be leased by the Company with purchase options. The first two ships carry traditional names for Belships: "Belforest" and "Belisland". From delivery, "Belisland" will be servicing Canpotex for the remaining 5 year charter period of "Belocean". The charter rate for this period will increase as a reflection of the expected bunker saving for Canpotex. "Belforest" was chartered to Cargill for 10-14 months from delivery, and Cargill has also chartered in "Belocean" for a 10-15 months period.

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 portfolio 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

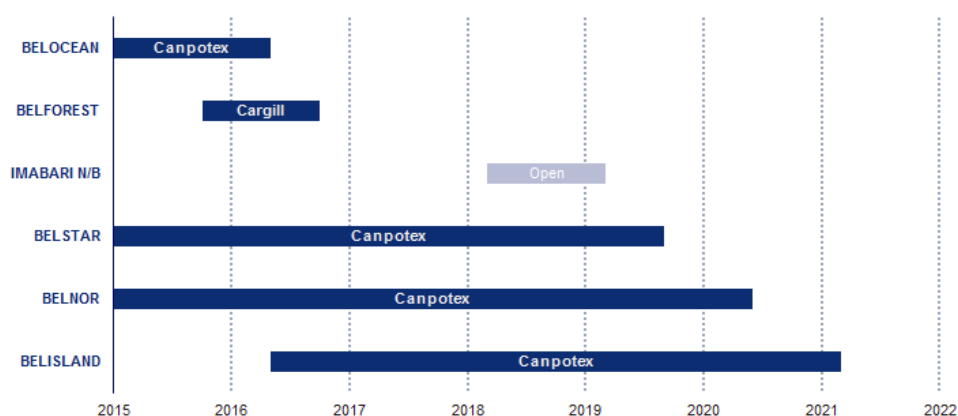
USD 1 000		2015	2014
Operating income		21 984	22 079
Operating result		-26 660	1 086
Net result for the year		-30 150	-1 601
EBITDA		9 873	8 560
Total assets		103 248	114 465
Equity		34 831	65 051
Equity per share	NOK	6.56	10.33
Interest coverage ratio		-10.23	0.37
Current ratio	%	115.31	127.64
Equity ratio	%	33.74	56.83
Earnings per share	US cent	-64.42	-3.42

FLEET LIST

SHIP	OWNER-SHIP	BUILT YEAR	DWT	EMPLOYMENT	T/C-RATE (NET USD/DAY)
Supramax					
M/S Belstar	1 100 %	2009	58 018	T/C to 08/19	16 000
M/S Belnor	1 100 %	2010	58 018	T/C to 05/20	16 000
M/S Belocean	1 100 %	2011	58 018	T/C to 03/16	16 000
Ultramax					
M/S Belforest	2 BB	2015	61 320		
M/S Belisland	2 BB	2016	60 950	T/C to 03/21	17 300
Imabari newbuilding	3 T/C	2018	63 000		

- 1) In case of any sale, Belships has an option to cancel two of the three time charter parties after respectively 5 and 7 years from the ships were delivered.
- 2) Belships has signed an agreement with Canpotex Shipping Services Ltd to replace M/S Belocean with the second newbuilding (M/S Belisland). The rate will be adjusted to USD 17.300/day net with effect from the date of delivery and until the expiry of the existing c/p period.
- 3) Delivery during 1st quarter of 2018 for long-term lease with purchase option. Charter period is eight years with three annual renewal options. Purchase option may be exercised at the end of year 4 to JPY 3.01 billion, with an annual decrease of JPY 110 million.

CHARTER COVERAGE



All indices are close to all-time low levels

DIRECTORS' REPORT 2015

THE DRY BULK MARKET

After a modest short-lived rally in Q3, dry bulk freight rates fell back again in Q4 to record-low levels. The key drivers behind the deteriorating freight rates have been falling iron ore, coal and steel product trades. The world wide fleet utilization rate has dropped to 84%*.

For 2015 as a whole, Chinese steel production fell by 2.3%, while Chinese iron ore imports rose by 1.8% due to a drop in domestic ore production.

Indian coal imports were up 50% during first half 2015, but recent figures show declining coal imports in the second half of the year due to a surge in domestic Indian coal production. The Indian steam coal imports declined by 5% during 2015.

A further negative factor in Q4 was a weaker than usual seasonal increase in US grain exports, which hurt demand for smaller bulkers.

The Capesize-index ended the fourth quarter at USD 4,695 per day, whereas the Panamax-index ended at USD 3,692 per day. The Supramax-index ended the quarter at USD 4,703 per day. As per today the Cape index stands at USD 2,221 per day, Panamax-index at USD 3,098 per day and Supramax-index at USD 3,875 per day. All these indices are close to all-time low levels.

*) according to Marsoft

OPERATIONS

M/S Belstar, M/S Belnor and M/S Beloceano continued in 2015 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 Belforest was delivered to Cargill in September for a 10-14 month period at a net charter rate of USD 7,800 per day.

The company's tonnage is modern, and all ships operated satisfactorily without significant off-hire except for the planned drydocking of M/S Belnor and M/S Beloceano. The operating expenses were close to budgeted levels.

Belships' newbuilding program with Imabari Shipbuilding Group in Japan includes 2 x 61,000 dwt eco-design Ultramax bulk carriers delivered in September 2015 and March 2016 respectively. In addition Belships has signed a long term lease agreement with purchase option for a slightly larger vessel with delivery Q1 2018.

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

RESULTS

The Group had an operating income of USD 22 984 000 in 2015 (USD 22 079 000), giving a EBITDA of USD 9 873 000 (USD 8 560 000) and a consolidated operating result of USD -26 660 000 (USD 1 086 000).

The decrease in operating result by USD 27.7 million is mainly explained by impairment of ships due to the weak market. The pre-tax result was USD -29 973 000 (USD -1 578 000), while net result for the Group was USD -30 150 000 (USD -1 601 000).

The parent company's net result for the year was NOK -36 111 000 (NOK -10 447 000). 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	-36 111 000
TOTAL ALLOCATIONS	-36 111 000

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 throughout 2016. 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 2015.

Management activities in Singapore were stable over the year. The Group employed 63 office staff at the end of 2015. Ships under management had 401 crew members on board. The sick leave was less than 2% in 2015. The Group was not subject to any serious accidents in 2015.

Belships aims to treat women and men equally. No discrimination on the grounds of gender is tolerated. Of the Group's office staff, 33 are women. The working environment at the various companies within the Group is considered to be good.

FINANCIAL AND OTHER MATTERS

The Group's solvency and financial position is satisfactory. By end of 2015 the book equity of the Belships share was NOK 6.56, while the book equity ratio was 33.7 %. After delivery of the M/S Belisland, the book equity ratio is reduced to around 30%. Current activity will generate sufficient liquidity to cover current debt throughout 2016.

Consolidated liquidity was USD 8.0 million as at 31 December 2015, against USD 8.1 million at the beginning of the year. Total mortgage debt had a balance of USD 41.3 million at year-end and was reduced by USD 5.0 million during 2015.

In Q3 Belships entered into a 12 year sale and lease back agreement for M/S Belforest, including purchase options. The contract price for the M/S Belisland, which was delivered 15 March 2016, amounted to USD 28.25 million. Instalment of USD 2.8 million was paid in 2015 and financed by the company's surplus liquidity. Remaining newbuilding instalments were at year end USD 19.8 million. In Q1 2016 Belships entered into a sale and leaseback agreement for M/S Belisland. The ship was sold and leased back for a period of 15 years with purchase options from year 5 onwards. Sales amount was USD 24 million. This transaction improved Belships cash position with USD 7 million. Both leases are considered to be financial leases.

The Group has conducted impairment tests in line with IAS 36, valuing the ships and the newbuilding contract based on observable market values of equivalent ships and contracts today, and including the discounted added value of the charter parties entered into. These internal valuations indicated that there was a need for impairment of the company's ship investments with a total of USD 31.8 million in 2015. In March 2016, M/S Belisland replaced M/S Beloceen for the remaining 5 years of the charterparty with Canpotex, resulting in an impairment on M/S Beloceen of USD 14.9 million. The corresponding value of M/S Belisland's charterparty is not included in the Group's balance sheet as the ship is held at cost, however when testing for impairment going forward, the value of the charterparty will be included.

Belships has reached an agreement to postpone the delivery of the t/c-ship. The ship will be delivered in Q1 2018 instead of Q1 2017 as previously agreed.

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 2015 Belships held 548,000 treasury shares in total at an average cost of NOK 9.91 per share. In February 2015 the employees were granted options to purchase 200,000 shares at a strike price of NOK 5.89. These options can be exercised until the annual general meeting in 2016. Additional 200,000 shares were awarded in August 2015 at a strike price of NOK 3.89. These options can be exercised from annual general meeting 2016 until the annual general meeting in 2017.

The Belships' share value has decreased by 40 per cent in the course of 2015. By comparison, the OSEBX increased by 6%. A total of 2,112,000 shares were traded in 124 of the 251 trading days. 2,448,000 shares were traded in 2014 in 146 of the 250 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 is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 70%. The long-term interest rate is at a historical low level.

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. 3 ships are owned by a Singaporean subsidiary within the 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

The spot rates for all bulkers have continued to fall in early 2016, plummeting to less than USD 3,000 per day. This is well below the operating cost levels.


New vessel ordering is now down to almost zero and the high scrapping activity continues. Scrapping, cancellations and conversions together with little new ordering activity are helping to mitigate the net supply growth, which for 2016 is expected to be about 1.5%*. The scrapping is expected to increase from 32.6 m dwt in 2015 to around 38 m dwt in 2016, and a growing number of non-deliveries may further dampen the fleet growth.

Belships' vessels are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of USD 78 million. M/S Belisland with delivery in March has replaced M/S Beloceen for the remaining 5 year period of the c/p with Canpotex, adding USD 1,300/day to net t/c hire. M/S Beloceen was in February chartered to Cargill for 10-15 months at a net charter rate of USD 3,750 per day.

Focus will be to further develop Belships as an owner/operator of modern bulk carriers to reputable counterparts. Our ambition is to build a portfolio of quality vessels and robust charter parties that will generate distributable cash flows.

*) according to Fearnleys


OSLO, 18 MARCH 2016
BELSHIPS ASA



Sverre J. Tidemand
Chairman of the Board




Sissel Grefsrud
Board member



Christian Rytter
Board member



Carl Erik Steen
Board member



Kjersti Ringdal
Board member



Bernt Ulrich Müller
Chief Executive Officer

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 2015.

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 2015 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 2015
- the annual report provides a true and fair overview of:
 - the development, profit and financial position of the Group and parent company
 - the most significant risks and uncertainties facing the Group and the parent company



Sverre J. Tidemand
Chairman of the Board



Sissel Grefsrud
Board member

OSLO, 18 MARCH 2016
BELSHIPS ASA



Christian Rytter
Board member



Carl Erik Steen
Board member



Kjersti Ringdal
Board member



Bernt Ulrich Müller
Chief Executive Officer

Consolidated Statements of Comprehensive Income


1 JANUARY – 31 DECEMBER / USD 1 000	NOTE	2015	2014
Operating income			
Freight income		17 570	17 912
Other operating income		4 414	4 167
Total operating income	4	21 984	22 079
Operating expenses			
Timecharterhire		0	-804
Ship operating expenses	8	-5 717	-5 434
Operating expenses ship management	8	-3 694	-3 741
Payroll expenses	9	-1 933	-2 474
Other general administrative expenses	6	-767	-1 066
Depreciations on fixed assets	7	-4 686	-4 274
Impairment of ships	7	-31 847	-3 200
Total operating expenses		-48 644	-20 993
Operating result		-26 660	1 086
Financial income and expenses			
Interest income		29	124
Interest expenses	13	-2 185	-1 961
Currency exchange gain/(loss)		-483	-550
Other financial items	8	-674	-277
Net financial items		-3 313	-2 664
Net result before tax		-29 973	-1 578
Tax	12	-177	-23
Net result for the year		-30 150	-1 601
Hereof non-controlling interests		109	80
Hereof majority interests		-30 259	-1 681
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain/(loss) on defined benefit plan		-23	-99
Total comprehensive income		-30 173	-1 700
Hereof non-controlling interests		109	80
Hereof majority interests		-30 282	-1 780
Earnings per share (US cent)	11	-64.42	-3.42
Diluted earnings per share (US cent)	11	-64.42	-3.42

Consolidated balance sheets

PER 31 DECEMBER / USD 1 000	NOTE	2015	2014
FIXED ASSETS			
Tangible fixed assets			
Ships	7	87 730	88 920
Newbuilding instalments	7	4 225	14 125
Other fixed assets	7	1 676	1 877
Total fixed assets		93 631	104 922
Financial fixed assets			
Financial investments	14	152	165
Other long-term receivables	13	200	303
Total financial assets		352	468
Total fixed assets		93 982	105 390
CURRENT ASSETS			
Trade debtors	13	4	44
Other receivables	13	1 269	967
Cash and cash equivalents	15	7 993	8 064
Total current assets		9 266	9 075
TOTAL ASSETS		103 248	114 465
EQUITY			
Paid-in capital		43 588	43 563
Retained earnings		-9 202	21 080
Non-controlling interests		445	408
Total equity	20	34 831	65 051
LIABILITIES			
Provision for liabilities			
Pension obligations	17	796	1 138
Other long-term liabilities			
Mortgage debt	13	35 767	40 651
Obligation under finance leases	13	21 809	0
Financial instruments	22	602	515
Other long-term liabilities		1 407	0
Total other long-term liabilities		59 585	41 166
Short-term liabilities			
Current portion of mortgage debt/lease liability	13	5 688	5 000
Tax payable	12	121	48
Public taxes and duties payable		301	325
Trade creditors		380	381
Other short-term liabilities	13	1 547	1 356
Total short-term liabilities		8 036	7 110
Total liabilities		68 417	49 414
TOTAL EQUITY AND LIABILITIES		103 248	114 465

OSLO, 18 MARCH 2016


BELSHIPS ASA



Sverre J. Tidemand
Chairman of the Board



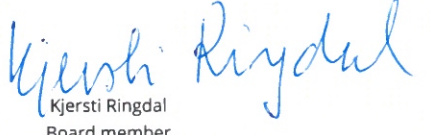
Sissel Grefsrud
Board member



Christian Rytter
Board member



Carl Erik Steen
Board member



Kjersti Ringdal
Board member



Bernt Ulrich Müller
Chief Executive Officer

Consolidated cash flow statements

1 JANUARY – 31 DECEMBER/USD 1 000	NOTE	2015	2014
CASH FLOW FROM OPERATIONS			
Net result before tax		-29 973	-1 578
Adjustments to reconcile result before tax to net cash flows:			
Depreciations on fixed assets	7	4 686	4 274
Impairment of ships	7	31 847	3 200
Share-based compensation expense	16	25	259
Difference between pension expenses and paid pension premium	17	-205	-262
Net finance costs		3 313	2 664
Working capital adjustments:			
Change in trade debtors and trade creditors		39	-213
Change in other short-term items		-213	-90
Interest received		29	124
Interest paid		-2 185	-1 961
Income tax paid		-41	-35
Net cash flow from operating activities		7 322	6 382
CASH FLOW FROM INVESTING ACTIVITIES			
Payment newbuilding contracts	7	-22 615	-8 475
Sale of ship (net sales amount)	7	27 634	0
Prepayment bareboat hire		-6 000	0
Payment of other investments		-1 732	-898
Net cash flow from investing activities		-2 713	-9 373
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term debt	13	-22 137	-51 662
Proceeds from new loan	7	18 373	49 425
Paid costs related to financing		-559	0
Dividend paid to shareholders		0	-393
Net cash flow from financing activities		-4 323	-2 630
Net change in cash and cash equivalents during the period		286	-5 621
Cash and cash equivalents at 1 January		8 064	14 282
Change currency NOK deposits		-357	-597
Cash and cash equivalents at 31 December		7 993	8 064
Restricted bank deposits	15	1 996	605

Consolidated statements of changes in equity

USD 1000	Note	Majority interests					Non-controlling interest	Total equity
		Paid-in						
		Share capital	Treasury shares	Share premium reserves	Other equity	Other equity		
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	17	0	0	0	0	-23	0	-23
Total comprehensive income		0	0	0	0	-30 282	109	-30 173
Share-based payments	16	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
As at 31 December 2014								
Equity as at 31 December 2013		14 272	-166	13 751	15 448	23 252	401	66 958
Net result for the year		0	0	0	0	-1 681	80	-1 601
Other comprehensive income		0	0	0	0	-99	0	-99
Total comprehensive income		0	0	0	0	-1 780	80	-1 700
Dividend to shareholders		0	0	0	0	-393	0	-393
Share-based payments		0	0	0	259	0	0	259
Non-controll. interests transact.		0	0	0	0	0	-73	-73
Equity as at 31 December 2014		14 272	-166	13 751	15 707	21 079	408	65 051

Notes to the consolidated accounts

NOTE 1 GENERAL INFORMATION

Belships is an owner and operator of dry bulk tonnage on long term charters to reputable customers. The company is also providing ship management services.

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

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

The consolidated financial statements have been approved by the Board on 18 March 2016.

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.

Notes to the consolidated accounts

NOTE 2 SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED

A) BASIS OF PREPARATION

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

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

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 against Canpotex, which is favourable in the current market. Further the sale & leaseback of M/S Belforest (Q3-2015) and M/S Belisland (Q1-2016) provided additional liquidity to the Group. With the declining market it is a risk that the company will fall below minimum value clauses in the loan agreement. 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. Nevertheless Belships is dependent upon a return in the market from 2017 or explore alternatives for additional funding.

B) CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of Belships ASA and its subsidiaries as at 31 December 2015. 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 8.8090 (2014: USD 7.4332) and SGD 6.2386 (2014: SGD 5.6218).

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 over the period to the next planned drydocking. Residual value has been taken into account, and this is estimated based on steel value of the ship at the balance sheet date less estimated cost to demolish the ship. Book value is compared to market value and value in use to assess the need for any further impairment compared to the ordinary depreciation plan. The depreciation period and method are assessed

annually and are based on the management's estimates of the ships' future useful life. The same applies to residual value.

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

Newbuilding contracts

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

See section L) regarding treatment of borrowing costs.

F) LEASING

Group as a lessee

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

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

Group as a lessor

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

G) FINANCIAL INSTRUMENTS

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

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

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

H) PROVISIONS

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

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

I) EQUITY

(i) Debt and equity

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

(ii) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are 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 any possible impairment. The same applies when events or changes occur that may entail that the asset's carrying amount may not be recovered. In assessing the need for impairments, assets are grouped at the lowest level at which there is identifiable and predominantly independent cash inflows, which means per ship. Impairment is calculated as the difference between the asset's carrying amount and the value considered as recoverable. The recoverable amount is the higher of the asset's fair value less cost to sell and its value in use to the Group. Value in use is calculated by discounting anticipated future cash flows from the asset. When it is assumed that the asset's value is lower than its carrying amount, an impairment loss is recognised.

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

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

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

P) EVENTS AFTER THE BALANCE SHEET DATE

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

Q) SHARE-BASED PAYMENTS

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

R) CASH AND CASH EQUIVALENTS

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

S) RESTRICTED DEPOSITS

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

T) REPORTING BY SEGMENTS

Operating segments are components of a business that are evaluated regularly by the chief operating decision maker for the purpose of assessing performance and allocating resources. The Groups chief operating decision maker is the CEO. The operating segments consist in dry cargo 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) IFRS AND IFRICS ISSUED BUT NOT YET EFFECTIVE

The financial statements have been prepared based on standards effective for the year ending 31 December 2015. IASB has issued the following relevante standards/amendments that are not yet effective and not yet approved by the EU:

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with Customers

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

Notes to the consolidated accounts

NOTE 3 USE OF ESTIMATES 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 pensions, share-based payments, deferred tax assets, impairment of fixed assets and the ships' residual value. Future events can entail a change in these estimates. Estimates and the underlying assumptions are evaluated on an ongoing basis.

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

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. Fair value is calculated based on observable market values. Estimating future cash flows will always be subject to uncertainty. Any changes in the required rate of return and the assessment of counterparty risk will also affect the value.

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

LEASE ASSESMENT

The Group entered into one sale & leaseback agreement in 2015. Based on the content of the agreement the management's judgement is that the sale & leaseback is a financial lease. If judged differently, it would have had an effect on the income statement and statement of financial position.

DEFERRED TAX ASSET

The deferred tax asset is only recognised if it can be established as probable that the asset can be realised through a future tax deduction. The probability of this is estimated by the management and the estimate is subject to uncertainties relating to the underlying assumptions for calculating future tax results.

Deferred tax assets are not recognised. See [note 12](#) for additional details.

Notes to the consolidated accounts

NOTE 4 SEGMENT INFORMATION

The Belships Group was in 2015 divided into operating segments: dry bulk and and technical management, based on how the reporting to the Chief Operating Decision Maker (CEO) is made.

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

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

Operating income in the dry bulk segment is related to own ships which are mainly chartered to Canpotex Shipping Services Ltd. Except for this customer, the company had no other customers in either 2015 or 2014 where income accounted for more than 10% of the total turnover.

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

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

1 JANUARY – 31 DECEMBER 2014	DRY CARGO	PRODUCT TANK	TECHNICAL MANAGEMENT	ADMINISTRATION	GROUP TRANSACTIONS	TOTAL
Freight revenue	16 846	774	0	0	292	17 912
Management fees – external	0	0	3 857	310	0	4 167
Management fees – internal	0	0	431	308	-739	0
Operating income	16 846	774	4 288	618	-447	22 079
Operating expenses	-5 865	-804	-3 741	0	431	-9 979
General administrative expenses	-47	-10	0	-3 499	16	-3 540
Operating expenses	-5 912	-814	-3 741	-3 499	447	-13 519
Operating result (EBITDA)	10 934	-40	547	-2 881	0	8 560
Depreciations on fixed assets	-4 126	0	-51	-97	0	-4 274
Impairment of ships	-3 200	0	0	0	0	-3 200
Operating result	3 608	-40	496	-2 978	0	1 086
Finance income	0	0	57	112	0	169
Finance expenses	-2 222	0	-32	-579	0	-2 833
Result before tax	1 386	-40	521	-3 445	0	-1 578
Tax	0	0	-23	0	0	-23
Net result	1 386	-40	498	-3 445	0	-1 601
Hereof non-controlling interests	0	0	80	0	0	80
Hereof majority interests	1 386	-40	418	-3 445	0	-1 681
Assets	109 470	0	3 915	1 080	0	114 465
Liabilities	47 353	0	500	1 562	0	49 415
Cash flow from operating activities	8 689	-40	549	-2 816	0	6 382
Cash flow from investing activities	-9 298	0	0	-75	0	-9 373
Cash flow from financing activities	-2 236	0	0	-393	0	-2 629

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. The transaction is considered as a financial lease.

CONTRACTED TIME CHARTER REVENUE

M/S Belstar, M/S Belnor and M/S Belocan are on 10-years time charters to Canpotex Shipping Services Ltd from time of delivery from yard in 2009, 2010 and 2011 respectively, at a net rate of USD 16 000 per day. There is no option to charter beyond this period. Belships ASA has the option to sell maximum two of the Canpotex-ships after 5 alternatively 7 years without obligation to continue the Charter. On 25 February 2016, M/S Belocan 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 M/S Belocan for 10-15 months at an average net rate of USD 3,750 per day.

AS AT 31 DECEMBER 2015	< 1 YR	1-5 YR	> 5 YR
Contractual payments from chartered out ships	21 199	60 461	1 070
Obligations related to long-term operational lease of ships	2 306	9 204	15 485
AS AT 31 DECEMBER 2014	< 1 YR	1-5 YR	> 5 YR
Contractual payments from chartered out ships	17 520	69 733	9 578

Lease obligations are nominal amounts.

Notes to the consolidated accounts

NOTE 6 OTHER GENERAL ADMINISTRATIVE EXPENSES

OTHER GENERAL ADMINISTRATIVE EXPENSES	2015	2014
Office expenses	197	251
Furniture, office supplies	82	92
Travelling, entertainment costs	86	93
Other services	228	264
Other general administrative expenses	175	366
Total administrative expenses Norwegian companies	767	1 066

Notes to the consolidated accounts

NOTE 7 SHIPS AND OTHER FIXED ASSETS

	2015					2014				
	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	14 125	118 756	954	119 710	4 896	5 650	118 756	1 481	120 237	4 821
Additions	22 600	26 734	2 755	29 489	71	8 475	0	823	823	75
Disposals	-28 250	0	0	0	-47	0	0	-1 350	-1 350	0
Cost per 31 Desember	8 475	145 490	3 709	149 199	4 920	14 125	118 756	954	119 710	4 896
Depreciations per 1 Jan.	0	30 467	324	30 791	3 490	0	23 463	1 350	24 813	3 342
Depreciation for the year	0	3 817	764	4 581	105	0	3 803	324	4 127	148
Impairment	5 750	26 097	0	26 097	0	0	3 200	0	3 200	0
Disposals	-1 500	0	0	0	-30	0	0	-1 350	-1 350	0
Deprec. as at 31 Dec.	4 250	60 381	1 088	61 469	3 566	0	30 466	324	30 790	3 490
Book value per 31 Dec.	4 225	85 109	2 621	87 730	1 355	14 125	88 290	630	88 920	1 406
Other fixed assets	0	0	0	0	320	0	0	0	0	471
Total book value at 31 Dec	4 225	85 109	2 621	87 730	1 675	14 125	88 290	630	88 920	1 877

SPEISIFICATION OF THE GROUP'S SHIPS	BUILT YEAR	OWNERSHIP	COST PRICE	BOOK VALUE
Supramax				
M/S Belstar	2009	100 %	40 542	23 229
M/S Belnor	2010	100 %	39 893	26 090
M/S Belocean	2011	100 %	38 320	14 000
Ultramax				
M/S Belforest	2015	B/B	26 734	24 411

The three supramax ships were in 2015 engaged on time charter contracts for 10 years to Canpotex Shipping Services Ltd from time of delivery. The counterparty risk is considered to be low. The ships have operated satisfactorily over the year. Reference is made to [note 13](#) regarding financing of the ships. M/S Belforest a 61,000 dwt Ultramax bulk carrier was delivered from Imabari Shipbuilding in Japan on 25 September 2015 and was at time of delivery sold and leased back for a period of 12 years with purchase options from year 3 onwards. The ship is financed by mortgage debt. The transaction is considered as a financial lease. The ship was at time of delivery chartered to Cargill for 10-14 months.

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/vessel values), Belships has had several impairment indicators in 2015, accordingly impairment tests have been performed every quarter. The ships, newbuildings and charterparties have been valued based on observable market values. The estimated market values were based upon two independent broker valuations. The calculations were made on the remaining 4 – 6 years of the timecharter-agreements and a weighted average cost of capital ratio (WACC) of 8%. In the calculation of the required rate of return, the risk-free interest rate was set at the 10-year LIBOR at 2%, and the margin was fixed at 4% 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. Based on these internal valuations, an impairment loss of total USD 31.8 million has been recognised during 2015 (USD 3.2 million in 2014). For ships/newbuildings 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 deteriorate, or the period until recovery is prolonged, additional impairment can be expected.

The table below shows sensitivity in the impairment tests.

SENSITIVITY ANALYSIS OF IMPAIRMENT TESTS OF THE SHIPS	BELSTAR	BELNOR	BELOCEAN	BELFOREST
<i>WACC increase with 1%:</i>				
Change in market value of the ships (incl. c/p agreements)	-181	-249	0	-2
<i>Market rate increase 5% and ship values increase 2.5%:</i>				
Change in market value of the ships (incl. c/p agreements)	-68	-105	350	600

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.

NEWBUILDING

M/S Belisland, a 61 000 dwt Ultramax bulk carrier, was delivered 15 March 2016. Total newbuilding commitment amounted to USD 28.3 million of which USD 8.48 million was paid at year-end. Further payment of USD 2.83 million was made 1 February 2016 and the remaining USD 16.95 million was made 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. The transaction is considered as a financial lease. The company is not aware of any pledges on the ship. The newbuilding is chartered to Canpotex for 5 years. The newbuilding contract is impaired with USD 4.25 million according to market value at corresponding ships as per yearend. The newbuilding contract for M/S Belforest was in Q2 2015 impaired with USD 1.5 million according to market value.

CALCULATION OF DEPRECIATIONS

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

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

Notes to the consolidated accounts

NOTE 8 SPECIFICATIONS OPERATING EXPENSES AND OTHER FINANCIAL ITEMS

	2015	2014
Ship operating expenses		
Crew expenses	3 121	2 780
Maintenance and spare parts	1 426	1 229
Insurance	675	646
Other ship operating expenses	495	779
Total ship operating expenses	5 717	5 434
Operating expenses ship management		
Administration costs	2 448	2 599
General & selling expenses	622	684
Fixed costs	625	458
Total operating expenses ship management	3 694	3 741
Other financial items		
Net unrealised gain/(loss) on interest swaps	-87	314
Borrowing costs	-426	-483
Other financial items	-161	-108
Total other financial items	-674	-277

Notes to the consolidated accounts

NOTE 9 SALARIES, NUMBER OF EMPLOYEES

	2015	2014
Salaries	1 303	1 522
Social security tax	260	293
Pension expenses	142	203
Other allowances	228	457
Total payroll expenses Norwegian companies	1 933	2 474

Average number of office staff in 2015 was 63 (62 in 2014) of which 8 in the Norwegian companies.

Loans to employees are specified in [note 13](#). Loans to members of the management amounted to 62 at yearend (94 in 2014).

REMUNERATION	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
2015			
Salaries (incl. bonus)	362	178	209
Pension expenses (defined contribution)	19	19	19
Other remuneration	64	23	24
2014			
Salaries (incl. bonus)	490	221	259
Pension expenses (defined contribution)	24	24	24
Other remuneration	38	32	40

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 2015. Nor for 2016.

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 79 in remuneration in 2015 (2014: 99), divided into 19 to the Chairman and 15 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 11 in remuneration in 2015 (2014: 14), divided into 5 to the Chairman and 3 to each of the other members. The remunerations are paid in NOK.

THE GROUP'S FEES TO THE AUDITOR (EXCLUDING VAT)	2015	2014
Remuneration for audit services	65	83
Other assurance services	0	14
Assistance related to tax	11	8
Other audit related assistance	14	21
Total	89	126

Notes to the consolidated accounts

NOTE 10 RELATED PARTIES

In connection with the waiver the Group received on the Mortgage debt on 29 December 2015, Sonata issued an on-demand guarantee amounting to USD 5 million to the lender. The guarantee carries an interest of 5%.

The subsidiary Belships Management AS provides accounting services to Sonata AS, which is owned by the chairman and his family. Fees amounted to 128 in 2015 (2014: 159).

All fees are in line with prevailing market rates.

No loans were issued or security provided with respect to the company's shareholders or associated parties. Certain members of the management have loans from the company. These totaled 62 as of 31 December 2015 (2014: 94).

Notes to the consolidated accounts

NOTE 11 EARNINGS PER SHARE

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

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

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

AVERAGE NUMBER OF SHARES (EXCLUDING TREASURY SHARES)	2015	2014
Average number of issued shares	46 804 000	46 804 000
Average number of options outstanding	400 000	200 000
Diluted average issued number of shares	47 204 000	47 004 000
EARNINGS PER SHARE		
Net result for the year	-30 150	-1 601
Earnings per share (US cent)	-64.42	-3.42
Diluted earnings per share (US cent)	-64.42	-3.42

Notes to the consolidated accounts

NOTE 12 TAXES

	2015	2014
Income tax expense	177	23

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	2015	2014
Result for the year before tax	-29 973	-1 578
Statutory tax rate (Norway)	27 %	27 %
Estimated tax expense at statutory rate	-8 093	-426
Non tax deductible expenses	8 596	4
Non taxable income	0	-110
Non taxed shipping income in Singapore	-1 202	-79
Difference between Norwegian and Singapore regional national tax	-49	22
Refund income tax in China	0	-106
Tax effect of deferred tax asset not recorded in the balance sheet including exchange rate effect	925	718
Total income tax expense/(income)	177	23

TAX LOSS CARRIED FORWARD

The Group had a tax loss carried forward of USD 47.7 million as at 31 December 2015 (2014: USD 48.8 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.

DEFERRED TAX PER 31 DECEMBER	2015	2014
Temporary differences		
Deferred sales gain/(loss)	0	2 034
Accruals	297	-67
Pensions	-796	-1 138
Total temporary differences	-499	829
Tax loss carried forward	-47 689	-48 793
Net temporary differences	-48 188	-47 964
Deferred tax assets (27%)	-13 011	-12 950
Deferred tax assets recognised in the Balance sheet	0	0
Deferred tax assets not recognised in the Balance sheet	-13 011	-12 950

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

Notes to the consolidated accounts

NOTE 13 RECEIVABLES AND LIABILITIES

RECEIVABLES DUE LATER THAN 12 MONTHS	2015	2014
Loans to employees 1)	195	285
Other long-term receivables	5	19
Total long-term receivables	200	304

1) The average interest rate used for loans to employees was 2.72% in 2015 (2014: 2.63%). The repayment period is five years.

MORTGAGE DEBT

In 2014 Belships entered into a new 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 plus 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 dropped significantly towards the end of the year. In order to avoid breach of loan covenants, Belships received a waiver from ship mortgage lender in December 2015. Main revised terms in the waiver period until 1 January 2017 are as follows: Minimum cash USD 4 million, minimum value 90%, increase in margin of 0.25% and on-demand guarantee from main shareholder of USD 5 million. All the covenants were fulfilled as of 31 December 2015. The market value of the ships were 96% of the outstanding loan balance at year-end.

BAREBOAT COMMITMENT

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. The transaction is considered as a financial lease.

REPAYMENT SCHEDULE	2016	2017	2018	2019	SUBSEQ	TOTAL
Mortgage debt	5 000	5 000	5 000	5 000	21 250	41 250
Obligation under finance leases	688	764	845	932	18 580	21 809
Total	5 688	5 764	5 845	5 932	39 830	63 059

NEWBUILDING COMMITMENT

M/S Belisland, a 61 000 dwt Ultramax bulk carrier, has been under construction at Imabari Shipbuilding in Japan and was delivered 15 March 2016. Total newbuilding commitment amounted to USD 28.3 million of which USD 8.48 million was paid at year-end. Further payment of USD 2.83 million was made 1 February 2016 and the remaining USD 16.95 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 transaction is considered as a financial lease. The newbuilding contract is impaired with USD 4.25 million.

INTEREST SWAP AGREEMENTS

In August 2011 Belships entered into a floating to fixed interest rate swap agreement with 2 years forward start at 2.2% with a remaining duration of 3.5 years covering USD 15 million, reducing by USD 5 million per year. Another interest swap agreement with forward start in September 2015 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.

Hedging the Group's interest exposure is considered on an ongoing basis. Hedge accounting is not used.

CURRENT RECEIVABLES AND SHORT-TERM LIABILITIES

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

Notes to the consolidated accounts

NOTE 14 INVESTMENTS AND GROUP COMPANIES

	2015	2014
Shares 1)	152	161
Prepaid pension costs	0	4
Total	152	165

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

THE FOLLOWING COMPANIES ARE INCLUDED IN THE CONSOLIDATED ACCOUNTS:

	BUSINESS LOCATION	MAIN ACTIVITY	OWNERSHIP/ VOTING PERCENTAGE
Belships Management AS	Oslo	Management	100 %
Belships Management (Singapore) Pte Ltd	Singapore	Technical 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 %

Notes to the consolidated accounts

NOTE 15 BANK DEPOSITS

The Group's bank balance amounted to 7 993 at year-end (2014: 8 064). Restricted cash amounts to 1 996, of which 1 450 (2014: 0) relates to deposit/guarantee related to external loan, USD 458 (2014: 511) to swap clearing account and USD 88 (2014: 94) relates to withholding tax employees.

Notes to the consolidated accounts

NOTE 16 OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2014, the Board was authorised to issue up to 200 000 share options to employees. The option price was 105% of closing price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 5.89 was awarded in first quarter 2015. No options have been exercised. At the AGM in 2015, the Board was authorised to issue up to 200 000 share options to employees. The option price is 105% of closing price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 3.89 was awarded in August 2015.

Both option programs require a service period of 12 months before they can be exercised. The options can be exercised 12 to 24 months after being awarded. The option programs include all employees in the parent company. The employees must 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	2015	2014
Outstanding 1 January	200 000	200 000
Awarded	200 000	200 000
Exercised	0	0
Not exercised	0	-200 000
Outstanding 31 December	400 000	200 000

Market value of options estimated using the Black and Scholes options pricing model. For the options awarded in 2014 and 2015 the market value per share was NOK 1.33 and NOK 0.75 respectively. The market value of outstanding share options are calculated at time of award and charged against profit & loss over the period until they can be exercised. In 2015 the calculated costs amounted to 17 and 8 for the 2014- and 2015-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. 0.65% for 2015.

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

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

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

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

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

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

Notes to the consolidated accounts

NOTE 17 PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme. Annual payable cost is reflected in the income statements and the company does not have any future liabilities related to this scheme. Total costs related to these schemes amounted to 120 in 2015 (2014: 148). Pension costs in Singapore is reclassified as operating expenses ship management and amounted to 227 in 2015 (2014: 207).

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	2015	2014
Discount rate	2.70 %	2.30 %
Future wage adjustment	2.50 %	2.75 %
Pension adjustment/G-adjustment	2.50 %	2.75 %
Return on pension plan assets	2.70 %	2.30 %

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

1 January	-1 138	-1 644
Interest cost	-21	-55
Benefits paid	226	417
Actuarial (gains)/losses on obligation	-23	-99
Currency exchange gain/(loss)	160	243
31 December	-796	-1 138

PENSION EXPENSES IN CONSOLIDATED ACCOUNTS	2015	2014
Pension expenses defined benefit scheme	21	55
Pension expenses defined contribution scheme	120	148
Net pension expenses in consolidated accounts	141	203

Notes to the consolidated accounts

NOTE 18 SUBSEQUENT EVENTS

SALE AND LEASE BACK AGREEMENT FOR M/S BELISLAND

Belships ASA entered in February 2016 into a sale and lease back agreement with a Japanese counterpart for M/S Belisland. The ship was delivered 15 March 2016 and was at time of delivery sold and leased back for a period of 15 years with purchase options from year 5 onwards.

TIMECHARTER CONCLUDED FOR M/S BELOCEAN

M/S Belocean ended her charter with Canpotex on 25 February 2016. 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 until the expiry of the remaining 5 year period. Cargill, Geneva, has from end of February charter M/S Belocean for 10-15 months at an average net rate of USD 3,750 per day.

POSTPONE DELIVERY OF THE T/C-SHIP

Belships has reached an agreement to postpone the delivery of the t/c-ship. The ship will be delivered in Q1 2018 instead of Q1 2017 as previously agreed.

No further material events have taken place after 31 December 2015.

Notes to the consolidated accounts

NOTE 19 ENVIRONMENTAL ISSUES

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

Notes to the consolidated accounts

NOTE 20 EQUITY

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2015 distributed among 451 shareholders (2014: 456). 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 2015. 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 2015 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 28 April 2016 propose to not distribute dividend (2015: 0).

NUMBER OF SHARES	2015	2014
Ordinary shares, issued and paid-in per 1 January	47 352 000	47 352 000
Share issue	0	0
Ordinary shares, issued and paid-in per 31 December	47 352 000	47 352 000
Dividend paid (NOK per share)	0.00	0.05

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2015		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	28 856 030	60.94 %
2	Tidships AS	6 201 058	13.10 %
3	Sverre J. Tidemand	2 891 462	6.11 %
4	Skandinaviska Enskilda Banken AB	987 419	2.09 %
5	Gemsco AS	537 058	1.13 %
6	Belships ASA	498 000	1.05 %
7	Carlings AS	400 000	0.84 %
8	Tidinvest II AS	315 414	0.67 %
9	Granada Management AS	315 000	0.67 %
10	Jenssen & Co A/S	302 816	0.64 %
11	Chrem Capital AS	270 000	0.57 %
12	Kontrari AS	250 000	0.53 %
13	Toru Nagatsuka	250 000	0.53 %
14	Liv Søland	240 000	0.51 %
15	ASL Holding AS	225 000	0.48 %
16	JSL AS	211 000	0.45 %
17	Carl Erik Steen	207 203	0.44 %
18	Bernhard Kielland	200 000	0.42 %
19	ABG Sundal Collier ASA (market-making)	179 602	0.38 %
20	Torstein Søland	130 000	0.27 %
Total 20 largest shareholders		43 467 062	91.80 %
Other shareholders		3 884 938	8.20 %
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 owned by family and companies with ownership of more than 50%, and shares owned by companies in which one has negative control.*

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Ulrich Müller, Chief Executive Officer *	0	120 000
Stein H. Runsbech, Commercial Director	40 000	66 000
Osvald Fossholm, Financial Director	0	66 000

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

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

Notes to the consolidated accounts

NOTE 21 CONTINGENCIES

The Board is not aware of any material disputes the company may be involved in at 31 December 2015.

Notes to the consolidated accounts

NOTE 22 FINANCIAL MARKET RISK

Financial market risk is considered to be the risk of changes in foreign exchange rates 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% with a remaining duration of 3 years covering USD 15 million, reducing by USD 5 million per year. The market value of the agreement amounts to -295 at yearend (2014: -515). 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 -307 at yearend. The hedging level of interest rate exposure is currently around 70%. The market value of the agreements are recorded as long-term liability.

The Group has in 2015 and in Q1 2016 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	2015	2014
Change in the interest rate level in basis points	-100/+100	-100/100
Effect on result before tax	438/-438	480/-480
AVERAGE EFFECTIVE INTEREST RATE ON DEBT (%)		
Mortgage debt	3.10	3.25

CAPITAL STRUCTURE AND EQUITY CAPITAL

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

	2015	2014
Total equity as at 31 December	34 831	65 051
Total assets	103 248	114 465
Equity ratio as at 31 December	34 %	57 %

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.

	2015	2014
Interest-bearing debt	63 264	45 651
Trade creditors	380	381
Cash reserves	-7 993	-8 064
Net debt	55 651	37 968
Equity	34 831	65 051
Total equity and net debt	90 482	103 019
Net debt ratio	62 %	37 %

LIQUIDITY RISK

The Group's solvency and financial position is considered to be satisfactory. The debt ratio increased in 2015 mainly due to delivery of new ship and payment of instalments to the shipyard during the year. Total current assets is exceeding total short-term liabilities as at 31 December.

CREDIT RISK

There will always be a credit risk related to the Group's business. Belships monitors this risk and the strategy is to carefully select counterparts. Historical losses have been small. The Group's 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 in NOK of approximately 3.8 million (2014: NOK 12 million). Belships has no currency hedge agreements as at 31 December 2015.

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 2015. Interest swap and currency exchange contracts are valued in accordance with the principles described as level 2. Fair value is defined as present value of future cash flows. For the above derivatives, fair value is confirmed by the financial institution, which is counterpart. The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts. The long-term liabilities have floating interest rate with a fixed margin. The margin is considered not to have significantly changed since drawing date, thus carrying amount is considered a reasonable estimate of fair value.

SUMMARY OF FINANCIAL ASSETS AND OBLIGATIONS *	LOANS AND RECEIVABLES		CHANGE IN FAIR VALUE THROUGH PROFIT AND LOSS		AVAILABLE FOR SALE		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
Financial assets								
Investments					152	165	152	165
Financial instruments				13			0	13
Other long-term receivables	200	304					200	304
Trade debtors	4	44					4	44
Other receivables	1 269	967					1 269	967
Bank deposits	7 993	8 064					7 993	8 064
Financial obligations								
Mortgage debt	-41 250	-46 250					-41 250	-46 250
B/B commitment	-22 497						-22 497	0
Financial instruments			-602	-515			-602	-515
Trade creditors	-380	-381					-380	-381
Other short-term liabilities	-1 847	-1 681					-1 847	-1 681
Total	-56 508	-38 934	-602	-502	152	165	-56 959	-39 271

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

ASSETS AND OBLIGATIONS MEASURED AT FAIR VALUE	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
Forward exchange contracts				13			0	13
Financial investments					152	165	152	165
Mortgage debt			-41 250	-46 250			-41 250	-46 250
B/B commitment			-22 497				-22 497	0
Interest agreement			-602	-515			-602	-515
Total			-64 349	-46 752	152	165	-64 197	-46 587

Belships ASA income statements


1 JANUARY – 31 DECEMBER/ NOK 1 000	NOTE	2015	2014
Operating income			
Freight income	2	6 457	0
Other operating income	10	3 986	3 857
Total operating income		10 443	3 857
Operating expenses			
Ship operating expenses	9	-3 922	0
Payroll expenses	10	-15 581	-15 589
Other general administrative expenses	11	-5 671	-6 089
Depreciation of fixed assets	2	-2 914	-611
Impairment of fixed assets	2	-48 357	0
Total operating expenses		-76 446	-22 289
Operating result		-66 003	-18 432
Financial income and expenses			
Share dividend	8	17 496	2 481
Interest income		120	451
Interest expenses	12	-6 223	-28
Interest expense on loan to subsidiary	4	-150	-93
Other financial items	9	7 842	9 858
Currency exchange gain/-loss	9	10 806	-4 684
Net financial items		29 891	7 985
Net result before tax		-36 111	-10 447
Income tax expense	16	0	0
Net result for the year		-36 111	-10 447
Appropriations of net result:			
Transfer from/(to) other retained earnings		36 111	10 447
Total		36 111	10 447

Belships ASA balance sheets


AS AT 31 DECEMBER/ NOK 1 000	NOTE	2015	2014
FIXED ASSETS			
Tangible fixed assets			
Ship	2	215 036	0
Instalments newbuildings	2	37 218	84 880
Other fixed assets	2	5 329	5 716
Total tangible fixed assets		257 584	90 596
Financial fixed assets			
Shares in subsidiaries	8	241 518	281 802
Other shares and stakes		141	165
Other long-term receivables	12	1 764	2 161
Total financial assets		243 422	284 128
Total fixed assets		501 006	374 724
CURRENT ASSETS			
Other receivables		4 904	1 019
Cash and cash equivalents	5	35 922	27 859
Total current assets		40 826	28 878
Total assets		541 832	403 602
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		106 463	106 240
Total paid-in capital		293 404	293 181
Retained earnings			
Other equity		27 044	63 358
Total equity	6	320 448	356 539
LIABILITIES			
Long-term liabilities			
Bareboat commitment	12	190 586	0
Pension obligations	7	7 008	8 458
Financial instruments	14	2 400	0
Intercompany balances	4	5 764	5 538
Total long-term liabilities		205 758	13 996
Short-term liabilities			
Bareboat commitment, current portion	12	6 060	0
Public taxes and duties payable		1 392	2 419
Trade creditors		788	699
Intercompany balances	4	6 126	29 947
Other short-term liabilities		1 260	2
Total short-term liabilities		15 626	33 067
Total liabilities		221 384	47 063
Total equity and liabilities		541 832	403 602

OSLO, 18 MARCH 2016

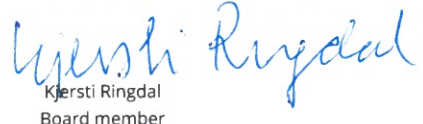
BELSHIPS ASA



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	2015	2014
CASH GENERATED FROM OPERATIONS			
Net result before tax		-36 111	-10 447
Adjustments to reconcile result before tax to net cash flows:			
Depreciation of fixed assets	2	2 914	611
Impairment of tangible fixed assets	2	48 357	0
Gain/loss from sale of fixed assets		0	6
Share-based payment transaction expense	3	223	1 927
Difference between pension expenses and paid pension premium	7	-1 654	-2 278
Change in pension contribution and premium fund		24	438
Finance income		-36 264	-12 790
Finance expenses		6 373	4 805
Working capital adjustments:			
Change in trade debtors and trade creditors		89	-774
Change in intercompany balances		-23 594	32 916
Change in other short-term items		-2 519	569
Interest received		120	451
Interest paid		-19	-121
Net other financial items		-8 355	5 174
Net cash flow from operations		-50 416	20 487
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in fixed assets	2	-88	-443
Sale proceeds from fixed asset disposals	2	51 235	665
Dividends/Group contribution received	8	17 496	2 481
Repayment share capital subsidiary	8	40 284	0
Instalments newbuildings	2	-45 567	-51 997
Bareboat hire paid		-5 278	0
Change in other investments		397	101
Net cash flow from investing activities		58 479	-49 193
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid to shareholders		0	-2 340
Net cash flow from financing activities		0	-2 340
Net change in cash and cash equivalents			
		8 063	-31 046
Cash and cash equivalents at 1 January		27 859	58 905
Cash and cash equivalents at 31 December	5	35 922	27 859
Restricted bank deposits			
	5	4 812	4 500

Notes to the Belships ASA accounts

NOTE 1 ACCOUNTING POLICIES

Belships is an owner and operator of dry bulk ships on long-term charter to reputable customers. 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 18 March 2016.

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

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

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

A) CLASSIFICATION OF BALANCE SHEET ITEMS

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

B) TAXES ON INCOME

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

Deferred tax assets are entered in the accounts when it is likely that the company will have sufficient profit for tax purposes in subsequent periods that will enable the company to utilise the tax asset. The companies enter previously unentered deferred tax assets to the extent it has become likely that the company can utilise the deferred tax asset. Similarly, the company will reduce the deferred tax asset to the extent the company no longer regards it as being likely that it can utilize the deferred tax asset. Deferred tax and deferred tax asset are measured on the basis of expected future tax rates for the companies in the group where temporary differences have occurred.

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

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

C) TANGIBLE FIXED ASSETS

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

Newbuilding contracts

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

D) INVESTMENTS IN OTHER COMPANIES

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

E) ACCOUNTS RECEIVABLE

Accounts receivable are booked at nominal amount less expected loss.

F) CASH FLOW STATEMENT

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

G) EQUITY

(i) Treasury shares

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

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

H) EMPLOYEE BENEFITS

Defined contribution pension scheme

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

Defined benefit pension scheme

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

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

I) PROVISIONS

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

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

J) REVENUE RECOGNITION

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

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

K) TRANSACTIONS IN FOREIGN CURRENCY

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

L) CONTINGENT GAINS AND LOSSES

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

M) RELATED PARTY TRANSACTIONS

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

N) EVENTS AFTER THE BALANCE SHEET DATE

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

O) USE OF ESTIMATES IN PREPARATION OF THE ANNUAL ACCOUNTS

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

P) EARNINGS PER SHARE

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

Q) SHARE-BASED REMUNERATION

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

R) FINANCIAL INSTRUMENTS

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

Notes to the Belships ASA accounts

NOTE 2 FIXED ASSETS

	2015							2014		
	New-building	Ship			Other fixed assets			Other fixed assets		
		Ship excl. dry dock. costs	Capital. dry dock. costs	Total ships	Deprec. assets	Non deprec. assets	Total other fixed assets	Deprec. assets	Non deprec. assets	Total other fixed assets
Cost price										
As at 1 January	84 880	0	0	0	16 799	4 093	20 892	16 356	4 093	20 449
Additions	190 169	228 067	7 678	235 745	68	20	88	443	0	443
Disposals	-219 528	0	0	0	0	0	0	0	0	0
As at 31 December	55 521	228 067	7 678	235 745	16 867	4 113	20 980	16 799	4 093	20 892
Depreciations										
As at 1 January	0	0	0	0	14 676	0	14 676	14 065	0	14 065
Depreciation for the year	0	2 056	384	2 440	475	0	475	611	0	611
Impairment (accumul.)	30 088	18 269	0	18 269	0	500	500	0	500	500
Disposals	-11 785	0	0	0	0	0	0	0	0	0
As at 31 December	18 303	20 325	384	20 709	15 151	500	15 651	14 676	500	15 176
Book value at 31 Dec.	37 218	207 742	7 294	215 036	1 716	3 613	5 329	2 123	3 593	5 716

NEWBUILDING

M/S Belisland, a 61 000 dwt Ultramax bulk carrier, has been under construction at Imabari Shipbuilding in Japan and was delivered 15 March 2016. Total newbuilding commitment amounts to USD 28.3 million (NOK 248.9 million) of which USD 8.48 million (NOK 74.6 million) was paid at year-end. Further payment of USD 2.83 million (NOK 24.9 million) was made 1 February 2016 and the remaining USD 16.95 million (NOK 149.3 million) was made 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 transaction is considered as a financial lease. The company is not aware of any pledges on the ship. The newbuilding is chartered to Canpotex for 5 years. The newbuilding contract was impaired with 30 088 according to market value at year-end. See [note 7](#) in the consolidated accounts regarding impairment.

SHIP

M/S Belforest, a 61,000 dwt Ultramax bulk carrier was delivered on 25 September 2015 and at same time sold and leased back for a period of 12 years with purchase options from year 3 onwards. The transaction is considered as a financial lease. The ship is financed by mortgage debt. The ship was from delivery chartered to Cargill for a 10-14 month period at charter rate of around USD 8,000 per day.

The ship is impaired with 18 269 according to the market value. See [note 7](#) in the consolidated accounts regarding impairment.

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.

Notes to the Belships ASA accounts

NOTE 3 OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2014, the Board was authorised to issue up to 200 000 share options to employees. The option price was 105% of closing price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 5.89 was awarded in first quarter 2015. No options have been exercised. At the AGM in 2015, the Board was authorised to issue up to 200 000 share options to employees. The option price is 105% of closing price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 3.89 was awarded in August 2015.

Both option programs require a service period of 12 months before they can be exercised. The options can be exercised 12 to 24 months after being awarded. The option programs include all employees in the parent company. The employees must 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	2015	2014
Outstanding 1 January	200 000	200 000
Awarded	200 000	200 000
Exercised	0	0
Not exercised	0	-200 000
Outstanding 31 December	400 000	200 000

Market value of options estimated using the Black and Scholes options pricing model. For the options awarded in 2014 and 2015 the market value per share was NOK 1.33 and NOK 0.75 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 2015 the calculated costs amounted to 147 and 76 for the 2014- and 2015-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. 0.65% for 2015.

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

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

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

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

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

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

Notes to the Belships ASA accounts

NOTE 4 INTERCOMPANY BALANCES

No interest is calculated on short-term intercompany accounts as these items are only considered as ordinary operating balances. 150 are paid to a subsidiary related to long-term intercompany accounts of 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.

Notes to the Belships ASA accounts

NOTE 5 BANK DEPOSITS

The company's bank balances amounted to 35 922 at year-end. Restricted funds for withholding tax for employees amounted to 773 at 31 December 2015. Other restricted deposits amounts to 4 039.

Notes to the Belships ASA accounts

NOTE 6 EQUITY

	PAID-IN				RETAINED	TOTAL
	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM RESERVES	OTHER EQUITY	OTHER EQUITY	
Equity per 31 December 2014	94 704	-1 096	93 333	106 240	63 358	356 538
Actuarial (gains)/losses on obligation	0	0	0	0	-203	-203
Share-based payments	0	0	0	223	0	223
Result for the year	0	0	0	0	-36 111	-36 111
Equity per 31 December 2015	94 704	-1 096	93 333	106 463	27 044	320 448

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2015 distributed among 451 shareholders (2014: 456). 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 2015. Belships ASA has lent 50 000 of the treasury shares to ABG Sundal Collier Norge ASA (ASC) in connection with ASC's role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2015 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 28 April 2016 propose to not distribute dividend (2015: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2015		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	28 856 030	60.94 %
2	Tidships AS	6 201 058	13.10 %
3	Sverre J. Tidemand	2 891 462	6.11 %
4	Skandinaviska Enskilda Banken AB	987 419	2.09 %
5	Gemsco AS	537 058	1.13 %
6	Belships ASA	498 000	1.05 %
7	Carlings AS	400 000	0.84 %
8	Tidinvest II AS	315 414	0.67 %
9	Granada Management AS	315 000	0.67 %
10	Jenssen & Co A/S	302 816	0.64 %
11	Chrem Capital AS	270 000	0.57 %
12	Kontrari AS	250 000	0.53 %
13	Toru Nagatsuka	250 000	0.53 %
14	Liv Sølund	240 000	0.51 %
15	ASL Holding AS	225 000	0.48 %
16	JSL AS	211 000	0.45 %
17	Carl Erik Steen	207 203	0.44 %
18	Bernhard Kielland	200 000	0.42 %
19	ABG Sundal Collier ASA (market-making)	179 602	0.38 %
20	Torstein Sølund	130 000	0.27 %
Total 20 largest shareholders		43 467 062	91.80 %
Other shareholders		3 884 938	8.20 %
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 owned by family and companies with ownership of more than 50%, and shares owned by companies in which one has negative control.*

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Ulrich Müller, Chief Executive Officer *	0	120 000
Stein H. Runsbech, Commercial Director	40 000	66 000
Osvald Fossholm, Financial Director	0	66 000

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

Notes to the Belships ASA accounts

NOTE 7 PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme. Annual payable cost is reflected in the income statements and the company does not have any future liabilities related to this scheme. Total costs related to this scheme amounted to 968 in 2015 (2014: 930).

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.

	2015	2014
Assumptions		
Discount rate	2.70 %	2.30 %
Future wage adjustment	2.50 %	2.75 %
Pension adjustment/G-adjustment	2.50 %	2.75 %
Return on pension plan assets	2.70 %	2.30 %
Composition of the net pension obligations per 31 December		
Net pension obligations as at 1 January	8 458	9 999
Interest on accrued pension obligations	174	347
Employer benefits paid	-1 827	-2 625
Actuarial (gains)/losses on obligation	203	737
Net pension obligations as at 31 December	7 008	8 458
NET PENSION EXPENSES	2015	2014
Pension expenses defined benefit scheme	174	347
Pension expenses defined contribution scheme	968	930
Total pension expenses	1 142	1 277

Notes to the Belships ASA accounts

NOTE 8 SHARES

	BUSINESS OFFICE	TIME OF PURCHASE	COST PRICE	OWNER-SHIP/ VOTING SHARE	COMPANY'S SHARE CAPITAL	NUMBER OF SHARES OWNED	PAR VALUE	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	223 382
Belships Chartering AS	Oslo	27.01.93	221 181	100 %	5 403	2 700	TNOK 2	5 403
Total								241 518

1) The company has provided dividend of 17 496 in 2015

2) The subsidiary completed a reduction in the share capital of SGD 6.6 million equivalent NOK 40.3 million in 2015.

Notes to the Belships ASA accounts

NOTE 9 SPECIFICATIONS

SHIP OPERATING EXPENSES	2015	2014
Crew expenses	-2 071	0
Maintenance and spare parts	-129	0
Insurance	-397	0
Management fee	-482	0
Other ship operating expenses	-844	0
Total ship operating expenses	-3 922	0

OTHER FINANCIAL ITEMS	2015	2014
Guarantee commission 1)	10 901	10 237
Financing costs	-1 951	0
Other financial items	-1 108	-379
Total other financial items	7 842	9 858

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

CURRENCY GAIN/(LOSS) IN INCOME STATEMENT	2015	2014
Realised currency exchange gain	26 598	798
Unrealised currency exchange gain	0	306
Realised currency exchange loss	-15 792	-5 788
Total	10 806	-4 684

Notes to the Belships ASA accounts

NOTE 10 SALARIES, NUMBER OF EMPLOYEES

SALARY EXPENSES	2015	2014
Salaries	10 505	9 590
Social security tax	2 096	1 843
Pension expenses	1 142	1 277
Other allowances	1 837	2 879
Total	15 581	15 589

Belships was charging the subsidiary Belships Management AS with a management fee amounting to 3 986 in 2015 (2014: 3 858).

The average number of employees in 2015 was 8 (2014: 8).

REMUNERATION TO THE MANAGEMENT	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
Salary	2 916	1 438	1 685
Share-based payment transaction expense	23	13	13
Pension expenses (defined contribution)	156	156	156
Other allowances	489	172	180

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 the annual general meeting in May 2015. See [note 3](#) for details.

BOARD REMUNERATION

Board members are not awarded share options. The Board has received 643 in remuneration in 2015 (2014: 624), 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 2015 (2014: 86), 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)	2015	2014
Remuneration for audit services	220	260
Other assurance services	0	90
Assistance related to tax matters	51	4
Other audit related assistance	111	130

LOANS TO EMPLOYEES

Loans to employees amounted to 1 719 as at 31 December 2015 (2014: 2 116). Of this, 548 to the management. See [note 12](#) for details.

Notes to the Belships ASA accounts

NOTE 11 OTHER GENERAL ADMINISTRATIVE EXPENSES

	2015	2014
Office expenses	1 584	1 579
Other services	1 702	1 434
Data, office equipment a.o.	661	579
Communication, advertising	346	380
Travel expenses	691	585
Other general administrative expenses	687	1 532
Total	5 671	6 089

Notes to the Belships ASA accounts

NOTE 12 RECEIVABLES AND LIABILITIES

BAREBOAT COMMITMENT

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. The transaction is considered as a financial lease. See [note 13](#) in the consolidated accounts for repayment schedule.

NEWBUILDING COMMITMENT

M/S Belisland, a 61 000 dwt Ultramax bulk carrier, has been under construction at Imabari Shipbuilding in Japan and was delivered 15 March 2016. Total newbuilding commitment amounted to USD 28.3 million (NOK 248.9 million) of which USD 8.48 million (NOK 74.6 million) was paid at year-end. Further payment of USD 2.83 million (NOK 24.9 million) was made 1 February 2016 and the remaining USD 16.95 million (NOK 149.3 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 transaction is considered as a financial lease.

INTEREST SWAP AGREEMENT

In June 2015 Belships entered into an interest swap agreement with forward start in September 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.

LOANS TO EMPLOYEES

Loans to employees amounted to 1 719 as at 31 December 2015 (2014: 2 116). The average interest rate used for loans to employees was 2.72% in 2015 (2014: 2.63%). The repayment period is five years.

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

Notes to the Belships ASA accounts

NOTE 13 SUBSEQUENT EVENTS

SALE AND LEASE BACK AGREEMENT FOR M/S BELISLAND

Belships ASA entered in February 2016 into a sale and lease back agreement with a Japanese counterpart for M/S Belisland. The ship was delivered 15 March 2016 and was at time of delivery sold and leased back for a period of 15 years with purchase options from year 5 onwards.

TIMECHARTER CONCLUDED FOR M/S BELOCEAN

M/S Belocean entered her charter with Canpotex on 25 February 2016. The ship will be replaced by the newbuilding M/S Belisland at a net rate of USD 17,300 per day with effect from time of delivery around 15 March until the expiry of the remaining 5 year period. Cargill, Geneva, has from end of February charter M/S Belocean for 10-15 months at an average net rate of USD 3,750 per day.

POSTPONE DELIVERY OF THE T/C-SHIP

Belships has reached an agreement to postpone the delivery of the t/c-ship. The ship will be delivered in Q1 2018 instead of Q1 2017 as previously agreed.

No further material events have taken place after 31 December 2015.

Notes to the Belships ASA accounts

NOTE 14 FINANCIAL MARKET RISK

CURRENCY RISK

The functional currency of the company is USD and the presentation currency is NOK. Balance sheet items in USD are converted to NOK at currency rate of 8.8090, which was Norges Bank's exchange rate at 31 December 2015 (2014: 7.4332). The company's revenue has the recent years been limited. Revenues consist primarily of management fees, dividends and group contributions from subsidiaries. Operating revenues and expenses in the subsidiaries are primarily in USD. The income and expenses related to the ship are in USD. At year end the company had a cash balance in NOK of approximately 3.8 million (2014: NOK 12 million).

To hedge payments of the administrative expenses in Norway, the company entered in December 2014 into 2 forward contracts to sell USD corresponding NOK 10 million at a currency rate of USD 7.5122 in June 2015 and further to sell USD corresponding NOK 10 million at a currency rate of USD 7.5222 in December 2015. The net loss related to these hedgings amounted to 1 538 in 2015.

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

The company does not use hedge accounting.

INTEREST SWAP AGREEMENT

An interest swap agreement with forward start in September 2015 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 -2 400 at year-end. The market value of the agreement are 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.

Notes to the Belships ASA accounts

NOTE 15 RELATED PARTIES

The company performs management services for a subsidiary and receives fee for this. The fee amounted to 3 986 in 2015 (2014: 3 858).

The company receives a commission for acting as guarantor for mortgage debt in the subsidiary Belships Supramax Singapore Pte Ltd. This amounted to 10 901 in 2015 (2014: 10 238). See [note 9](#).

All intercompany transactions have been conducted to market terms.

In connection with the waiver the Group received on the mortgage debt on 29 December 2015, Sonata issued an on-demand guarantee amounting to USD 5 million to the lender. The guarantee carries an interest of 5%. 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 548 per 31 December 2015 (2014: 702).

Notes to the Belships ASA accounts

NOTE 16 TAX

TAX RESULT FOR THE YEAR FOR BELSHIPS ASA	2015	2014
Result for the year before tax	-36 111	-10 447
Change in temporary differences	-11 323	-1 102
Permanent differences / other	-17 555	-2 394
Tax basis for the year	-64 989	-13 943
Taxes payable (27%)	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	2015	2014
Result for the year before tax	-36 111	-10 447
Statutory tax rate	27 %	27 %
Estimated tax expense at statutory rate	-9 750	-2 821
Permanent differences / other	-4 740	-646
Expected tax expense	-14 490	-3 467
Change in deferred tax assets	14 490	3 467
Actual tax expense	0	0
Effective tax percentage	0 %	0 %

DEFERRED TAX PER 31 DECEMBER	2015	2014
Pensions	-7 008	-8 458
Pension plan assets	0	24
Interest swap	-2 400	0
Temporary differences fixed assets	12 296	0
Impairment loss on fixed assets	-500	-500
Impairment loss on shares in subsidiaries abroad	-30 400	-30 400
Tax loss carried forward	-305 051	-240 052
Net temporary differences	-333 062	-279 386
Deferred tax assets (27%)	-89 927	-75 434
Deferred tax assets in Balance sheets	0	0
Deferred tax assets not in Balance sheets	-89 927	-75 434

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

To the Annual Shareholders' Meeting of Belships ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Belships ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2015, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2015, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

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

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Belships ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

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

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

Opinion on registration and documentation

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

Oslo, March 18, 2016

ERNST & YOUNG AS



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.

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

Information and communication

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

Company takeover

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

Auditor

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

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

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

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

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

Strong commitment to customers and quality creates value

CORPORATE SOCIAL RESPONSIBILITY

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

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

Vision

Strong commitment to customers and quality creates value.

Mission

We are an ambitious global organization with focus on:

- Safety & environment
- Customers
- Quality
- People

Core values

- Respect
- Commitment
- Sincerity & Honesty

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

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

1. Environment

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

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

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

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

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

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

2. Human and Labour rights

It is Belships policy to integrate attention to human and 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 2015.

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

Belships faces same challenges as other shipping companies when it comes to piracy. Piracy is still a challenge for the shipping industry and cannot be solved by the Company or the shipping industry alone. It must be dealt with by the international community and relevant authorities of UN working together. To create a secure environment in which our crew feels safe, the company has adopted a best management-practice consistent with the industry standards and under suggestion by Intertanko and Oil Companies International Marine Forum to deter piracy. All of our vessels are registered with the EU Naval Force (Maritime security centre) which co-ordinates vessel's transit schedules with the appropriate naval vessels in the Gulf of Aden and Somali basin. Depending on the present conditions and individual risk factors for the particular vessel, preventive measures are evaluated for each transit in accordance with Belships' piracy policy. There were no incidents of attempted hijackings of Belships-vessels in 2015.

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.

Årsberetning for 2017

Selskapet ble stiftet 27. januar 1993 og har kontor i Oslo. Selskapets formål er å gjøre forretninger innen shipping, hovedsakelig inngåelse av fraktavtaler samt innbefraktning og operasjon av skip. Selskapet er for tiden uten aktivitet.

Selskapet er heleiet datterselskap av Belships ASA.

Selskapet har ingen ansatte og kjøper administrative tjenester av søsterselskapet Belships Management AS. Selskapet har som mål at det ikke skal forekomme forskjellsbehandling på grunn av kjønn, i styret og selskapet for øvrig.

Selskapet driver ingen virksomhet som forurensar det ytre miljø. Selskapet har ikke hatt utgifter til forskning og utvikling i 2017.

Årets resultat ble NOK 62 507 og foreslås tillagt annen egenkapital.

Årsregnskapet er, overensstemmende med regnskapsloven § 3 - 3, utarbeidet under forutsetning om fortsatt drift og viser etter styrets oppfatning et rettviseende bilde av selskapets virksomhet. Styret bekrefter at forutsetningen om fortsatt drift er tilstede, og mener selskapets egenkapital er forsvarlig i forhold til den fremtidige aktiviteten.

Oslo, 21. mars 2018

I styret for BELSHIPS CHARTERING AS



Osvald Fossholm
Daglig leder



Ulrich Müller
Styrets leder



Edwin Johansen

RESULTATREGNSKAP

<i>Beløp i NOK</i>		1.1 - 31.12	1.1 - 31.12
	<i>Note</i>	2017	2016
Driftsinntekter og -kostnader			
Administrasjonskostnader	2	-58 977	-56 950
Driftsresultat		-58 977	-56 950
Finansinntekter og -kostnader			
Renteinntekt fordring samme konsern	3	127 576	130 793
Agio/-disagio		-48	0
Andre finansposter		-6 045	-4 765
Netto finansposter		121 484	126 028
Resultat før skatter		62 507	69 078
Skatter	7	0	0
Årets resultat		62 507	69 078
Overføringer og disposisjoner:			
Overførsel annen egenkapital		-62 507	-69 078
Sum disponeringer		-62 507	-69 078

BALANSE

<i>Beløp i NOK</i>		31.12.2017	31.12.2016
	<i>Note</i>		
EIENDELER			
Finansielle anleggsmidler			
Konsernmellomværende	3	5 889 676	5 826 540
Sum finansielle anleggsmidler		5 889 676	5 826 540
Omløpsmidler			
Bankinnskudd		350	978
Sum omløpsmidler		350	978
Sum eiendeler		5 890 025	5 827 518
EGENKAPITAL OG GJELD			
Innskutt egenkapital			
Aksjekapital (2 700 aksjer à NOK 2 001)	6	5 402 700	5 402 700
Sum innskutt egenkapital		5 402 700	5 402 700
Opptjent egenkapital			
Annen egenkapital		487 325	424 818
Sum egenkapital	5	5 890 025	5 827 518
Sum egenkapital og gjeld		5 890 025	5 827 518

Oslo, 21. mars 2018

I styret for BELSHIPS CHARTERING AS


Osvald Fossholm
Daglig leder


Ulrich Müller
Styrets leder


Edwin Johansen

NOTER TIL ÅRSOPPGJØRET

Alle tall er oppgitt i NOK når ikke annet er angitt.

Note 1 Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk (GRS) for små foretak.

a) *Omløpsmidler/kortsiktig gjeld*

Omløpsmidler og kortsiktig gjeld omfatter normalt poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Omløpsmidler vurderes til laveste verdi av anskaffelseskost og antatt virkelig verdi.

b) *Utenlandsk valuta*

Alle pengeposter i utenlandsk valuta er oppført til balansedagens kurs. Transaksjoner i utenlands valuta omregnes til NOK ført på transaksjonsdagens kurs.

c) *Skatt*

Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 23% på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverseres eller kan reverseres i samme periode er utlignet og nettoført. Utsatt skattefordel som antas å utgjøre en reell verdi gjennom forventet fremtidig inntjening, balanseføres.

d) *Fordringer*

Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene.

Note 2 Administrasjonskostnader

Det er ikke utbetalt lønn eller annen godtgjørelse til styret. Det er heller ikke utbetalt lønn eller annen godtgjørelse til daglig leder.

(Beløp ekskl. mva)	2017	2016
Revisjon, ordinært honorar	42 100	40 000
Regnskapshonorar Belships Management AS	15 300	15 000
Andre administrasjonskostnader	1 577	1 950
Totalt	<u>58 977</u>	<u>56 950</u>

Note 3 Fordringer og gjeld

	31.12.2017	31.12.2016
Totalt fordringer	5 889 676	5 826 540
Herav konsernmellomværende	5 889 676	5 826 540
Herav med forfall senere enn ett år	5 889 676	5 826 540

Kortsiktig fordringer og gjeld forfaller innen ett år. Konsernmellomværende utover ordinært driftsmellomværende er renteberegnet til markedsmessige betingelser.

Note 4 Antall ansatte

Selskapet har ingen ansatte og administreres av søsterselskapet Belships Management AS

BELSHIPS CHARTERING AS

Note 5 Egenkapital

	<u>Innskutt</u>	<u>Opptjent</u>	
	<u>Aksje-</u>	<u>Annen</u>	
	<u>kapital</u>	<u>egenkapital</u>	<u>Sum</u>
Egenkapital pr. 31.12.2016	5 402 700	424 818	5 827 518
Årets resultat	0	62 507	62 507
Egenkapital pr. 31.12.2017	5 402 700	487 325	5 890 025

Note 6 Antall aksjer, aksjonærer

Aksjekapital	Antall	Pålydende	Balanseført aksjekapital
5 402 700	2 700	2 001	5 402 700
Aksjonærer	Aksjer	Eierandel	
Belships ASA	2 700	100%	

Hver aksje har én stemme. Det er kun én aksjeklasse.

Belships ASA har forretningskontor i Oslo og utarbeider konsernregnskap, hvor Belships Chartering AS inngår. Kopier av konsernregnskapet kan fås utlevert på Belships ASA's kontor i Oslo.

Note 7 Skatter

Nedenfor er det gitt en spesifikasjon på forskjellen mellom regnskapsmessig resultat før skattekostnad og årets skattegrunnlag:

	<u>2017</u>	<u>2016</u>
Skattekostnad		
Resultat før skatter	62 507	69 078
Benyttet fremførbart underskudd	-62 507	-69 078
Årets skattegrunnlag	0	0
Betalbar skatt	0	0
Sum skattekostnad/(-inntekt)	0	0
Skattesats	24 %	25 %

	<u>2017</u>	<u>2016</u>
Utsatt skatt pr. 31. desember		
Skattemessig fremførbart underskudd	-70 798 838	-70 861 345
Netto midlertidige forskjeller	-70 798 838	-70 861 345
Skattesats	23 %	24 %
Utsatt skattekostnad/(-fordel)	-16 283 733	-17 006 723

I henhold til regnskapsstandarden for behandling av skatt, er skattereduserende midlertidige forskjeller og skatteøkende midlertidige forskjeller som reverseres eller kan reverseres i samme periode utlignet og nettoført. Med bakgrunn i de forventninger selskapet har til fremtidig inntjening, har selskapet funnet det riktig å ikke balanseføre den utsatte skattefordelen.

Note 8 Lån og sikkerhetsstillelser til nærstående personer

Det er ikke gitt lån eller gitt garantier på vegne av aksjeeier, daglig leder, medlemmer av styret eller nærstående til disse.

UAVHENGIG REVISORS BERETNING

Til generalforsamlingen i Belships Chartering AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet for Belships Chartering AS som består av balanse per 31. desember 2017, resultatregnskap for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2017, og av dets resultater for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med de relevante etiske kravene i Norge knyttet til revisjon slik det kreves i lov og forskrift. Vi har også overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Øvrig informasjon omfatter informasjon i selskapets årsrapport bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Styret og daglig leder (ledelsen) er ansvarlig for den øvrige informasjonen. Vår uttalelse om revisjonen av årsregnskapet dekker ikke den øvrige informasjonen, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese den øvrige informasjonen med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom den øvrige informasjonen og årsregnskapet eller kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon. Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon, er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvike selskapet eller legge ned virksomheten, eller ikke har noe annet realistisk alternativ.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- ▶ identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll;
- ▶ opparbeider vi oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll;
- ▶ vurderer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige;
- ▶ konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape betydelig tvil om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det foreligger vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet. Hvis slike tilleggsopplysninger ikke er tilstrekkelige, må vi modifisere vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapets evne til fortsatt drift ikke lenger er til stede;
- ▶ vurderer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

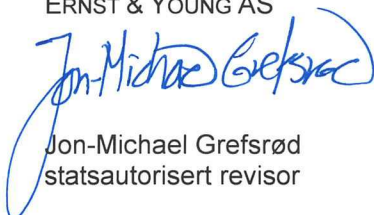
Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen, tidspunktet for vårt revisjonsarbeid og eventuelle vesentlige funn i vår revisjon, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom vårt arbeid.

Uttalelse om øvrige lovmessige krav

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendige i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 4. april 2018
ERNST & YOUNG AS



Jon-Michael Grefsrød
statsautorisert revisor

Årsberetning for 2016

Selskapet ble stiftet 27. januar 1993 og har kontor i Oslo. Selskapets formål er å gjøre forretninger innen shipping, hovedsakelig inngåelse av fraktavtaler samt innbefraktning og operasjon av skip. Selskapet er for tiden uten aktivitet.

Selskapet er heleiet datterselskap av Belships ASA.

Selskapet har ingen ansatte og kjøper administrative tjenester av søsterselskapet Belships Management AS. Selskapet har som mål at det ikke skal forekomme forskjellsbehandling på grunn av kjønn, i styret og selskapet for øvrig.

Selskapets har ikke forårsaket miljømessige ulemper og har ikke hatt utgifter til forskning og utvikling i 2016.

Årets resultat ble NOK 69 078 og foreslås tillagt annen egenkapital.

Årsregnskapet er, overensstemmende med regnskapsloven § 3 - 3, utarbeidet under forutsetning om fortsatt drift og viser etter styrets oppfatning et rettviseende bilde av selskapets virksomhet. Styret bekrefter at forutsetningen om fortsatt drift er tilstede, og mener selskapets egenkapital er forsvarlig i forhold til den fremtidige aktiviteten.

Oslo, 16. mars 2017

I styret for BELSHIPS CHARTERING AS



Osvald Fossholm
Daglig leder



Ulrich Müller
Styrets leder



Edwin Johansen

RESULTATREGNSKAP

<i>Beløp i NOK</i>		1.1 - 31.12	1.1 - 31.12
	<i>Note</i>	2016	2015
Driftsinntekter og -kostnader			
Administrasjonskostnader	2	-56 950	-86 780
Driftsresultat		-56 950	-86 780
Finansinntekter og -kostnader			
Renteinntekt fordring samme konsern	3	130 793	150 220
Andre renteinntekter		0	351
Agio/-disagio		0	3 874
Andre finansposter		-4 765	31 990
Netto finansposter		126 029	186 435
Resultat før skatter		69 078	99 655
Skatter	7	0	0
Årets resultat		69 078	99 655
Overføringer og disposisjoner:			
Overførsel annen egenkapital		-69 078	-99 655
Sum disponeringer		-69 078	-99 655

BALANSE

<i>Beløp i NOK</i>		31.12.2016	31.12.2015
	<i>Note</i>		
EIENDELER			
Finansielle anleggsmidler			
Konsernmellomværende	3	5 826 540	5 764 405
Sum finansielle anleggsmidler		5 826 540	5 764 405
Omløpsmidler			
Bankinnskudd		978	730
Sum omløpsmidler		978	730
Sum eiendeler		5 827 518	5 765 135
EGENKAPITAL OG GJELD			
Innskutt egenkapital			
Aksjekapital (2 700 aksjer à NOK 2 001)	6	5 402 700	5 402 700
Sum innskutt egenkapital		5 402 700	5 402 700
Opptjent egenkapital			
Annen egenkapital		424 818	355 740
Sum egenkapital	5	5 827 518	5 758 440
Kortsiktig gjeld			
Konsernmellomværende	3	0	6 695
Sum egenkapital og gjeld		5 827 518	5 765 135

Oslo, 16. mars 2017

I styret for BELSHIPS CHARTERING AS


 Osvald Fossholm
 Daglig leder


 Ulrich Müller
 Styrets leder


 Edwin Johansen

NOTER TIL ÅRSOPPGJØRET

Alle tall er oppgitt i NOK når ikke annet er angitt.

Note 1 Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk (GRS) for små foretak.

- a) *Periodisering av frakttinntekter*
Inntekter og kostnader relatert til skipets reiser periodiseres ut ifra det antall dager reisen varer før og etter årsskiftet.
- b) *Omløpsmidler/kortsiktig gjeld*
Omløpsmidler og kortsiktig gjeld omfatter normalt poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Omløpsmidler vurderes til laveste verdi av anskaffelseskost og antatt virkelig verdi.
- c) *Utenlandsk valuta*
Alle pengeposter i utenlandsk valuta er oppført til balansedagens kurs. Transaksjoner i utenlands valuta omregnes til NOK ført på transaksjonsdagens kurs.
- d) *Skatt*
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 24% på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverseres eller kan reverseres i samme periode er utlignet og nettoført. Utsatt skattefordel som antas å utgjøre en reell verdi gjennom forventet fremtidig inntjening, balanseføres.
- e) *Fordringer*
Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene.

Note 2 Administrasjonskostnader

Det er ikke utbetalt lønn eller annen godtgjørelse til styret. Det er heller ikke utbetalt lønn eller annen godtgjørelse til daglig leder.

(Beløp ekskl. mva)	2016	2015
Revisjon, ordinært honorar	40 000	60 000
Regnskapshonorar Belships Management AS	15 000	26 780
Andre administrasjonskostnader	1 950	0
Totalt	56 950	86 780

Note 3 Fordringer og gjeld

	31.12.2016	31.12.2015
Totale fordringer	5 826 540	5 764 405
Herav konsernmellomværende	5 826 540	5 764 405
Herav med forfall senere enn ett år	5 826 540	5 764 405
 Total gjeld	0	6 695
Herav konsernmellomværende	0	6 695
Herav med forfall senere enn ett år	0	0

Kortsiktig fordringer og gjeld forfaller innen ett år. Konsernmellomværende utover ordinært driftsmellomværende er renteberegnet til markedsmessige betingelser.

BELSHIPS CHARTERING AS

Note 4 Antall ansatte

Selskapet har ingen ansatte og administreres av søsterselskapet Belships Management AS

Note 5 Egenkapital

	Innskutt	Opptjent	
	Aksje- kapital	Annen egenkapital	Sum
Egenkapital pr. 31.12.2015	5 402 700	355 740	5 758 440
Årets resultat	0	69 078	69 078
Egenkapital pr. 31.12.2016	5 402 700	424 818	5 827 518

Note 6 Antall aksjer, aksjonærer

Aksjekapital	Antall	Pålydende	Balanseført aksjekapital
5 402 700	2 700	2 001	5 402 700
Aksjonærer	Aksjer	Eierandel	
Belships ASA	2 700	100%	

Hver aksje har én stemme. Det er kun én aksjeklasse.

Belships ASA har forretningskontor i Oslo og utarbeider konsernregnskap, hvor Belships Chartering AS inngår. Kopier av konsernregnskapet kan fås utlevert på Belships ASA's kontor i Oslo.

Note 7 Skatter

Nedenfor er det gitt en spesifikasjon på forskjellen mellom regnskapsmessig resultat før skattekostnad og årets skattegrunnlag:

	2016	2015
Skattekostnad		
Resultat før skatter	69 078	99 655
Endring midlertidige forskjeller	0	15 122 222
Skattemessig resultat DIS-andel 2014	0	617 717
Benyttet fremførbart underskudd	-69 078	-15 839 594
Årets skattegrunnlag	0	0
Betalbar skatt	25 %	0
Sum skattekostnad/(-inntekt)	0	0

Utsatt skatt pr. 31. desember	2016	2015
Skattemessig fremførbart underskudd	-70 861 345	-70 930 423
Netto midlertidige forskjeller	-70 861 345	-70 930 423
Skattesats	24 %	25 %
Utsatt skattekostnad/(-fordel)	-17 006 723	-17 732 606

I henhold til regnskapsstandarden for behandling av skatt, er skattereduserende midlertidige forskjeller og skatteøkende midlertidige forskjeller som reverseres eller kan reverseres i samme periode utlignet og nettoført. Med bakgrunn i de forventninger selskapet har til fremtidig inntjening, har selskapet funnet det riktig å ikke balanseføre den utsatte skattefordelen.

Note 8 Lån og sikkerhetsstillelser til nærstående personer

Det er ikke gitt lån eller gitt garantier på vegne av aksjeeier, daglig leder, medlemmer av styret eller nærstående til disse.

UAVHENGIG REVISORS BERETNING

Til generalforsamlingen i Belships Chartering AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet for Belships Chartering AS som består av balanse per 31. desember 2016, resultatregnskap for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2016, og av dets resultater for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjon av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med de relevante etiske kravene i Norge knyttet til revisjon slik det kreves i lov og forskrift. Vi har også overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Øvrig informasjon omfatter informasjon i selskapets årsrapport bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Styret og daglig leder (ledelsen) er ansvarlig for øvrig informasjon. Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet eller kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den ellers viser seg å inneholde vesentlig feilinformasjon. Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon, er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe annet realistisk alternativ.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- ▶ identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll;
- ▶ opparbeider vi oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll;
- ▶ vurderer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige;
- ▶ konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape betydelig tvil om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det foreligger vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet. Hvis slike tilleggsopplysninger ikke er tilstrekkelige, må vi modifisere vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapets evne til fortsatt drift ikke lenger er til stede;
- ▶ vurderer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen, tidspunktet for vårt revisjonsarbeid og eventuelle vesentlige funn i vår revisjon, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom vårt arbeid.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til disponering av resultatet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendige i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 28. april 2017
ERNST & YOUNG AS



Jon-Michael Grefsrød
statsautorisert revisor

Årsberetning for 2015

Selskapet ble stiftet 27. januar 1993 og har kontor i Oslo. Selskapets formål er å gjøre forretninger innen shipping, hovedsakelig inngåelse av fraktavtaler samt innbefraktning og operasjon av skip. Selskapet er for tiden uten aktivitet.

Selskapet er heleiet datterselskap av Belships ASA.

Selskapet har ingen ansatte og kjøper administrative tjenester av søsterselskapet Belships Management AS. Selskapet har som mål at det ikke skal forekomme forskjellsbehandling på grunn av kjønn, i styret og selskapet for øvrig.


Selskapets har ikke forårsaket miljømessige ulemper og har ikke hatt utgifter til forskning og utvikling i 2015.

Årets resultat ble NOK 99 655 og foreslås tillagt annen egenkapital.

Årsregnskapet er, overensstemmende med regnskapsloven § 3 - 3, utarbeidet under forutsetning om fortsatt drift og viser etter styrets oppfatning et rettviseende bilde av selskapets virksomhet. Styret bekrefter at forutsetningen om fortsatt drift er tilstede, og mener selskapets egenkapital er forsvarlig i forhold til den fremtidige aktiviteten.

Oslo, 30. mars 2016

I styret for BELSHIPS CHARTERING AS



Osvald Fossholm
Styremedlem



Ulrich Müller
Styrets leder



Edwin Johansen
Styremedlem

RESULTATREGNSKAP

<i>Beløp i NOK</i>		1.1 - 31.12 2015	1.1 - 31.12 2014
	<i>Note</i>		
Driftsinntekter og -kostnader			
Fraktinntekter	2	0	4 621 071
Leie innbefraktede skip	2	0	-4 893 677
Driftsresultat skip		0	-272 606
Administrasjonskostnader	3	-86 780	-178 120
Driftsresultat		-86 780	-450 726
Finansinntekter og -kostnader			
Renteinntekt fordring samme konsern		150 220	92 865
Andre renteinntekter		351	311
Agio/-disagio	6	3 874	153 083
Andre finansposter	4	31 990	460 552
Netto finansposter		186 435	706 811
Resultat før skatter		99 655	256 085
Skatter	10	0	0
Årets resultat		99 655	256 085
Overføringer og disposisjoner:			
Overførsel annen egenkapital		-99 655	-256 085
Sum disponeringer		-99 655	-256 085

BELSHIPS CHARTERING AS

BALANSE

<i>Beløp i NOK</i>		31.12.2015	31.12.2014
	<i>Note</i>		
EIENDELER			
Finansielle anleggsmidler			
Konsernmellomværende		5 764 405	5 537 571
Sum finansielle anleggsmidler		5 764 405	5 537 571
Omløpsmidler			
Bankinnskudd		730	121 214
Sum omløpsmidler		730	121 214
Sum eiendeler		5 765 135	5 658 785
EGENKAPITAL OG GJELD			
Innskutt egenkapital			
Aksjekapital (2 700 aksjer à NOK 2 001)	9	5 402 700	5 402 700
Sum innskutt egenkapital		5 402 700	5 402 700
Opptjent egenkapital			
Annen egenkapital		355 740	256 085
Sum egenkapital	8	5 758 440	5 658 785
Kortsiktig gjeld			
Konsernmellomværende		6 695	0
Sum egenkapital og gjeld		5 765 135	5 658 785

Oslo, 30. mars 2016

I styret for BELSHIPS CHARTERING AS



Osvald Fossholm
Styremedlem



Ulrich Müller
Styrets leder



Edwin Johansen
Styremedlem

BELSHIPS CHARTERING AS

NOTER TIL ÅRSOPPGJØRET

Alle tall er oppgitt i NOK når ikke annet er angitt.

Note 1 Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk (GRS) for små foretak.

- a) *Periodisering av frakttinntekter*
Inntekter og kostnader relatert til skipets reiser periodiseres ut ifra det antall dager reisen varer før og etter årsskiftet.
- b) *Omløpsmidler/kortsiktig gjeld*
Omløpsmidler og kortsiktig gjeld omfatter normalt poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Omløpsmidler vurderes til laveste verdi av anskaffelseskost og antatt virkelig verdi.
- c) *Leasing*
Selskapet skiller mellom finansiell lease og operasjonell lease. Leiekontrakter hvor det vesentligste av risikoen er på kontraktspartneren, blir klassifisert som operasjonelle leieavtaler. Leiebetalinger er klassifisert som en driftskostnad, og resultatføres over kontraksperioden.
- d) *Utenlandsk valuta*
Alle pengeposter i utenlandsk valuta er oppført til balansedagens kurs. Transaksjoner i utenlands valuta omregnes til NOK ført på transaksjonsdagens kurs.
- e) *Skatt*
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 27% på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverseres eller kan reverseres i samme periode er utlignet og nettoført. Utsatt skattefordel som antas å utgjøre en reell verdi gjennom forventet fremtidig inntjening, balanseføres.
- f) *Fordringer*
Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene.
- g) *Eierandel i andre selskaper*
Investeringer regnskapsføres til kostmetoden. Dette innebærer at investeringene vurderes til anskaffelseskost. Ved verdifall foretas nødvendige nedskrivninger av investeringene.

Note 2 Driftsinntekter

Produkttankskipet Belaia har vært innleid og videre sluttet ut på kontrakt til befrakter. Kontrakten gikk ut i mars 2014 og skipet ble samtidig tilbakelevert til eier. Leieavtalen har vært vurdert som operasjonell leasing.

Note 3 Administrasjonskostnader

Det er ikke utbetalt lønn eller annen godtgjørelse til styret. Det er heller ikke utbetalt lønn eller annen godtgjørelse til daglig leder.

(Beløp ekskl. mva)	2015	2014
Revisjon, ordinært honorar	60 000	70 000
Revisjon, annen bistand	0	0
Regnskapshonorar Belships Management AS	26 780	100 000
Andre administrasjonskostnader	0	8 120
Totalt	<u>86 780</u>	<u>178 120</u>

BELSHIPS CHARTERING AS

Note 4 Andel i DIS-selskap

Seiskapet har hatt en 6% andel i E-Tanker DIS som eide kjemikalieskipet M/T Eships Nahyan på 8 500 dwt bygget i 2005. Andelen har vært inntatt etter kostmetoden fra og med 1.1.2012. DIS'et ble avviklet og sluttoppgjør utbetalt i 2015.

Note 5 Fordringer og gjeld

	31.12.2015	31.12.2014
Totale fordringer	5 764 405	5 537 571
Herav konsernmellomværende	5 764 405	5 537 571
Herav med forfall senere enn ett år	0	0
 Total gjeld	6 695	0
Herav konsernmellomværende	6 695	0
Herav med forfall senere enn ett år	0	0

Kortsiktig fordringer og gjeld forfaller innen ett år. Konsernmellomværende utover ordinært driftsmellomværende er renteberegnet til markedsmessige betingelser.

Note 6 Valuta

Omløpsmidler i USD er omregnet til kurs 8,8090 som var kursen pr. 31. desember 2015.

<u>Agio gevinst/tap</u>	2015	2014
Realisert gevinst	3 874	222 590
Urealisert gevinst	0	-19 787
Realisert tap	0	-85 142
Urealisert tap	0	35 422
Sum	<u>3 874</u>	<u>153 083</u>

Note 7 Antall ansatte

Selskapet har ingen ansatte og administreres av søsterselskapet Belships Management AS

Note 8 Egenkapital

	Innskutt	Opptjent	
	Aksje- kapital	Annen egenkapital	Sum
Egenkapital pr. 31.12.2014	5 402 700	256 085	5 658 785
Årets resultat	0	99 655	99 655
Egenkapital pr. 31.12.2015	<u>5 402 700</u>	<u>355 740</u>	<u>5 758 440</u>

Note 9 Antall aksjer, aksjonærer

Aksjekapital	Antall	Pålydende	Balanseført aksjekapital
5 402 700	2 700	2 001	5 402 700
Aksjonærer	Aksjer	Eierandel	
Belships ASA	2 700	100%	

Hver aksje har én stemme. Det er kun én aksjeklasse.

Belships ASA har forretningskontor i Oslo og utarbeider konsernregnskap, hvor Belships Chartering AS inngår. Kopier av konsernregnskapet kan fås utlevert på Belships ASA's kontor i Oslo.

BELSHIPS CHARTERING AS

Note 10 Skatter

Nedenfor er det gitt en spesifikasjon på forskjellen mellom regnskapsmessig resultat før skattekostnad og årets skattegrunnlag:

	2015	2014
Skattekostnad		
Resultat før skatter	99 655	256 085
Ikke fradragsberettiget kostnad	0	8 100
Endring midlertidige forskjeller	15 122 222	1 129 449
Skattemessig resultat DIS-andel 2014	617 717	0
Benyttet fremførbart underskudd	-15 839 594	-1 393 634
Årets skattegrunnlag	0	0
Betalbar skatt	27 % 0	0
Sum skattekostnad/(-inntekt)	0	0

Utsatt skatt pr. 31. desember

Midlertidige forskjeller

Det er beregnet utsatt skatt av midlertidige forskjeller knyttet til:

	2015	2014
Gevinst og tapskonto	0	15 122 222
Sum	0	15 122 222
Skattemessig fremførbart underskudd	-70 930 423	-86 770 017
Netto midlertidige forskjeller	-70 930 423	-71 647 795
Utsatt skattekostnad/(-fordel)	27 % -19 151 214	-19 344 905
Balanseført	0	0
Ikke balanseført	-19 151 214	-19 344 905

I henhold til regnskapsstandarden for behandling av skatt, er skattereduserende midlertidige forskjeller og skatteøkende midlertidige forskjeller som reverseres eller kan reverseres i samme periode utlignet og nettoført. Med bakgrunn i de forventninger selskapet har til fremtidig inntjening, har selskapet funnet det riktig å ikke balanseføre den utsatte skattefordelen.

Note 11 Lån og sikkerhetsstillelser til nærstående personer

Det er ikke gitt lån eller gitt garantier på vegne av aksjeeier, daglig leder, medlemmer av styret eller nærstående til disse.

Til generalforsamlingen i
Belships Chartering AS

REVISORS BERETNING

Uttalelse om årsregnskapet

Vi har revidert årsregnskapet for Belships Chartering AS, som består av balanse per 31. desember 2015, resultatregnskap for regnskapsåret avsluttet per denne datoen og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge, og for slik intern kontroll som styret og daglig leder finner nødvendig for å muliggjøre utarbeidelsen av et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Revisors oppgaver og plikter

Vår oppgave er å gi uttrykk for en mening om dette årsregnskapet på bakgrunn av vår revisjon. Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder International Standards on Auditing. Revisjonsstandardene krever at vi etterlever etiske krav og planlegger og gjennomfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet ikke inneholder vesentlig feilinformasjon.

En revisjon innebærer utførelse av handlinger for å innhente revisjonsbevis for beløpene og opplysningene i årsregnskapet. De valgte handlingene avhenger av revisors skjønn, herunder vurderingen av risikoene for at årsregnskapet inneholder vesentlig feilinformasjon, enten det skyldes misligheter eller feil. Ved en slik risikovurdering tar revisor hensyn til den interne kontrollen som er relevant for selskapets utarbeidelse av et årsregnskap som gir et rettviseende bilde. Formålet er å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll. En revisjon omfatter også en vurdering av om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene utarbeidet av ledelsen er rimelige, samt en vurdering av den samlede presentasjonen av årsregnskapet.

Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Konklusjon

Etter vår mening er årsregnskapet for Belships Charteing AS avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2015 og av dets resultater for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Uttalelse om øvrige forhold

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet og forutsetningen om fortsatt drift er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at styret og daglig leder har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 4. april 2016
ERNST & YOUNG AS



Jon-Michael Grefsrød
statsautorisert revisor

Stiftelsesdokument for LHS Holdco AS

1 STIFTERNE

Stifter er:

Navn	Org.nr.	Adresse
Kontrari AS	996 714 470	Nedre Bekkegate 1-3, 4371 Egersund

2 SELSKAPETS VEDTEKTER

§ 1

Firmanavn

Selskapets firmanavn er LHS Holdco AS.

§ 2

Forretningskommune

Selskapet skal ha sitt forretningskontor i Eigersund kommune.

§ 3

Selskapets virksomhet

Selskapets virksomhet skal være investeringer i andre selskaper og alt hva derved er forbundet.

§ 4

Aksjekapital og aksjer

Selskapets aksjekapital er NOK 30 000, fordelt på 30 000 aksjer, hver pålydende NOK 1.

§ 5

Styre og signatur

Selskapets styre skal bestå av ett styremedlem. Selskapets firma tegnes av styrets leder alene.

§ 6

Ordinær generalforsamling

På den ordinære generalforsamlingen skal følgende saker behandles og avgjøres:

- 1 Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte;
- 2 Valg av styremedlemmer og revisor (dersom disse er på valg);
- 3 Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

§ 7

Innkalling til generalforsamling

Når dokumenter som gjelder saker som skal behandles på generalforsamlingen, er gjort tilgjengelige for aksjeeierne på selskapets internettsider, gjelder ikke aksjelovens krav om at dokumentene skal sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen.

3 AKSJETEGNING, STIFTELSESUTGIFTER OG AKSJEINNSKUDD

Det skal betales NOK 1 per aksje.

Kontrari AS tegner seg for 30 000 aksjer, totalt aksjeinnskudd NOK 30 000.

Selskapet skal dekke stiftelsesutgiftene, som antas å ville påløpe slik:

Utgift	Beløp NOK
Registrering i Foretaksregisteret	5 570
Salær til Wikborg Rein Advokatfirma AS	7 000
SUM stiftelsesutgifter	12 570

Aksjeinnskuddet forfaller til oppgjør ved aksjetegning.

4 STYREMEDLEMMER OG REVISOR

Selskapets styremedlemmer er:

Navn	Adresse	Verv
Jan Erik Sivertsen	Einerbakken 23, 4371 Egersund	Styrets leder

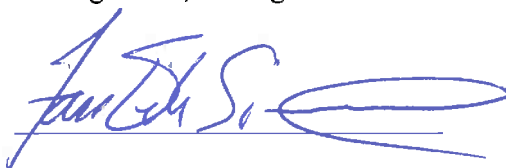
Selskapets revisor er:

Pricewaterhousecoopers AS, org.nr. 987 009 713, Kanalsletta 8, 4033 Stavanger

5 STIFTELSE AV SELSKAPET - DATO OG UNDERTEGNING

Når stifter har undertegnet stiftelsesdokumentet, er aksjene tegnet og selskapet stiftet.

Egersund, 22. august 2018

A handwritten signature in blue ink, appearing to read 'Jan Erik Sivertsen', is written over a horizontal line.

Jan Erik Sivertsen

for Kontrari AS

Stiftelsesdokument

for

LHS Holdco II AS

1 STIFTERNE

Stifter er:

Navn	Org.nr.	Adresse
Kontrari AS	996 714 470	Nedre Bekkegate 1-3, 4371 Egersund

2 SELSKAPETS VEDTEKTER

§ 1

Firmanavn

Selskapets firmanavn er LHS Holdco II AS.

§ 2

Forretningskommune

Selskapet skal ha sitt forretningskontor i Eigersund kommune.

§ 3

Selskapets virksomhet

Selskapets virksomhet skal være investeringer i andre selskaper og alt hva derved er forbundet.

§ 4

Aksjekapital og aksjer

Selskapets aksjekapital er NOK 30 000, fordelt på 30 000 aksjer, hver pålydende NOK 1.

§ 5

Styre og signatur

Selskapets styre skal bestå av ett styremedlem. Selskapets firma tegnes av styrets leder alene.

§ 6

Ordinær generalforsamling

På den ordinære generalforsamlingen skal følgende saker behandles og avgjøres:

- 1 Godkjenning av årsregnskapet og årsberetningen, herunder utdeling av utbytte;
- 2 Valg av styremedlemmer og revisor (dersom disse er på valg);
- 3 Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

§ 7

Innkalling til generalforsamling

Når dokumenter som gjelder saker som skal behandles på generalforsamlingen, er gjort tilgjengelige for aksjeeierne på selskapets nettsider, gjelder ikke aksjelovens krav om at dokumentene skal sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen.

3 AKSJETEGNING, STIFTELSESUTGIFTER OG AKSJEINNSKUDD

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Utgift	Beløp NOK
Registrering i Foretaksregisteret	5 570
Salær til Wikborg Rein Advokatfirma AS	7 000
SUM stiftelsesutgifter	12 570

Aksjeinnskuddet forfaller til oppgjør ved aksjetegning.

4 STYREMEDLEMMER OG REVISOR

Selskapets styremedlemmer er:

Navn	Adresse	Verv
Jan Erik Sivertsen	Einerbakken 23, 4371 Egersund	Styrets leder

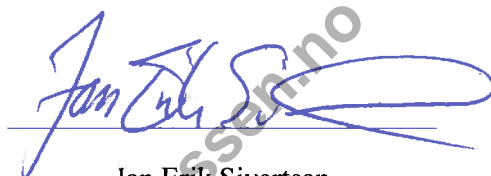
Selskapets revisor er:

Pricewaterhousecoopers AS, org.nr. 987 009 713, Kanalsletta 8, 4033 Stavanger

5 STIFTELSE AV SELSKAPET - DATO OG UNDERTEGNING

Når stifter har undertegnet stiftelsesdokumentet, er aksjene tegnet og selskapet stiftet.

Egersund, 22. august 2018



Jan Erik Sivertsen
for Kontrari AS

dto@thommesund.no
81.175.32.90

Stiftelsesdokument

for

LHN Holdco 1 AS

1 STIFTERNE

Stifter er:

Navn	Org.nr.	Adresse
Kontrari AS	996 714 470	Nedre Bekkegate 1-3, 4371 Egersund

2 SELSKAPETS VEDTEKTER

§ 1

Firmanavn

Selskapets firmanavn er LHN Holdco 1 AS.

§ 2

Forretningskommune

Selskapet skal ha sitt forretningskontor i Eigersund kommune.

§ 3

Selskapets virksomhet

Selskapets virksomhet skal være investeringer i verdipapirer og andre selskaper, herunder gjennom aksjeerwerb.

§ 4

Aksjekapital og aksjer

Selskapets aksjekapital er NOK 30 000, fordelt på 30 000 aksjer, hver pålydende NOK 1.

§ 5

Styre og signatur

Selskapets styre skal bestå av ett styremedlem. Selskapets firma tegnes av styrets leder alene.

§ 6

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På den ordinære generalforsamlingen skal følgende saker behandles og avgjøres:

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- 3 Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

§ 7

Innkalling til generalforsamling

Når dokumenter som gjelder saker som skal behandles på generalforsamlingen, er gjort tilgjengelige for aksjeeierne på selskapets internettsider, gjelder ikke aksjelovens krav om at dokumentene skal sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen.

3 AKSJETEGNING, STIFTELSESUTGIFTER OG AKSJEINNSKUDD

Det skal betales NOK 1 per aksje.

Kontrari AS tegner seg for 30 000 aksjer, totalt aksjeinnskudd NOK 30 000.

Selskapet skal dekke stiftelsesutgiftene, som antas å ville påløpe slik:

Utgift	Beløp NOK
Registrering i Foretaksregisteret	5 570
Salær til Wikborg Rein Advokatfirma AS	7 000
SUM stiftelsesutgifter	12 570

Aksjeinnskuddet forfaller til oppgjør ved aksjetegning.

4 STYREMEDLEMMER OG REVISOR

Selskapets styremedlemmer er:

Navn	Adresse	Verv
Jan Erik Sivertsen	Einerbakken 23, 4371 Egersund	Styrets leder

Selskapets revisor er:

Iversen Revisjon AS, org.nr. 957 927 866, Spinnerigaten 15, 4370 Egersund

5 STIFTELSE AV SELSKAPET - DATO OG UNDERTEGNING

Når stifter har undertegnet stiftelsesdokumentet, er aksjene tegnet og selskapet stiftet.

Egersund, 16. august 2018



Jan Erik Sivertsen

for Kontrari AS

dto@thommessen.no
81.175.32.90

Stiftelsesdokument

for

LHN Holdco 2 AS

1 STIFTERNE

Stifter er:

Navn	Org.nr.	Adresse
Kontrazi AS	997 151 879	Nedre Bekkegate 1-3, 4371 Egersund

2 SELSKAPETS VEDTEKTER

§ 1

Firmanavn

Selskapets firmanavn er LHN Holdco 2 AS.

§ 2

Forretningskommune

Selskapet skal ha sitt forretningskontor i Eigersund kommune.

§ 3

Selskapets virksomhet

Selskapets virksomhet skal være investeringer i verdipapirer og andre selskaper, herunder gjennom aksjeerwerb.

§ 4

Aksjekapital og aksjer

Selskapets aksjekapital er NOK 30 000, fordelt på 30 000 aksjer, hver pålydende NOK 1.

§ 5

Styre og signatur

Selskapets styre skal bestå av ett styremedlem. Selskapets firma tegnes av styrets leder alene.

§ 6

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På den ordinære generalforsamlingen skal følgende saker behandles og avgjøres:

- 1 Godkjenning av årsregnskapet og årsberetningen, herunder utdeling av utbytte;
- 2 Valg av styremedlemmer og revisor (dersom disse er på valg);
- 3 Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

§ 7

Innkalling til generalforsamling

Når dokumenter som gjelder saker som skal behandles på generalforsamlingen, er gjort tilgjengelige for aksjeeierne på selskapets internettsider, gjelder ikke aksjelovens krav om at dokumentene skal sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen.

3 AKSJETEGNING, STIFTELSESUTGIFTER OG AKSJEINNSKUDD

Det skal betales NOK 1 per aksje.

Kontrazi AS tegner seg for 30 000 aksjer, totalt aksjeinnskudd NOK 30 000.

Selskapet skal dekke stiftelsesutgiftene, som antas å ville påløpe slik:

Utgift	Beløp NOK
Registrering i Foretaksregisteret	5 570
Salær til Wikborg Rein Advokatfirma AS	7 000
SUM stiftelsesutgifter	12 570

Aksjeinnskuddet forfaller til oppgjør ved aksjetegning.

4 STYREMEDLEMMER OG REVISOR

Selskapets styremedlemmer er:

Navn	Adresse	Verv
Jan Erik Sivertsen	Einerbakken 23, 4371 Egersund	Styrets leder

Selskapets revisor er:

Iversen Revisjon AS, org.nr. 957 927 866, Spinnerigaten 15, 4370 Egersund

5 STIFTELSE AV SELSKAPET - DATO OG UNDERTEGNING

Når stifter har undertegnet stiftelsesdokumentet, er aksjene tegnet og selskapet stiftet.

Egersund, 16. august 2018



Jan Erik Sivertsen

for Kontrazi AS

dto@thommessen.no
81.175.32.90

MELLOMBALANSE PR. 31.08.2018*Beløp i NOK***EIENDELER***Note***Finansielle anleggsmidler**

Konsernmellomværende

2

5 915 817**Sum finansielle anleggsmidler**5 915 817**Omløpsmidler**

Forskudd leverandører

1 306

Bankinnskudd

2 138**Sum omløpsmidler**3 444**Sum eiendeler**5 919 262**EGENKAPITAL OG GJELD****Innskutt egenkapital**

Aksjekapital (2 700 aksjer à NOK 2 001)

5 402 700**Sum innskutt egenkapital**5 402 700**Opptjent egenkapital**

Annen egenkapital

516 562**Sum egenkapital**5 919 262**Sum egenkapital og gjeld**5 919 262

Oslo, 17. september 2018

I styret for BELSHIPS CHARTERING AS

Osvald Fossholm
Daglig lederUlrich Müller
Styrets leder

Edwin Johansen

NOTER TIL REGNSKAPET

Alle tall er oppgitt i NOK når ikke annet er angitt.

Note 1 Regnskapsprinsipper

Regnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk (GRS) for små foretak. Mellombalansen er utarbeidet for at Belships Chartering AS skal være part i fusjon etter allmennaksje-lovens kapittel 13 og anses derfor ikke å være egnet for andre formål.

a) *Omløpsmidler/kortsiktig gjeld*

Omløpsmidler og kortsiktig gjeld omfatter normalt poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Omløpsmidler vurderes til laveste verdi av anskaffelseskost og antatt virkelig verdi.

b) *Utenlandsk valuta*

Alle pengeposter i utenlandsk valuta er oppført til balansedagens kurs. Transaksjoner i utenlands valuta omregnes til NOK ført på transaksjonsdagens kurs.

c) *Skatt*

Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 23% på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skatte-reduserende midlertidige forskjeller som reverseres eller kan reverseres i samme periode er utlignet og nettoført. Utsatt skattefordel som antas å utgjøre en reell verdi gjennom forventet fremtidig inntjening, balanseføres.

d) *Fordringer*

Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene.

Note 2 Konsernmellomværende

Selskapet har en fordring mot morselskapet Belships ASA på NOK 5 915 817. Fordringen er renteberegnet med rentesats lik normrenten.

UAVHENGIG REVISORS BERETNING

Til generalforsamlingen i Belships Chartering AS

Revisors beretning til mellombalanse

Konklusjon

Vi har revidert mellombalansen for Belships Chartering AS pr. 31.08.2018 som viser en egenkapital på kr 5 919 262. Mellombalansen består av balanse og beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger. Mellombalansen er utarbeidet av styret og daglig leder ved anvendelse av regnskapsprinsippene beskrevet i note 1 til mellombalansen.

Etter vår mening gir mellombalansen i det alt vesentlige et uttrykk for selskapets finansielle stilling pr. 31.08.2018 i samsvar med regnskapsprinsippene beskrevet i note 1 til mellombalansen.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjon av mellombalansen*. Vi er uavhengige av selskapet i samsvar med de relevante etiske kravene i Norge knyttet til revisjon slik det kreves i lov og forskrift. Vi har også overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Grunnlag for regnskapsavleggelse og begrensning av distribusjon

Vi gjør oppmerksom på note 1 til mellombalansen, som beskriver grunnlaget for regnskapsavleggelsen. Mellombalansen er utarbeidet for at Belships Chartering AS skal vært part i fusjon etter allmennaksjelovens kapittel 13 og anses derfor ikke å være egnet for andre formål.

Ledelsens ansvar for mellombalansen

Styret og daglig leder er ansvarlig for å utarbeide mellombalansen i samsvar med regnskapsprinsippene beskrevet i note 1 i mellombalansen og for slik intern kontroll som ledelsen finner nødvendig for å muliggjøre utarbeidelsen av en mellombalanse som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av mellombalansen må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for mellombalansen med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe annet realistisk alternativ.

Revisors oppgaver og plikter ved revisjon av mellombalansen

Vårt mål er å oppnå betryggende sikkerhet for at mellombalansen som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av mellombalansen.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver

vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- ▶ identifiserer og anslår vi risikoen for vesentlig feilinformasjon i mellombalansen, enten det skyldes misligheter eller feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll;
- ▶ opparbeider vi oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å konkludere særskilt på selskapets interne kontroll;
- ▶ vurderer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige;
- ▶ konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape betydelig tvil om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det foreligger vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i mellombalansen. Hvis slike tilleggsopplysninger ikke er tilstrekkelige, må vi modifisere vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapets evne til fortsatt drift ikke lenger er til stede;
- ▶ evaluerer vi den samlede presentasjonen, strukturen og innholdet i mellombalansen inkludert tilleggsopplysningene, og hvorvidt mellombalansen gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

Vi kommuniserer med dem som har overordnet ansvar for styring og kontroll, blant annet om det planlagte omfanget av revisjonen, tidspunktet for vårt revisjonsarbeid og eventuelle vesentlige funn i vår revisjon, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom vårt arbeid.

Oslo, 17. september 2018

ERNST & YOUNG AS



Jon-Michael Grefsrød
statsautorisert revisor

Mellombalanse for LHN Holdco 1 AS

pr. 30. august 2018

	Note	30.8.18
EIENDELER		
Anleggsmidler		
Investeringer i tilknyttet selskap	2	0
Sum anleggsmidler		0
Omløpsmidler		
Bankinnskudd		30 000
Sum omløpsmidler		30 000
SUM EIENDELER		30 000

GJELD OG EGENKAPITAL

Egenkapital		
<i>Innskutt egenkapital</i>		
Aksjekapital	3	30 000
Annen innskutt egenkapital; stiftelsesutgifter		-5 570
<i>Sum innskutt egenkapital</i>		<i>24 430</i>
Sum egenkapital		24 430
Gjeld		
<i>Kortsiktig gjeld</i>		
Avsetning stiftelsesutgifter		5 570
<i>Sum kortsiktig gjeld</i>		<i>5 570</i>
Sum gjeld		5 570
SUM GJELD OG EGENKAPITAL		30 000

17. september 2018

LHN Holdco 1 AS


Jan Erik Sivertsen
styreleder

Noter til mellombalanse for LHN Holdco 1 AS pr. 30. august 2018

Note 1 – Regnskapsprinsipper

Mellombalansen pr. 30. august 2018 er satt opp i samsvar med regnskapsloven og god regnskapsskikk for små foretak i Norge.

Mellombalansen er satt opp for det formål å benyttes som vedlegg til fusjonsplan for fusjon mellom Belships Chartering AS (som overtakende selskap), LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS, og LHN Holdco 2 AS (som overdragende selskaper) med vederlag i form av aksjer i Belships ASA. Kravet til mellombalanse følger av allmennaksjeloven § 13-8 nr. 3, og mellombalansen skal ikke ligge lenger tilbake i tid enn tre måneder før dagen for undertegning av fusjonsplanen. Mellombalansen er følgelig utarbeidet før tingsinnskuddet nevnt i note 2 blir gjennomført.

Note 2 – Anleggsmidler

Gjennomføringen av fusjonen er betinget av at de overdragende selskaper tilføres aksjer i Lighthouse Shipping-selskaper. LHN Holdco 1 AS vil i denne forbindelse bli tilført 40 % av aksjene i Lighthouse Navigation Pte. Ltd.

Note 3 - Aksjekapital

Per dato for mellombalansen er det 30 000 aksjer hver pålydende NOK 1 i selskapet. Samtlige aksjer er eiet av Kontrari AS. I forbindelse med tilførsel av eiendeler som nevnt i note 2 vil aksjekapitalen i selskapet øke, men samtlige aksjer vil fortsatt være eiet av Kontrari AS pr. tidspunktet for fusjonen med Belships Chartering AS.

Mellombalanse for LHN Holdco 2 AS

pr. 3. september 2018

Note 3.9.18

EIENDELER

Anleggsmidler

Investeringer i aksjer	2	0
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Sum anleggsmidler		0
--------------------------	--	----------

Omløpsmidler

Bankinnskudd		30 000
--------------	--	--------

Sum omløpsmidler		30 000
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SUM EIENDELER		30 000
----------------------	--	---------------

GJELD OG EGENKAPITAL

Egenkapital

Innskutt egenkapital

Aksjekapital	3	30 000
--------------	---	--------

Annen innskutt egenkapital; stiftelsesutgifter		-5 570
------------------------------------------------	--	--------

<i>Sum innskutt egenkapital</i>		<i>24 430</i>
---------------------------------	--	---------------

Sum egenkapital		24 430
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Gjeld

Kortsiktig gjeld

Avsetning stiftelsesutgifter		5 570
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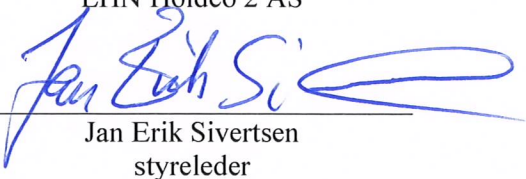
<i>Sum kortsiktig gjeld</i>		<i>5 570</i>
-----------------------------	--	--------------

Sum gjeld		5 570
------------------	--	--------------

SUM GJELD OG EGENKAPITAL		30 000
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17. september 2018

LHN Holdco 2 AS


Jan Erik Sivertsen
styreleder

Noter til mellombalanse for LHN Holdco 2 AS pr. 3. september 2018

Note 1 – Regnskapsprinsipper

Mellombalansen pr. 3. september 2018 er satt opp i samsvar med regnskapsloven og god regnskapsskikk for små foretak i Norge.

Mellombalansen er satt opp for det formål å benyttes som vedlegg til fusjonsplan for fusjon mellom Belships Chartering AS (som overtakende selskap), LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS, og LHN Holdco 2 AS (som overdragende selskaper) med vederlag i form av aksjer i Belships ASA. Kravet til mellombalanse følger av allmennaksjeloven § 13-8 nr. 3, og mellombalansen skal ikke ligge lenger tilbake i tid enn tre måneder før dagen for undertegning av fusjonsplanen. Mellombalansen er følgelig utarbeidet før tingsinnskuddet nevnt i note 2 blir gjennomført.

Note 2 – Anleggsmidler

Gjennomføringen av fusjonen er betinget av at de overdragende selskaper tilføres aksjer i Lighthouse Shipping-selskaper. LHN Holdco 2 AS vil i denne forbindelse bli tilført 10 % av aksjene i Lighthouse Navigation Pte. Ltd.

Note 3 - Aksjekapital

Per dato for mellombalansen er det 30 000 aksjer hver pålydende NOK 1 i selskapet. Samtlige aksjer er eiet av Kontrazi AS. I forbindelse med tilførsel av eiendeler som nevnt i note 2 vil aksjekapitalen i selskapet øke, men samtlige aksjer vil fortsatt være eiet av Kontrazi AS pr. tidspunktet for fusjonen med Belships Chartering AS.

Mellombalanse for LHS Holdco AS

pr. 6. september 2018

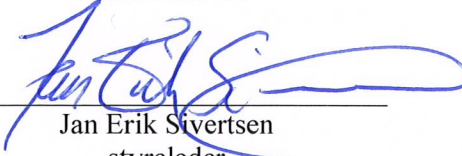
	Note	6.9.18
EIENDELER		
Anleggsmidler		
Investeringer i datterselskap	2	0
Lån til foretak i samme konsern	2	0
Sum anleggsmidler		0
Omløpsmidler		
Bankinnskudd		30 000
Sum omløpsmidler		30 000
SUM EIENDELER		30 000

GJELD OG EGENKAPITAL

Egenkapital		
<i>Innskutt egenkapital</i>		
Aksjekapital	3	30 000
Annen innskutt egenkapital; stiftelsesutgifter		-5 570
<i>Sum innskutt egenkapital</i>		<i>24 430</i>
Sum egenkapital		24 430
Gjeld		
<i>Kortsiktig gjeld</i>		
Avsetning stiftelsesutgifter		5 570
<i>Sum kortsiktig gjeld</i>		<i>5 570</i>
Sum gjeld		5 570
SUM GJELD OG EGENKAPITAL		30 000

17. september 2018

LHS Holdco AS


Jan Erik Sivertsen
styreleder

Noter til mellombalanse for LHS Holdco AS pr. 6. september 2018

Note 1 – Regnskapsprinsipper

Mellombalansen pr. 6. september 2018 er satt opp i samsvar med regnskapsloven og god regnskapsskikk for små foretak i Norge.

Mellombalansen er satt opp for det formål å benyttes som vedlegg til fusjonsplan for fusjon mellom Belships Chartering AS (som overtakende selskap), LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS, og LHN Holdco 2 AS (som overdragende selskaper) med vederlag i form av aksjer i Belships ASA. Kravet til mellombalanse følger av allmennaksjeloven § 13-8 nr. 3, og mellombalansen skal ikke ligge lenger tilbake i tid enn tre måneder før dagen for undertegning av fusjonsplanen. Mellombalansen er følgerlig utarbeidet før tingsinnskuddet nevnt i note 2 blir gjennomført.

Note 2 – Anleggsmidler

Gjennomføringen av fusjonen er betinget av at de overdragende selskaper tilføres aksjer i Lighthouse Shipping-selskaper. LHS Holdco AS vil i denne forbindelse bli tilført 100 % av aksjene i, samt kreditorposisjon under aksjonærlån ytt til, Lighthouse Shipholding AS.

Note 3 - Aksjekapital

Per dato for mellombalansen er det 30 000 aksjer hver pålydende NOK 1 i selskapet. Samtlige aksjer er eiet av Kontrari AS. I forbindelse med tilførsel av eiendeler som nevnt i note 2 vil aksjekapitalen i selskapet øke, og samtlige aksjer vil pr. tidspunktet for fusjonen med Belships Chartering AS være eiet av dagens eiere av Lighthouse Shipholding AS.

Mellombalanse for LHS Holdco II AS

pr. 6. september 2018

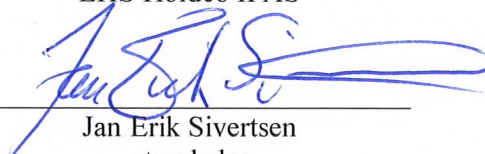
	Note	6.9.18
EIENDELER		
Anleggsmidler		
Investeringer i datterselskap	2	0
Lån til foretak i samme konsern	2	0
Sum anleggsmidler		0
Omløpsmidler		
Bankinnskudd		30 000
Sum omløpsmidler		30 000
SUM EIENDELER		30 000

GJELD OG EGENKAPITAL

Egenkapital		
<i>Innskutt egenkapital</i>		
Aksjekapital	3	30 000
Annen innskutt egenkapital; stiftelsesutgifter		-5 570
<i>Sum innskutt egenkapital</i>		<i>24 430</i>
Sum egenkapital		24 430
Gjeld		
<i>Kortsiktig gjeld</i>		
Avsetning stiftelsesutgifter		5 570
<i>Sum kortsiktig gjeld</i>		<i>5 570</i>
Sum gjeld		5 570
SUM GJELD OG EGENKAPITAL		30 000

17. september 2018

LHS Holdco II AS


Jan Erik Sivertsen
styreleder

Noter til mellombalanse for LHS Holdco II AS pr. 6. september 2018

Note 1 – Regnskapsprinsipper

Mellombalansen pr. 6. september 2018 er satt opp i samsvar med regnskapsloven og god regnskapsskikk for små foretak i Norge.

Mellombalansen er satt opp for det formål å benyttes som vedlegg til fusjonsplan for fusjon mellom Belships Chartering AS (som overtakende selskap), LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS, og LHN Holdco 2 AS (som overdragende selskaper) med vederlag i form av aksjer i Belships ASA. Kravet til mellombalanse følger av allmennaksjeloven § 13-8 nr. 3, og mellombalansen skal ikke ligge lenger tilbake i tid enn tre måneder før dagen for undertegning av fusjonsplanen. Mellombalansen er følgelig utarbeidet før tingsinnskuddet nevnt i note 2 blir gjennomført.

Note 2 – Anleggsmidler

Gjennomføringen av fusjonen er betinget av at de overdragende selskaper tilføres aksjer i Lighthouse Shipping-selskaper. LHS Holdco II AS vil i denne forbindelse bli tilført 100 % av aksjene i, samt kreditorposisjon under aksjonærlån ytt til, Lighthouse Shipholding II AS.

Note 3 - Aksjekapital

Per dato for mellombalansen er det 30 000 aksjer hver pålydende NOK 1 i selskapet. Samtlige aksjer er eiet av Kontrari AS. I forbindelse med tilførsel av eiendeler som nevnt i note 2 vil aksjekapitalen i selskapet øke, og samtlige aksjer vil pr. tidspunktet for fusjonen med Belships Chartering AS være eiet av dagens eiere av Lighthouse Shipholding II AS.



BELSHIPS

REPORT 2ND QUARTER 2018

23 August 2018

www.belships.com

Lilleakerveien 4, P.O.Box 23, Lilleaker, N-0216 Oslo, Norway
Phone +47 22 52 76 00 | chartering@belships.no
Enterprise no: NO930776793MVA

**HIGHLIGHTS**

- Operating income of USD 8.3 m (Q1: USD 8.2 m)
- EBITDA of USD 3.5 m (USD 3.3 m)
- No impairment/impairment reversal (USD 1.3 m)
- Net result of USD 0.9 m (USD 2.1 m)
- All ships operating normally – modern fleet – average age 5.0 years
- Contract coverage 100% for delivered ships – around USD 40 million fixed charter
- Conclusion of strategic process – contemplated merger between subsidiaries of Kontrari and subsidiaries of Belships with consideration in Belships shares.

2nd quarter 2018 results

Belships operating income in 2nd quarter 2018 was USD 8.3 million (Q1: USD 8.2 million), while EBITDA amounted to USD 3.5 million (USD 3.3 million). The Group's operating result amounted to USD 2.1 million (USD 3.1 million), while net result for 2nd quarter 2018 was USD 0.9 million (USD 2.1 million). The figures for the first quarter includes impairment reversal of USD 1.3 million.

Fleet status

Belships concentrates on the dry bulk market, with 6 modern Supramax/Ultramax in service. M/S Belstar, M/S Belnor and M/S Belisland have continued the long-term contracts to Canpotex of 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. M/S Belforest, M/S Belocean and M/S Belnippon are all on time charter to Cargill. M/S Belocean and M/S Belforest will become open in October-November, whereas M/S Belnippon will be open in January 2019.

All ships have sailed without significant off-hire. Technical management is handled by Belships Management (Singapore), with a total fleet of 11 ships under technical management.

Newbuilding program

Belships' remaining newbuilding program with Imabari Shipbuilding in Japan consists of one 63 000 dwt eco-design Ultramax bulk carrier on a long-term T/C-in agreement incl. purchase option for delivery within first half 2020.

Financial and corporate matters

As per 30 June the Group's cash totaled USD 5.4 million, which is unchanged from 31 March.

The mortgage debt as per 30 June was USD 25.75 million. Net lease obligation as at 30 June was USD 41.8 million. In addition Belships has a long-term loan facility of SGD 2 million, secured by the lease agreement for our Singapore office. Net lease obligation and mortgage debt were reduced by USD 1.65 million in the 2nd quarter.

Hedging the Group's interest exposure on bank loan is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 60%.

At the end of the 2nd quarter of 2018, the book value per share amounted to NOK 4.97 (USD 0.61), while the equity ratio was 28.7 %. Added value related to the long-term charter party for M/S Belisland is not reflected in the balance sheet.

Market highlights

The Capesize-index ended the 2nd quarter at USD 18 110 per day, whereas the Kamsarmax-index ended at USD 12 056 per day. The Supramax-index ended the quarter at USD 11 288 per day. As per today the Cape index stands at USD 25 054 per day, Kamsarmax-index at USD 13 772 per day and



Supramax-index at USD 11 939 per day. Baltic S&P Assessment's valuation of a 5-year old Supramax is currently USD 18.5 million.

Outlook

The current period activity for Supramax with Pacific delivery reflects a rate level for short duration around USD 11 000 per day, whereas Ultramaxs are valued around high USD 12 000 to low USD 13 000 per day.

Belships' vessels are fully covered until October 2018 when M/S Beloceano becomes open, followed by M/S Belforest in November and M/S Belnippon in January 2019. The company is well positioned for a dry bulk market that we believe will be strengthening in 2018-19.

Belships' vessels are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of around USD 40 million.

Focus remains to continue developing Belships as an owner and operator of modern bulk carriers to reputable counterparts, building a portfolio of quality ships and robust charter parties that will generate distributable cash flows.

As per the stock exchange announcement on 6 July, Sonata AS has accepted an offer from Kontrari AS and Kontrazi AS (together "Kontrari") relating to a contemplated sale of 14,285,714 shares (30.2%) in the company from Sonata to Kontrari and a subsequent merger between Kontrari's subsidiaries and subsidiaries of Belships with consideration in Belships shares. Sonata AS has in this respect entered into a process agreement governing the necessary steps in order to complete the transaction. The Board of Directors believes the Transaction will be in the best interest of all the shareholders and the company.

The further steps include a satisfactory due diligence process, regulatory and third party approvals, negotiating a merger plan to be finalized and distributed to the shareholders. The transaction is subject to approval by the General meeting.

Following this transaction the combined entity will control a fleet of 16 dry bulk carriers and enhance its flexibility and create opportunities to expand its charter contract portfolio. The company will concentrate on the dry bulk market and will benefit from a fully integrated commercial and technical management.

23 August 2018

THE BOARD OF BELSHIPS ASA

Sverre Jørgen Tidemand, Chairman

Christian Rytter

Kjersti Ringdal

Sissel Grefsrud

Carl Erik Steen

CEO Ulrich Müller

Phone no. +47 22 52 76 15

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and result for the period.

We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements.

Oslo, 23 August 2018

THE BOARD OF BELSHIPS ASA

Sverre Jørgen Tidemand, Chairman

Christian Rytter

Kjersti Ringdal

Sissel Grefsrud

Carl Erik Steen



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The quarterly and half year figures are not audited

BELSHIPS ASA

USD 1 000		Q2 2018	Q1 2018	1H 2018	Q2 2017	Q1 2017	1H 2017	2017
Freight revenue	Note	7 231	7 104	14 335	5 538	5 366	10 904	22 646
Management fees		1 061	1 057	2 118	901	1 254	2 155	4 663
Operating income	2	8 292	8 161	16 453	6 439	6 620	13 059	27 309
T/C hire expenses		-1 183	-1 170	-2 353	0	0	0	0
Ship operating expenses		-2 081	-2 023	-4 104	-1 925	-2 088	-4 013	-8 175
Operating expenses ship management		-823	-883	-1 706	-887	-859	-1 746	-3 371
General and administrative expenses		-674	-824	-1 498	-596	-666	-1 262	-2 493
Operating expenses		-4 761	-4 900	-9 661	-3 408	-3 613	-7 021	-14 039
Operating result (EBITDA)		3 531	3 261	6 792	3 031	3 007	6 038	13 270
Depreciation and amortisation		-1 393	-1 453	-2 846	-1 147	-1 116	-2 263	-4 597
Reversal/impairment of ships	4	0	1 269	1 269	0	0	0	2 544
Effect on onerous contracts		0	0	0	234	163	397	397
Operating result (EBIT)		2 138	3 077	5 215	2 118	2 054	4 172	11 614
Interest income		20	3	23	5	8	13	26
Interest expenses		-1 060	-1 061	-2 121	-1 186	-1 213	-2 399	-4 735
Other financial items		-38	75	37	-176	-77	-253	-361
Currency gains/(-losses)		-131	72	-59	7	31	38	114
Net financial items		-1 209	-911	-2 120	-1 350	-1 251	-2 601	-4 956
Result before taxes		929	2 166	3 095	768	803	1 571	6 658
Taxes		-52	-31	-83	-38	-47	-85	-294
Net result		877	2 135	3 012	730	756	1 486	6 364
Hereof non-controlling interests		-4	22	18	13	5	18	60
Hereof majority interests		881	2 113	2 994	717	751	1 468	6 304
Other comprehensive income								
Actuarial gain/(loss) on defined benefit plans		0	0	0	0	0	0	-6
Total comprehensive income		877	2 135	3 012	730	756	1 486	6 358
Hereof non-controlling interests		-4	22	18	13	5	18	60
Hereof majority interests		881	2 113	2 994	717	751	1 468	6 298
Earnings per share (US cent)		1.87	4.56	6.44	1.56	1.62	3.17	13.60
Diluted earnings per share (US cent)		1.87	4.56	6.44	1.56	1.62	3.17	13.60



CONSOLIDATED BALANCE SHEET

The quarterly and half year figures are not audited

BELSHIPS ASA

USD 1 000		30 Jun 2018	31 Mar 2018	31 Dec 2017
ASSETS				
	<i>Note</i>			
Fixed assets				
Ships	4	89 734	91 090	91 242
Prepaid timecharter hire		0	135	405
Other fixed assets		2 623	2 610	2 080
Total fixed assets		92 357	93 835	93 727
Current assets				
Short-term receivables		1 887	1 516	1 848
Prepaid timecharter hire		957	1 095	1 095
Cash and cash equivalents		5 400	5 395	5 459
Total current assets		8 244	8 006	8 402
Total assets		100 601	101 841	102 129
EQUITY AND LIABILITIES				
Equity				
Paid-in capital		43 628	43 623	43 620
Retained earnings		-15 166	-15 477	-17 589
Non-controlling interests		370	374	351
Total equity		28 832	28 520	26 382
Long-term liabilities				
Mortgage debt	3	20 557	21 778	22 999
Bareboat commitment	3	39 765	40 299	40 816
Pension obligations		504	539	530
Other long-term liabilities		1 467	1 538	1 466
Total long-term liabilities		62 293	64 154	65 811
Short-term liabilities				
Mortgage debt	3	5 000	5 000	5 000
Bareboat commitment	3	2 026	1 980	1 940
Other short-term liabilities		2 450	2 187	2 996
Total short-term liabilities		9 476	9 167	9 936
Total equity and liabilities		100 601	101 841	102 129

**CONSOLIDATED CASH FLOW STATEMENTS***The quarterly and half year figures are not audited***BELSHIPS ASA**

USD 1 000	1H 2018	Q1 2018	2017
Cash flow from operating activities			
Net result before taxes	3 095	2 166	6 658
Adjustments to reconcile profit before tax to net cash flows:			
Effect on onerous contracts	0	0	-397
Depreciations on fixed assets	2 846	1 453	4 597
Reversal/impairment of ships	-1 269	-1 269	-2 544
Share-based compensation expense	8	-3	0
Difference between pension exps and paid pension premium	-28	-19	-171
Net finance costs	2 120	911	4 956
Working capital adjustments:			
Change in trade debtors and trade creditors	166	-152	85
Change in other short-term items	-687	38	-322
Interest received	23	3	26
Interest paid	-2 121	-1 061	-4 735
Income tax paid	-95	-40	-137
Net cash flow from operating activities	4 058	2 027	8 016
Cash flow from investing activities			
Payment of other investments	-369	-318	-271
Net cash flow from investing activities	-369	-318	-271
Cash flow from financing activities			
Repayment of long-term debt	-2 992	-1 727	-9 835
Dividend paid	-577	0	0
Paid costs related to financing	-178	-46	-369
Net cash flow from financing activities	-3 747	-1 773	-10 204
Net change in cash and cash equivalents during the period	-59	-64	-2 459
Cash and cash equivalents at 1 January	5 459	5 459	7 918
Cash and cash equivalents at end of period	5 400	5 395	5 459



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The quarterly and half year figures are not audited

BELSHIPS ASA

USD 1 000

	Majority interest					Non-controlling interests	Total equity
	Paid-in				Retained		
	Share capital	Treasury shares	Share premium reserves	Other paid-in equity	Other equity		
As at 30 June 2018							
Equity as at 31 December 2017	14 272	-166	13 751	15 763	-17 590	352	26 382
Net result for the period	0	0	0	0	2 994	18	3 012
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	2 994	18	3 012
Dividend paid	0	0	0	0	-570	0	-570
Net share-based payment	0	0	0	8	0	0	8
Equity as at 30 June 2018	14 272	-166	13 751	15 771	-15 166	370	28 832

As at 31 March 2018							
Equity as at 31 December 2017	14 272	-166	13 751	15 763	-17 590	352	26 382
Net result for the period	0	0	0	0	2 113	22	2 135
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	2 113	22	2 135
Share-based payment expense	0	0	0	3	0	0	3
Equity as at 31 March 2018	14 272	-166	13 751	15 766	-15 477	374	28 520

KEY FINANCIAL FIGURES

BELSHIPS ASA

		1H 2018	Q1 2018	2017
EBITDA	USD 1000	6 792	3 261	13 270
Interest coverage ratio		2.46	2.90	2.45
Current ratio	%	87.00	87.34	84.56
Equity ratio	%	28.66	28.00	25.83
Earnings per share	US cent	6.44	4.56	13.60
Earnings per share	NOK	0.53	0.35	1.12
Equity per share	USD	0.62	0.61	0.56
Equity per share	NOK	5.03	4.74	4.62
Number of issued shares (excluding treasury shares)		46 804 000	46 804 000	46 804 000
Average number of issued shares (excl. treasury shares)		46 804 000	46 804 000	46 804 000

**NOTES TO THE CONSOLIDATED ACCOUNTS****Note 1 Accounting principles**

These interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all of the information required for full annual financial reporting, and should be read in conjunction with the consolidated financial statements of Belships for the year ended 31 December 2017.

This report was approved by the Board of Directors on 23 August 2018.

The accounting policies adopted are consistent with those followed in the preparation of the Company's and the Group's annual financial statements for the year ended 31 December 2017.

Note 2 Segment information**BELSHIPS ASA**

USD 1 000

January - June 2018

	<i>Dry cargo</i>	<i>Technical managm.</i>	<i>Admini- stration</i>	<i>Group transacts</i>	<i>Total</i>
Freight revenue	14 070	0	0	265	14 335
Management fees	0	2 316	422	-620	2 118
Operating income	14 070	2 316	422	-355	16 453
T/C hire expenses	-2 353	0	0	0	-2 353
Ship operating expenses	-4 458	0	0	354	-4 104
Operating expenses ship management	0	-1 706	0	0	-1 706
General and administrative expenses	-12	0	-1 487	1	-1 498
Operating expenses	-6 823	-1 706	-1 487	355	-9 661
Operating result (EBITDA)	7 247	610	-1 065	0	6 792
Depreciation and amortisation	-2 777	-31	-38	0	-2 846
Reversal of impairment	1 269	0	0	0	1 269
Operating result (EBIT)	5 739	579	-1 103	0	5 215
Interest income	1	5	17	0	23
Interest expenses	-2 109	0	-12	0	-2 121
Other financial items	-114	-7	158	0	37
Currency gains/(-losses)	-8	6	-57	0	-59
Net financial items	-2 230	4	106	0	-2 120
Result before taxes	3 509	583	-997	0	3 095
Taxes	0	-83	0	0	-83
Net result	3 509	500	-997	0	3 012
Hereof non-controlling interests	0	18	0	0	18
Hereof majority interests	3 509	482	-997	0	2 994



Note 2 Segment information, continued

USD 1 000

		2018				2017			
		Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total
Q1	Freight revenue	6 975	0	129	7 104	5 254	0	112	5 366
	Management fees	0	1 156	-99	1 057	0	1 300	-46	1 254
	Operating income	6 975	1 156	30	8 161	5 254	1 300	66	6 620
	T/C hire expenses	-1 170	0	0	-1 170	0	0	0	0
	Ship operating expenses	-2 201	0	178	-2 023	-2 206	0	118	-2 088
	Operating expenses ship management	0	-883	0	-883	0	-859	0	-859
	General and administrative expenses	-12	0	-812	-824	-6	0	-660	-666
	Operating expenses	-3 383	-883	-634	-4 900	-2 212	-859	-542	-3 613
	Operating result (EBITDA)	3 592	273	-604	3 261	3 042	441	-476	3 007
	Depreciation and amortisation	-1 420	-16	-17	-1 453	-1 090	-13	-13	-1 116
Q2	Reversal/impairment of ships	1 269	0	0	1 269	0	0	0	0
	Effect on onerous contracts	0	0	0	0	163	0	0	163
	Operating result (EBIT)	3 441	257	-621	3 077	2 115	428	-489	2 054
	Freight revenue	7 095	0	136	7 231	5 424	0	114	5 538
	Management fees	0	1 160	-99	1 061	0	1 070	-169	901
	Operating income	7 095	1 160	37	8 292	5 424	1 070	-55	6 439
	T/C hire expenses	-1 183	0	0	-1 183	0	0	0	0
	Ship operating expenses	-2 257	0	176	-2 081	-2 164	0	239	-1 925
	Operating expenses ship management	0	-823	0	-823	0	-887	0	-887
	General and administrative expenses	0	0	-674	-674	0	0	-596	-596
Q3	Operating expenses	-3 440	-823	-498	-4 761	-2 164	-887	-357	-3 408
	Operating result (EBITDA)	3 655	337	-461	3 531	3 260	183	-412	3 031
	Depreciation and amortisation	-1 357	-15	-21	-1 393	-1 109	-15	-23	-1 147
	Effect on onerous contracts	0	0	0	0	234	0	0	234
	Operating result (EBIT)	2 298	322	-482	2 138	2 385	168	-435	2 118
	Freight revenue	0	0	0	0	5 690	0	118	5 808
	Management fees	0	0	0	0	0	975	-101	874
	Operating income	0	0	0	0	5 690	975	17	6 682
	Ship operating expenses	0	0	0	0	-2 109	0	176	-1 933
	Operating expenses ship management	0	0	0	0	0	-722	0	-722
Q4	General and administrative expenses	0	0	0	0	-2	0	-497	-499
	Operating expenses	0	0	0	0	-2 111	-722	-321	-3 154
	Operating result (EBITDA)	0	0	0	0	3 579	253	-304	3 528
	Depreciation and amortisation	0	0	0	0	-1 109	-15	-25	-1 149
	Reversal/impairment of ships	0	0	0	0	500	0	0	500
	Operating result (EBIT)	0	0	0	0	2 970	238	-329	2 879
	Freight revenue	0	0	0	0	5 822	0	112	5 934
	Management fees	0	0	0	0	0	1 741	-107	1 634
	Operating income	0	0	0	0	5 822	1 741	5	7 568
	Ship operating expenses	0	0	0	0	-2 408	0	179	-2 229
Q4	Operating expenses ship management	0	0	0	0	0	-903	0	-903
	General and administrative expenses	0	0	0	0	-37	0	-695	-732
	Operating expenses	0	0	0	0	-2 445	-903	-516	-3 864
	Operating result (EBITDA)	0	0	0	0	3 377	838	-511	3 704
	Depreciation and amortisation	0	0	0	0	-1 143	-16	-26	-1 185
	Reversal/impairment of ships	0	0	0	0	2 044	0	0	2 044
	Operating result (EBIT)	0	0	0	0	4 278	822	-537	4 563

**Note 3 Mortgage debt/Bareboat obligation**

Mortgage debt as of 30 June 2018 was USD 25.8 million, of which USD 5.0 million is classified as current. Arrangement fee and other transaction costs related to the mortgage debt, were initially recorded as a reduction of the debt in the balance sheet, and are subsequently amortized over the loan period in accordance with the amortized cost principle.

Net bareboat obligation as at 30 June was USD 41.8 million, of which USD 2.0 million is classified as current. The bareboat obligation is related to M/S Belforest and M/S Belisland. These two ships are included in the balance sheet as financial leases.

Note 4 Ships

Belships has assessed its recoverable amount on its ships. As a result of an improved dry bulk market, a net reversal of a part of prior periods impairment amounting to USD 1.3 million have been recorded in the first quarter. The company has applied the same impairment model and assumptions as described in the annual report for 2017, however market related assumptions are updated to reflect the situation as of 30 June. With effect from 1 January 2018, the company has assessed the residual value to be zero.

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

20 LARGEST SHAREHOLDERS

Updated 14 August 2018

Name	Number of shares	%
SONATA AS	31 747 492	67.05%
TIDSHIPS AS	5 020 432	10.60%
EITZEN REDERI AS	657 249	1.39%
BELSHIPS ASA	498 000	1.05%
AR FONDS AS	416 183	0.88%
SKARSGÅRD LARS CHRISTIAN	355 000	0.75%
NAGATSUKA TORU	330 000	0.70%
CHREM CAPITAL AS	320 000	0.68%
JOMAHØ AS	316 681	0.67%
TIDINVEST II AS	315 414	0.67%
JENSSEN & CO A/S	302 816	0.64%
CITIBANK, N.A. S/A BANKINTER S.A. C	273 547	0.58%
STEEN CARL ERIK	269 154	0.57%
JOVOKO AS	250 000	0.53%
JSL AS	241 191	0.51%
SØLAND LIV	240 000	0.51%
ASL HOLDING AS	225 000	0.48%
KIELLAND BERNHARD	200 000	0.42%
AR VEKST AS	198 995	0.42%
HKG HOLDING AS	168 117	0.36%
OTHER SHAREHOLDERS	5 006 729	10.54%
TOTAL OUTSTANDING SHARES	47 352 000	100.00%



FLEET LIST

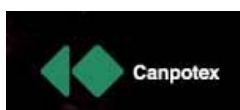
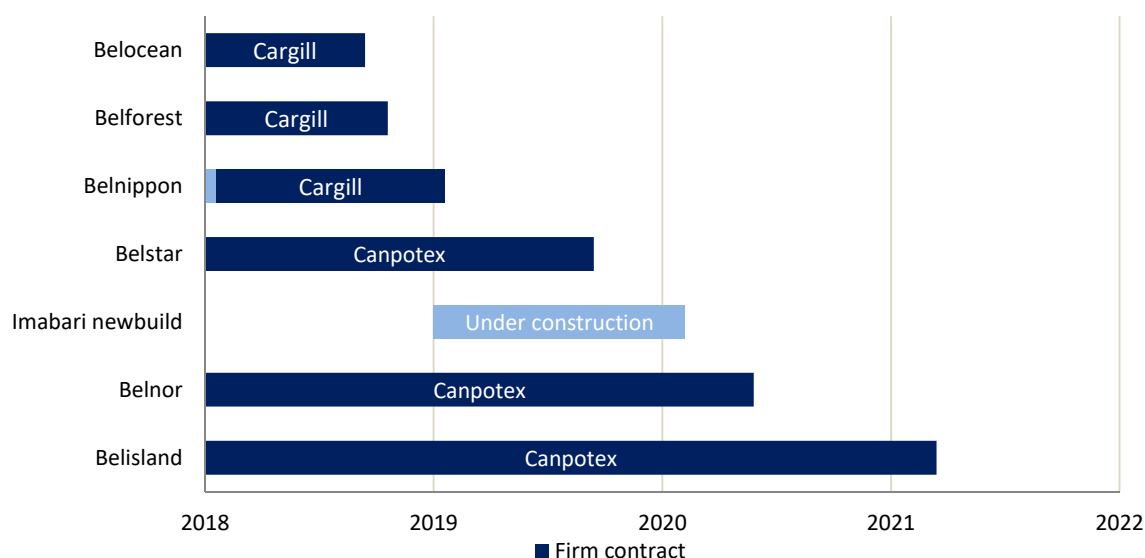
As at 30 June 2018

Ship	Ownership	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 10/18	9 770
Ultramax					
M/S Belforest	BBC	2015	61 320	T/C to 11/18	9 986
M/S Belisland	BBC	2016	61 252	T/C to 03/21	17 300
M/S Belnippon	¹ TC	2018	63 000	T/C to 01/19	11 070
Imabari newbuilding	² TC	2020	63 000		

1) Delivered in January 2018 for long-term lease with purchase option. Charter period is eight years with three annual renewal options. Purchase option may be exercised at the end of year 4 to JPY 3.01 billion, with an annual decrease of JPY 110 million.

2) Delivery during 1st half of 2020 for long-term lease with purchase option. Charter period is eight years with two annual renewal options.

CHARTER COVERAGE



One of the world's largest potash exporters, selling over 10 million tonnes of potash every year, representing about one-third of global capacity. Canpotex is a joint venture that is wholly owned by the two Saskatchewan potash producers, Mosaic and Nutrien.



Largest private US company in terms of revenue, with USD 109.7bn in revenues in 2017 and ~150,000 employees worldwide. Major business areas within agricultural services, crop and livestock, food, health and pharmaceuticals, and industrial and financial risk management.

Bilag 10

Til generalforsamlingen i LHN Holdco 2 AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert mellombalansen for LHN Holdco 2 AS pr. 3. september 2018 som viser en egenkapital på kr 24 430. Mellombalansen består av balanse og beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger. Mellombalansen er utarbeidet av styret ved anvendelse av regnskapsprinsippene beskrevet i noter til mellombalansen.

Etter vår mening gir mellombalansen i det alt vesentlige uttrykk for selskapets finansielle stilling pr. 3. september 2018 og er i samsvar med regnskapsprinsippene beskrevet i noter til mellombalansen.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder International Standards on Auditing. Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av mellombalansen. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Presisering grunnlag for regnskapsavleggelse og begrensning av bruk

Uten å modifisere vår konklusjon gjør vi oppmerksom på noter til mellombalansen, som beskriver grunnlaget for regnskapsavleggelse. Mellombalansen er satt opp for det formål å benyttes som vedlegg til fusjonsplan for fusjon mellom Belships Chartering AS (som overtakende selskap), LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS, og LHN Holdco 2 AS (som overdragende selskaper) med vederlag i form av aksjer i Belships ASA. Som et resultat av dette anses ikke mellombalansen å være egnet for andre formål.

Styrets ansvar for mellombalansen

Styret er ansvarlig for å utarbeide mellombalansen i samsvar med regnskapsprinsippene beskrevet i noter til mellombalansen, og for slik intern kontroll som styret finner nødvendig for å muliggjøre utarbeidelsen av en mellombalanse som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Revisors oppgaver og plikter

Vårt mål er å oppnå betryggende sikkerhet for at mellombalansen som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men det er ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene alltid vil avdekke vesentlig feilinformasjon som eksisterer.

Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar basert på mellombalansen.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

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- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige, og om den samlede presentasjonen av mellombalansen, er rimelige.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Sandefjord, 17. september 2018
FGH Audit AS



Ståle Raastad Hansen
Statsautorisert revisor

Til generalforsamlingen i LHS Holdco II AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert mellombalansen for LHS Holdco II AS pr. 6. september 2018 som viser en egenkapital på kr 24 430. Mellombalansen består av balanse og beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger. Mellombalansen er utarbeidet av styret ved anvendelse av regnskapsprinsippene beskrevet i noter til mellombalansen.

Etter vår mening gir mellombalansen i det alt vesentlige uttrykk for selskapets finansielle stilling pr. 6. september 2018 og er i samsvar med regnskapsprinsippene beskrevet i noter til mellombalansen.

Grunnlag for konklusjonen

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Presisering grunnlag for regnskapsavleggelse og begrensning av bruk

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Styrets ansvar for mellombalansen

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Revisors oppgaver og plikter

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Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Sandefjord, 17. september 2018
FGH Audit AS



Ståle Raastad Hansen
Statsautorisert revisor

Til generalforsamlingen i LHS Holdco AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert mellombalansen for LHS Holdco AS pr. 6. september 2018 som viser en egenkapital på kr 24 430. Mellombalansen består av balanse og beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger. Mellombalansen er utarbeidet av styret ved anvendelse av regnskapsprinsippene beskrevet i noter til mellombalansen.

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Grunnlag for konklusjonen

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Styrets ansvar for mellombalansen

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Revisors oppgaver og plikter

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Sandefjord, 17. september 2018
FGH Audit AS



Ståle Raastad Hansen
Statsautorisert revisor

Til generalforsamlingen i LHN Holdco1 AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert mellombalansen for LHN Holdco 1 AS pr. 30. august 2018 som viser en egenkapital på kr 24 430. Mellombalansen består av balanse og beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger. Mellombalansen er utarbeidet av styret ved anvendelse av regnskapsprinsippene beskrevet i noter til mellombalansen.

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Grunnlag for konklusjonen

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Sandefjord, 17. september 2018
FGH Audit AS



Ståle Raastad Hansen
Statsautorisert revisor



Oslo Shipbrokers a.s

To: Lighthouse Shipholding

Attn: Frode Bjørklund

CERTIFICATE OF VALUATION

After careful consideration, we are of the opinion that the market value for the below Vessels as of June 30, 2018 between willing buyer and willing seller for cash payment on normal sale terms are:

- MS Belstar	: 58.000 dwt / Blt 2009 Dayang	: \$ 12,0 mill
- MS Belocean	: 58.000 dwt / Blt 2011 Dayang	: \$ 14,0 mill
- MS Belnor	: 58.000 dwt / Blt 2010 Dayang	: \$ 13,0 mill
- MS Belforest	: 61.000 dwt / Blt 2015 Imabari	: \$ 25,5 mill
- MS Belisland	: 61.000 dwt / Blt 2016 Imabari	: \$ 26,5 mill
- MS Bering Light	: 50.000 dwt / Blt 2008 PT Pal	: \$ 11,5 mill
- MS Orient Light	: 50.000 dwt / Blt 2008 PT Pal	: \$ 11,5 mill
- MS Eastern Light	: 50.000 dwt / Blt 2006 PT Pal	: \$ 9,5 mill
- MS Pacific Light	: 50.000 dwt / Blt 2007 PT Pal	: \$ 10,5 mil
- MS Atlantic Light	: 64.000 dwt / Blt 2016 Hantong	: \$ 24,75 mill
- MS Baltic Light	: 64.000 dwt / Blt 2016 Hantong	: \$ 24,75 mill
- MS Indian Light	: 64.000 dwt / Blt 2016 Hantong	: \$ 24,75 mill
- MS Southern Light	: 64.000 dwt / Blt 2015 Hantong	: \$ 23,75 mill
- MS Northern Light	: 64.000 dwt / Blt 2015 Hantong	: \$ 23,75 mill
Total value		\$ 255,75 mill

The figures mentioned above relates solely to our opinion of the market value as at 30.06.2018 and should not be taken to apply at any other date. Further, we can give no assurance that such value will be maintained at any subsequent date or is realisable in actual transactions.

We should make clear that we have not made a physical inspection of the Vessels, nor have we inspected the Vessels classification records, but we have assumed for the purposes of this valuation, that the Vessels are in good and seaworthy condition with their class fully maintained free of recommendations and that they conforms in all respects with the requirements of their Registry.

We believe that the above valuation is reasonably accurate, but all statements made above are statements of opinion and are not to be taken as representations of fact. Any person who is contemplating entering a transaction, or other legal process relative to these Vessels or their value, should satisfy himself, by inspection of the Vessel or any other appropriate means, as to the correctness of the statements and assumptions which the valuation contains. Any variation from the above factors could substantially affect the value.

This valuation has been provided in good faith solely for the ongoing discussions between Lighthouse and Belships and parties herein involved, but otherwise not for circulation or

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Phone: (+47) 67 100 100, Fax: (+47) 67 100 150, E-mail: osloship@osb.no, Web: www.osb.no, Ent. No.: 992 093 609



Oslo Shipbrokers a.s

publication to any outside party without our written consent, and no responsibility whatsoever can be accepted to any other person or entity. We reserve the right to withhold such consent at our sole discretion without providing any reason for such refusal. Neither the Company nor its directors or employees shall be liable in any way whatsoever for any errors or omissions. Nor can any responsibility be accepted towards any other person.

for **OSLO SHIPBROKERS A.S**

Address: Strandveien 50, 1366 Lysaker, Norway

Phone: (+47) 67 100 100, Fax: (+47) 67 100 150, E-mail: osloship@osb.no, Web: www.osb.no, Ent. No.: 992 093 609

Lighthouse Shipholding AS
P.O.Box 356
4379 Egersund
Norway

Bergen 17th. August 2018.

VALUATION

We refer to your request for an opinion of fair market value on the vessels named below, based on the assumption that the vessels are in good and seaworthy condition, based on cash payment on normal commercial terms, prompt Charter free basis and also assuming that the vessels are in a fully maintained class, free of conditions and recommendations, undamaged and fully equipped, we are of the opinion that the fair market value of these vessels as of 30th. June 2018 were in the region of:

Vessels name	DWT	Built	Gear	Features	Value
MV Belstar	58.000	Dayang 2009	4x36 + grabs	Crown58	USD 12.00 m.
MV Belnor	58.000	Dayang 2010	4x36 + grabs	Crown58	USD 13.00 m.
MV Beloceen	58.000	Dayang 2011	4x36 + grabs	Crown 58	USD 14.00 m.
MV Belforest	61.320	Kasado 2015	4x30 + grabs	I-Star 61	USD 25.00 m.
MV Belisland	61.320	Kasado 2016	4x30 + grabs	I-Star 61	USD 26.00 m.
MV Eastern Light	50.220	PT Pal 2006	4x35 ts	Boxed holds	USD 10.25 m.
MV Pacific Light	50.198	PT Pal 2007	4x35 ts	Boxed holds	USD 11.00 m.
MV Bering Light	50.200	PT Pal 2008	4x35 ts	Boxed holds	USD 11.75 m.
MV Orient Light	50.200	PT Pal 2008	4x35 ts	Boxed holds	USD 11.75 m.
MV Northern Light	63.300	Hantong 2015	4x36 + grabs	Dolphin64	USD 23.50 m.
MV Southern Light	63.300	Hantong 2015	4x36 + grabs	Dolphin64	USD 23.50 m.
MV Baltic Light	63.300	Hantong 2016	4x36 + grabs	Dolphin64	USD 24.50 m.
MV Atlantic Light	63.300	Hantong 2016	4x36 + grabs	Dolphin64	USD 24.50 m.
MV Indian Light	63.300	Hantong 2016	4x36 + grabs	Dolphin64	USD 24.50 m.

We would like to point out that this assessment is based on limited information, either obtained from relevant works of reference or technical descriptions supplied to us by your good self, the accuracy of which we do not accept any responsibility for. This assessment is also made without having had access to the Vessels full specification nor makers list, nor inspection of the vessels nor the Classification Records, and the position should be verified by inspection.

Therefore, for the purpose of this valuation, we assume that the vessels are well maintained, in good condition, with class maintained and all her certificates clean, valid and un-extended.

The valuation is made on the assumptions in the first paragraph.

It should also be noted that the value of vessels can fluctuate rapidly in either direction due to outside influences over which we have no control. For instance, the condition of the market for the type of cargo carried, war, terrorism, global financial crisis etc.

The above values are a statement of opinion and not to be taken as a representation of fact.

Furthermore, the values are based solely upon our opinion of a fair replacement value at this present time and should not be applied to any other date.

Any person contemplating entering into a transaction or otherwise relying upon this Valuation should satisfy himself by inspection of the vessels or otherwise as to the correctness of the statements and assumptions which this Opinion of Value contains. This Opinion is given in good faith, but neither the company nor its officers shall in any circumstances whatsoever be held responsible for any errors or omissions herein or otherwise. No assurance is given that such a value will be sustained or can be realised in an actual transaction.

This Opinion can be used in the ongoing discussions between Lighthouse and Belships and parties herein involved, but otherwise not for circulation or publication to any outside party without our written consent, and no responsibility whatsoever can be accepted to any other person or entity. We reserve the right to withhold such consent at our sole discretion without providing any reason for such refusal.

Although we have sought to exclude all liability, if we are found by a court of law to have a liability which is not excluded by the above wording, we hereby limit such liability to an aggregate limit of the fee paid for this valuation.

This valuation is subject to English law and jurisdiction. Any disputes arising out of or in relation to the valuation must be referred to arbitration in London, subject to the Arbitration Act 1996 (and/or any statutory amendment or re-enactment of the same) and the rules of the LMAA from time to time in force.

Yours faithfully

Grieg Shipbrokers KS


Birger Giertsen



Fearnleys

FEARNSALE

CERTIFICATE OF VALUATION

Name	IMO Number	Dwt	Type	Built	Yard	Value
Belisland	9698197	61252	Bulk Carrier	2016	Shin Kasado Dockyard Co Ltd	USD 26.50M
Belforest	9698185	61252	Bulk Carrier	2015	Shin Kasado Dockyard Co Ltd	USD 25.50M
Belocean	9490818	58018	Bulk Carrier	2011	Yangzhou Dayang Shipbuilding	USD 14.00M
Belnor	9490703	58018	Bulk Carrier	2010	Yangzhou Dayang Shipbuilding	USD 13.00M
Belstar	9490648	57970	Bulk Carrier	2009	Yangzhou Dayang Shipbuilding	USD 12.00M

as per 14 June 2018

Date: 14 June 2018

Fearnleys





Fearnleys

FEARNSALE

VALUATION DISCLAIMER

(i) Introduction

This valuation represents our opinion as to the fair and reasonable market value of the vessel(s) as specified, on the basis of the further assumptions set out herein as of the date hereof, and is given to the best of our knowledge.

(ii) Main valuation assumptions

This valuation is performed on the basis of "willing seller and willing buyer" at arm's length (assuming that no party is in a forced situation). The valuation is provided on a gross basis, not taking into account relevant transaction costs to bring a sale about. The valuation is provided on the basis of vessels being sold individually. No assurance can be given that the values can be sustained or are realisable in actual transactions.

The valuation and particulars are statements of opinion and are not to be taken as representations of fact. The figures relate solely to our opinion of the market value as of the date given and should not be taken to apply to any other date.

(iii) Factual assumptions and estimates and valuation methodology

The valuation may be based on factual assumptions and estimations and in some cases forward looking estimates. There may also exist uncertainty relating to the facts in question. A breach of these assumptions may have consequences for the valuation, rendering it invalid or non-representable.

Any forward looking estimates involve known and unknown risks, uncertainties and other factors which can result in a deviation from the estimates and might thus change the final result, outcome or development. Such forward looking statements may also be based on many assumptions relating to the vessel(s), the owner of the vessel and market conditions.

The valuation methodology is adapted to each case, based on our professional judgment, and the valuation depends upon this. A change in the method or the weighing of different factors may have consequences for the valuation, rendering it invalid or non-representable. In addition, the valuation may require the exercise of judgment, and differences of opinion as to the judgments may have consequences for the valuation.

Reference sales and prices might form part of our valuation, and such prices are only representative at and around the relevant time of transaction. Later transactions or subsequent market events might change the relevance of these prices significantly, and may have consequences for the valuation. New transactions concluded concurring with the finalization of our valuation may not have been taken into consideration. Estimation of potential sales prices based on estimates of bid- or ask prices on vessel(s) for sale might form part of our valuation, and its subjective and uncertain nature are prone to estimation errors.

Our valuation does not take into consideration the form or level of debt, if any. Any value of market debts relating to the vessel(s) or secured mortgages in the vessel(s) are not taken into consideration. Furthermore, our valuation does not take into account the potential implicit value of the vessel(s) based on an enterprise- or equity value of the owner of the vessel. Material changes in these market prices will therefore be deemed irrelevant for our valuation.

(iv) No physical inspection - good and seaworthy condition

We have not made a physical inspection of the vessel, nor have we inspected the classification or maintenance records. Our opinion is based on information of the vessel stipulated in standard reference books, or obtained by other sources as we have deemed appropriate. We have assumed for the purpose of the valuation that the vessel is in good and seaworthy condition with prompt charter free delivery (unless otherwise noted), with her class fully maintained, free of conditions and recommendations, undamaged and normally equipped. We have not assessed the validity of employment contracts or the standing of charterers. Our assumptions are made irrespective of any actual knowledge of facts to the contrary. We assume no responsibility for the accuracy of such assumptions or information. Any person contemplating entering into a transaction or otherwise relying on this valuation should satisfy himself by inspection of the vessel or otherwise as to the correctness of the statements and assumptions which the valuation contains.

(v) Conflicting mandates

We might have valuation assignments and/or other advisory mandates for your competitors or for potential buyers of similar vessel(s), which could be construed as a conflict of interest. We might also be involved as advisor or otherwise in transactions for purchase or sale of vessel(s), which we for confidentiality reasons may not take into account in our valuations.

(vi) Addressees

This valuation is provided solely for the use of the person to whom it is addressed for the intended non-public purposes. No liability or responsibility can be accepted towards any other person, neither by ourselves or our officers or directors. The valuation should not be disclosed to any third party, published or circulated without our written permission.

(vii) Date and duration

This valuation has been made as of the date specified, and is only representative of the fair value as of this date. It does not purport to be forward looking, and any material facts or matters of any kind arising up to or beyond this date may have significance for the assumptions and the opinion and estimation of fair market value stated herein.

This valuation shall be governed by the Agreement and Norwegian law, with Oslo city court as exclusive venue for any disputes arising in relation hereto.

Date: 14 June 2018

Fearnleys





CERTIFICATE OF VALUATION

Name	IMO Number	Dwt	Type	Built	Yard	Value
Bering Light	9335020	50292	Bulk Carrier	2008	Pal Indonesia	USD 12.00M
Orient Light	9382724	50292	Bulk Carrier	2008	Pal Indonesia	USD 12.00M
Pacific Light	9336830	50198	Bulk Carrier	2007	Pal Indonesia	USD 11.00M
Eastern Light	9336828	50223	Bulk Carrier	2006	Pal Indonesia	USD 10.00M
Atlantic Light	9744104	63318	Bulk Carrier	2016	Jiangsu Hantong Ship HI	USD 24.50M
Baltic Light	9744087	63263	Bulk Carrier	2016	Jiangsu Hantong Ship HI	USD 24.50M
Indian Light	9744075	63338	Bulk Carrier	2016	Jiangsu Hantong Ship HI	USD 24.50M
Southern Light	9744063	63296	Bulk Carrier	2015	Jiangsu Hantong Ship HI	USD 23.50M
Northern Light	9744051	63800	Bulk Carrier	2015	Jiangsu Hantong Ship HI	USD 23.50M

as per 12 June 2018

Date: 12 June 2018



Fearnleys





Fearnleys

FEARNSALE

VALUATION DISCLAIMER

(i) Introduction

This valuation represents our opinion as to the fair and reasonable market value of the vessel(s) as specified, on the basis of the further assumptions set out herein as of the date hereof, and is given to the best of our knowledge.

(ii) Main valuation assumptions

This valuation is performed on the basis of "willing seller and willing buyer" at arm's length (assuming that no party is in a forced situation). The valuation is provided on a gross basis, not taking into account relevant transaction costs to bring a sale about. The valuation is provided on the basis of vessels being sold individually. No assurance can be given that the values can be sustained or are realisable in actual transactions.

The valuation and particulars are statements of opinion and are not to be taken as representations of fact. The figures relate solely to our opinion of the market value as of the date given and should not be taken to apply to any other date.

(iii) Factual assumptions and estimates and valuation methodology

The valuation may be based on factual assumptions and estimations and in some cases forward looking estimates. There may also exist uncertainty relating to the facts in question. A breach of these assumptions may have consequences for the valuation, rendering it invalid or non-representable.

Any forward looking estimates involve known and unknown risks, uncertainties and other factors which can result in a deviation from the estimates and might thus change the final result, outcome or development. Such forward looking statements may also be based on many assumptions relating to the vessel(s), the owner of the vessel and market conditions.

The valuation methodology is adapted to each case, based on our professional judgment, and the valuation depends upon this. A change in the method or the weighing of different factors may have consequences for the valuation, rendering it invalid or non-representable. In addition, the valuation may require the exercise of judgment, and differences of opinion as to the judgments may have consequences for the valuation.

Reference sales and prices might form part of our valuation, and such prices are only representative at and around the relevant time of transaction. Later transactions or subsequent market events might change the relevance of these prices significantly, and may have consequences for the valuation. New transactions concluded concurring with the finalization of our valuation may not have been taken into consideration. Estimation of potential sales prices based on estimates of bid- or ask prices on vessel(s) for sale might form part of our valuation, and its subjective and uncertain nature are prone to estimation errors.

Our valuation does not take into consideration the form or level of debt, if any. Any value of market debts relating to the vessel(s) or secured mortgages in the vessel(s) are not taken into consideration. Furthermore, our valuation does not take into account the potential implicit value of the vessel(s) based on an enterprise- or equity value of the owner of the vessel. Material changes in these market prices will therefore be deemed irrelevant for our valuation.

(iv) No physical inspection - good and seaworthy condition

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(vii) Date and duration

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This valuation shall be governed by the Agreement and Norwegian law, with Oslo city court as exclusive venue for any disputes arising in relation hereto.

Date: 12 June 2018

Fearnleys



BILAG 12 TIL FUSJONSPLAN – MAL BEKREFTELSE RESTRUKTUERING

Til Belships ASA og Belships Chartering AS ("Belships")

Bekreftelse på restrukturering av Lighthouse-selskapene

Det vises til pkt. 3.4 i fusjonsplan inngått 4. oktober 2018 mellom

- (1) Belships Chartering AS, org nr. 966 100 370, Lilleakerveien 4, 0283 Oslo, Norge;
- (2) LHS Holdco AS, org nr 921 350 775, Nedre Bekkegate 1, 4371 Egersund;
- (3) LHS Holdco II AS, org nr 921 350 597, Nedre Bekkegate 1, 4371 Egersund;
- (4) LHN Holdco 1 AS, org nr 921 312 474, Nedre Bekkegate 1, 4371 Egersund; og
- (5) LHN Holdco 2 AS, org nr 921 312 415, Nedre Bekkegate 1, 4371 Egersund.

Selskapene i punkt 2-4 er samlet omtalt som Lighthouse-selskapene.

Det bekreftes at restrukturering av Lighthouse-selskapene slik det er beskrevet i fusjonsplanen pkt. 3.4 og nærmere i dokumentene som er gjort tilgjengelig for Belships i datarommet, er gjennomført.

Egersund, [dato]

på vegne av LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS

Jan Erik Sivertsen
styrets leder