INFORMATION MEMORANDUM

Belships ASA

(company registration number 930 776 793)

The information contained in this information memorandum (the "**Information Memorandum**") relates to the merger (the "**Merger**") of Belships Chartering AS, reg. no. 966 100 370, ("**Belships Chartering**"), a wholly-owned subsidiary of Belships ASA, reg. no. 930 776 793, a public limited liability company organised under the laws of Norway ("**Belships**" or the "**Company**", and together with its wholly-owned subsidiaries, the "**Group**"), with LHS Holdco AS, reg. no. 921 350 775, LHS Holdco II AS, reg. no. 921 350 597, LHN Holdco 1 AS, reg. no. 921 312 474, and LNH Holdco 2 AS, reg. no. 921 312 415 (together, the "**Lighthouse Companies**"), whereby the Lighthouse Companies will be merged into Belships Chartering against issuance of consideration shares in Belships.

This Information Memorandum serves as an information document as required under section 3.5 of the Continuing Obligations for Stock Exchange Listed Companies (the "**Continuing Obligations**"). The Continuing Obligations apply in respect of companies with shares admitted to trading on Oslo Børs ASA (the "**Oslo Stock Exchange**"), and the Information Memorandum has been submitted to the Oslo Stock Exchange for inspection before publication. This Information Memorandum also serves as a prospectus equivalent document for the purpose of listing the consideration shares to be issued in connection with the Merger, cf. section 7-5 no. 7 of the Norwegian Securities Trading Act. However, it is not a prospectus and has neither been inspected nor approved by the Norwegian Financial Supervisory Authority (Nw.: *Finanstilsynet*) in accordance with the rules that apply to prospectuses.

On 4 October 2018, the board of directors of Belships, Belships Chartering and the Lighthouse Companies entered into a merger plan (the "**Merger Plan**") regarding the proposed Merger. The proposed Merger and issuance of the consideration shares will be approved by the shareholders of Belships at an extraordinary general meetings to be held on 26 October 2018. Upon consummation of the Merger, Belships will issue a total of 127,765,993 consideration shares as merger consideration (the "**Consideration Shares**"). The Consideration Shares will be distributed on a pro rata basis to the shareholders of the Lighthouse Companies as of the date of registration of the consummation of the Merger with the Norwegian Register of Business Enterprises (Nw.: *Foretaksregisteret*). The consummation of the Merger is expected to occur prior to year-end 2018.

This Information Memorandum does not constitute an offer or solicitation to buy, subscribe or sell the securities described herein, and no securities are being offered or sold pursuant to this Information Memorandum

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In reviewing this Information Memorandum, you should carefully consider the matters described in Section 1 "Risk Factors" beginning on page 4.

The date of this Information Memorandum is 22 October 2018

IMPORTANT INFORMATION

For the definitions of terms used throughout this Information Memorandum, including the preceding page, see Section 11 "Definitions and Glossary.

No shares or other securities are being offered or sold in any jurisdiction pursuant to this Information Memorandum.

The Company has furnished the information in this Information Memorandum. The Company acknowledges responsibility for the information contained in this Information Memorandum and confirms, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), that the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of the information.

All inquiries relating to this Information Memorandum should be directed to the Company. No other person is authorised to give any information about, or to make any representation on behalf of, the Company in connection with the Merger. If any such information is given or representation made, it must not be relied upon as having been authorised by the Company.

The information contained herein is as of the date hereof and subject to change, completion or amendment without further notice. There may have been changes affecting the Group subsequent to the date of this Information Memorandum. The delivery of this Information Memorandum shall not imply that there has been no change in the Company's affairs or that the information set forth herein is correct as of any time subsequent to the date hereof.

The contents of this Information Memorandum are not to be construed as legal, business or tax advice. Each reader of this Information Memorandum should consult with its own legal, business or tax advisor as to legal, business or tax advice. If you are in any doubt about the contents of this Information Memorandum, you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser.

The distribution of this Information Memorandum in certain jurisdictions may be restricted by law. The Company requires persons in possession of this Information Memorandum to inform themselves about, and to observe, any such restrictions. No action has been taken or will be taken in any jurisdiction by the Company that would permit publication or distribution, directly or indirectly, of any documents relating to the Merger or any amendment or supplement thereto, including, but not limited to, this Information Memorandum, in any country or jurisdiction where specific action for that purpose is required. The Company has not registered any of the shares issued by the Company under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and the Company does not intend to register any of the shares pursuant to the U.S. Securities Act.

Governing law

This Information Memorandum is subject to Norwegian law, unless otherwise indicated herein. Any dispute arising in respect of this Information Memorandum is subject to the exclusive jurisdiction of the Norwegian courts, with Oslo District Court as legal venue.

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1 RISK FACTORS

*In addition to the other information set out in this Information Memorandum, the following risk factors should be carefully considered when analysing Belships, the Group, the Lighthouse Companies and their direct and indirect subsidiaries (together "**Lighthouse**") and/or the Merger. The risks described below could have a material adverse effect on the business, results of operations, cash flows and financial condition of the Group and/or Lighthouse. Accordingly, the risks described herein could have a material adverse effect on the trading price of the shares in Belships (the "**Belships Shares**"). The risks and uncertainties described in this Section 1 "Risk Factors" are the known material risks and uncertainties faced by the Group as at the date of this Information Memorandum. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, results of operations, cash flows, financial condition and/or prospects. The risks mentioned herein could materialise individually or cumulatively.*

1.1 Risks relating to Belships and Lighthouse and the industry in which they operate

1.1.1 Risks related to the industry

Historically, the shipping industry, including the dry bulk market in which the Group and Lighthouse mainly have their assets and operations, has been highly cyclical, experiencing volatility in profitability and asset values. This has primarily been due to changes in the level and pattern of global economic growth, the highly competitive nature of the shipping industry and changes in the supply of and demand for vessel capacity. Both factors relating to the demand for dry bulk transportation and factors relating to the supply of ships to serve this demand, create instability and volatility in revenues and values. With a relative overcapacity of ships, rates can drop significantly and may not be sufficient to cover expenses and/or a return on capital. Downturns in the global economy can lead to a significant decline in world trade, and this will in turn result in decreases in freight volumes and may result in rate adjustments in the shipping industry and in the demand for maritime and logistics services and corresponding material decreases in the revenues of businesses in the industry. Such events may have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, operating result and liquidity.

1.1.2 Freight rate risk

Fluctuations in freight rates are one of the key factors affecting the Group's and Lighthouse's business, financial condition, operating results and cash flow. To reduce the exposure, the Group has entered into long-term time charter contracts. Due to the long-term charter contracts, the Group's operating results and financial condition are less affected by fluctuations in freight rates, as long as the Group's charter contracts with its customers are not terminated and are honoured by the customers. There is no option to extend the current charter periods, and the Group will thus have to enter into new charter contracts, which may be more exposed to fluctuations in freight rates. Lighthouse operates in the spot market, and its operating results are consequently on a relative basis more sensitive to changes in market freight rates. An increase in the global supply of dry bulk vessel capacity without a commensurate increase in demand may have an adverse effect on charter rates and thereby the value of the Group's and/or Lighthouse's vessels, which could have a material adverse effect on the business, financial condition and results of operations of the Group and/or Lighthouse.

The supply of dry bulk vessels in the industry is affected by, inter alia, assessments of the demand for these vessels by customers. Any over-estimation of demand for vessels may result in an excess supply of new dry bulk vessels. This may, in the longer term when the existing charter parties expire, result in lower charter rates and depress the values of the Group's vessels. Such events may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

During periods of high utilisation and high charter rates, industry participants may increase the supply of vessels by ordering construction of new vessels. This may result in an over-supply of dry bulk vessels and may cause a subsequent decline in utilisation and charter rates when such newbuildings enter the market. Lower utilisation and charter rates may have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, results of operation and liquidity.

Prolonged periods of low utilisation and charter rates could also result in the recognition of impairment charges if future cash flow estimates, based upon information available at the time, indicate that the carrying value of these vessels may not be recoverable. Such events may have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, results of operation and liquidity.

1.1.3 Supply factors in the dry bulk market

The fleet serving the dry bulk market is large and with diverse ownership. Owing to the long life span of ships, as well as the long construction period, the fleet will not adapt as quickly to changes in the market as demand does. In periods of good rates, there is risk that many new ships are ordered, which may have a long-lasting effect on the market balance once the ships are delivered.

1.1.4 Lack of diversification

The Group relies mainly on the cash flow generated from the charters that operate in the dry bulk transportation business which represented 100% of the Group's freight income for the first six months of 2018. Due to the lack of diversification, an adverse development in the dry bulk shipping industry would have a significantly greater impact on the Group's financial condition and results of operations than if the Group maintained more diverse assets or lines of business.

1.1.5 Counterparty risks

The Group has entered into some long-term contracts for the employment of its dry cargo vessels. In case of a significant reduction of spot rates, the Group's counterparties may become unwilling to honour their obligations. This may cause the Group to seek alternative employment for the ships in the prevailing market, which may offer lower rates than the current contracts. Any non-performance by the Group's counterparties may have a material adverse effect on the Group's business, financial condition, results of operations and liquidity. Lighthouse, which operates in the spot market, has a more diversified counterparty portfolio, and the coherent risk on operating results related to any specific counterparty is consequently lower.

1.1.6 The Group relies heavily on a small number of customers

The Group's business is subject to the risks associated with having a limited number of customers. As of the date of this Information Memorandum, the Group has only two customers accounting for the Group's entire future contract revenues. The Group's results of operations could hence be materially and adversely affected if any of these customers fail to compensate the Group for its services, were to terminate the contracts, lawfully or not, or refuse to award the Group new contracts and the Group is unable to enter into contracts with new customers at comparable charter hire. The ability of the Group's customers to meet their obligations towards the Group will be affected by the customers' financial and liquidity position. If a customer of the Group declares bankruptcy, insolvency or a similar protection under the customer's jurisdiction, the Group may not be able to enforce payment of the customer's obligations and incur loss on such claims. The bankruptcy, insolvency or similar protection of a customer may also lead to the loss of expected turnover for the Group from the customer, which may have adverse effects on the Group's results of operations and financial condition.

Lighthouse operates under short-term spot engagements with a broader customer base. The customers are often recurring, however, the risk related to any specific customer's insolvency or inability to compensate for the services provided by Lighthouse is low.

1.1.7 Second-hand value of vessels

The second-hand sale/purchase market for vessels may from time to time be illiquid and, as a result, broker valuations of vessels can to a large extent be based on estimates and may be highly dependent on broker's discretion. Forced sale of vessels may also take place at lower prices than for transactions between a willing buyer and a willing seller, and may also lead to lower broker valuations. These factors may impact and have an adverse effect on the estimated market value of the Group's vessels. Depending on the price decrease and the duration of a negative trend, a reduction in the value of the Group's vessels may lead to the Group not being in compliance with its loan-to-value covenants under its loan agreements, which in turn may have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, results of operation and liquidity.

1.1.8 Value of vessels, financial covenants, loss on sale, future financing/equity

Over time, vessel values may fluctuate substantially, which may result in an impairment of the book value of the Group's vessels, breach of financial covenants relating to the market value of the vessels or a loss upon a sale of the vessels. Based on impairments tests for the Group's assets in the first six months of 2018, the figures include net reversal of impairment amounting to USD 1.3 million. The fair market value of the Group's and/or Lighthouse's vessels or other ships possibly acquired in the future may increase or decrease depending on a number of factors, including:

- the prevailing level of dry bulk charter rates;

- general economic and market conditions affecting the dry bulk industry, including competition from other companies;
- types, sizes and ages of dry bulk vessels;
- supply and demand for dry bulk vessels;
- costs of newbuildings;
- governmental or other regulations; and
- technological advances.

If the Group and/or Lighthouse sell their vessels or other vessels they acquire in the future when prices have fallen and before having recorded an impairment adjustment to the financial statements, the sale may be at less than the vessels' carrying amount in the financial statements, resulting in a loss.

The Group's financing arrangements are subject to customary covenants. As is normal in the maritime industry, such covenants also relate to the market value of the Group's assets being financed. Lenders may accelerate loan repayments should there be a certain loss in the market value of the Group's vessels (as further described in the relevant loan agreement). Such loss or repayment may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

The Group will be dependent on obtaining future financing and/or new equity to enable the contemplated growth of the Group. It is not certain that the Group will be able to obtain future financing on acceptable terms and conditions, nor that the Group will be able to raise new capital in the equity markets. If the Group is unable to obtain future debt and/or equity financing, it will not be possible for the Group to grow. This may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

1.1.9 Service life and technical risks

The lifetime of the vessels owned by the Group and Lighthouse will ultimately depend on their utilisation. There can be no assurance that the vessels will be successfully deployed for the vessels' expected life time. There will always be some exposure to technical risks, and operational problems that may contribute to higher operational costs than budgeted and/or lost earnings for instance as a result of the vessels being off-hire under the charter contracts with the customers. Such events may have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, results of operation and liquidity.

1.1.10 The Group's planned newbuilding projects are subject to risks which could cause delays or cost overruns

Belships has entered into a newbuilding contract for a Ultramax bulk carrier to be delivered from Imabari Shipbuilding Co. Ltd, as further described in Section 4.2.2 "Dry cargo". Vessel construction projects are subject to risks of delay or cost overruns, inherent in any large construction projects, from numerous factors, including but not limited to:

- Shortages of equipment, materials or skilled labour;
- Unscheduled delays in the delivery of ordered materials and equipment or shipyard construction;
- Failure of equipment to meet quality and/or performance standards;
- Unanticipated actual or purported change in orders;
- Inability to obtain required permits or approvals;
- Unanticipated costs increases between order and delivery;
- Design or engineering changes;
- Work stoppages and other labour disputes; and

- Adverse weather conditions or any other events of force majeure.

Significant cost overruns or delays could adversely affect the Group's financial position, results of operations and cash flows. Additionally, failure to complete a project on time may result in the delay of revenue from that vessel. New vessels may experience start-up difficulties following delivery or other unexpected operational problems that could result in uncompensated downtime, which also could have a material adverse effect on the Group's financial position, results of operations and cash flows or the cancellation or termination of contracts.

1.1.11 The Group may not be able to obtain contracts for its newbuilding

As of the date of this Information Memorandum, the Group does not have a contract for its newbuilding. Hence, there is a risk that the vessel will not be chartered out on long-term charter contracts when the newbuilding is delivered from the yard. In such case, or in case a contract is entered into on terms less favourable than the prevailing market terms or otherwise, the Group's revenues, profitability and financial condition may be adversely affected.

1.1.12 Maintaining senior management and key personnel

The Group's organisation is small and is expected to continue to be small following completion of the Merger. If the Group should be unable to retain key personnel, this could have material adverse effect on the Group's operations and financial results.

1.1.13 Adequate insurance protection

The Group's and Lighthouse's operations are subject to risks inherent in the maritime industry. The Group and Lighthouse maintains insurance in accordance with industry standards. Their insurance is intended to cover risks associated with the conduct of the business, as well as environmental damage and pollution coverage. There is no assurance that the Group and/or Lighthouse are adequately insured against all risks, that any future claims will be paid, or that they will be able to procure adequate insurance coverage at commercially reasonable rates in the future. If environmental regulations become even more stringent, insurance costs may further increase or make insurance against the risk of environmental damage or pollution unavailable. If such events where to occur, it may have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, results of operation and liquidity.

1.1.14 Regulatory and political risks

Operations in international markets are subject to risks inherent in international business activities, including, in particular, fluctuating economic conditions, overlapping and differing tax structures, managing an organisation spread over various jurisdictions, unexpected changes in regulatory requirements and complying with a variety of foreign laws and regulations. Changes in the legislative, governmental and economic framework governing the activities of the shipping industry, could also have a material negative impact on the Group's and and/or Lighthouse's results of operations and financial condition. Political decisions made in the countries/regions in which the Group's and/or Lighthouse's vessels operate may further expose the Group and/or Lighthouse to political, governmental and economic instability, which could in turn harm operations. Any of the above could have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, results of operation and liquidity.

1.1.15 Risk of terrorist attacks, increased hostilities or war

War, military tension and terrorist attacks have, inter alia, caused instability in the world's financial and commercial markets. This has in turn significantly increased political and economic instability in some of the geographic markets in which the Group and Lighthouse operate (or may operate in the future), and has contributed to high levels of volatility in prices. Continuing instability may cause further disruption to financial and commercial markets and contribute to even higher level of volatility in prices. In addition, acts of terrorism and threats of armed conflicts in or around various areas in which the Group and Lighthouse operate (or may operate in the future) could limit or disrupt their markets and operations, including by causing disruptions from evacuation of personnel, cancellation of contracts or the loss of personnel, vessels or other assets. Armed conflicts, terrorism and their effects on the Group, Lighthouse or their markets may have a significant adverse effect on the Group's and/or Lighthouse's business and results of operations in the future.

Vessels could be requisitioned by a government in the case of war or other emergencies or become subject to arrest. This could significantly and adversely affect the earnings of the relevant unit and the Group and/or Lighthouse as well as the Group's and/or Lighthouse's liquidity forecast.

1.1.16 Acts of piracy

Acts of piracy have historically affected ocean-going vessels trading in certain regions of the world, such as the South China Sea, Gulf of Aden off the coast of Somalia including parts of Indian ocean, and the Gulf of Guinea. These trading areas are listed as conditional trading areas or war risk zones and a higher premium has to be paid to insurers. Premiums payable for such insurance coverage could increase significantly and may be more difficult to obtain if the piracy risk increases. In addition, crew costs could also increase in such circumstances. Detention hijacking or other acts of piracy against the vessels, or an increase in cost or unavailability of insurance for the Group's and/or Lighthouse's vessels may have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, results of operation and liquidity.

1.1.17 Accidents and marine perils

The Group's and Lighthouse's vessels are subject to perils particular to marine operations, including capsizing, grounding, collision and loss and damage from severe weather or storms. The Group's and Lighthouse's vessels may also be subject to other unintended accidents. Such circumstances may result in loss of or damage to the vessels, damage to property, including other vessels, and damage to the environment or to persons. Such events may lead to the Group and/or Lighthouse being held liable for substantial amounts by injured parties, their insurer and public governments. In the event of pollution, the Group and/or Lighthouse may be subject to strict liability. Environmental laws and regulations applicable in the countries in which they operate have become more stringent in recent years. Such laws and regulations may expose the Group and/or Lighthouse to liability for the conduct of or conditions caused by others, or for acts by the Group and/or Lighthouse that were in compliance with all applicable laws at the time such actions were taken.

The occurrence of the above mentioned events may have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, results of operation and liquidity, and there can be no assurance that the Group's and/or Lighthouse's insurance will fully compensate any such potential losses and/or expenses.

1.1.18 Unexpected repair costs

The timing and costs of repairs on the Group's and Lighthouse's ships are difficult to predict with certainty and may be substantial. Many of these expenses, such as dry-docking and certain repairs for normal wear and tear, are typically not covered by insurance. Large repair expenses and repair time may have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, results of operation and liquidity.

1.1.19 Legal proceedings and contractual disputes

In the course of its activities, the Group and Lighthouse may become party to legal proceedings and disputes. The Group and/or Lighthouse make provisions in such cases to cover the expected outcome of the proceedings and disputes, to the extent that negative outcomes are likely and reliable estimates can be made. However, the final outcome of legal proceedings and disputes are subject to uncertainties, and resulting liabilities may exceed booked provisions.

1.1.20 New environmental regulations

From January 2020, new regulations on SOx emissions from vessels will enter into effect. Implementation of these and any other new environmental regulations could impose additional costs on the Group. Such additional costs may have a material adverse effect on the Group's and/or Lighthouse's business, financial condition, results of operation and liquidity.

1.2 Risks related to financing

1.2.1 Interest rate risk

Exposure to interest rate risk principally arises in respect of long-term borrowings. The Group's management periodically reviews and assesses the interest rate risk. In 2015, the Company entered into a 5-year swap-agreement with forward start to reduce the risk. In addition, the Group has during the last few years entered into two financial lease agreements, which also limit the interest rate exposure as the interest rate is fixed throughout the period. However, there can be no assurance that such measures would be sufficient, and thus interest rate risk may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity. Lighthouse does not have any interest rate hedging arrangements in place, exposing Lighthouse to interest rate risk which may have a material adverse effect on its business, financial condition, results of operation and liquidity.

1.2.2 Currency risk

The functional currency of Belships is USD as the majority of the Group's transactions are denominated in USD. Currency risks arise in connection with transactions that are completed in other currencies than USD, including administrative expenses, declaration of vessel purchase options and debt financing in other currencies than USD. The Group uses financial derivatives to reduce the currency exposure. However, there can be no assurance that such measures would be sufficient, which may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

Lighthouse does not have any currency hedging arrangements in place, exposing Lighthouse to currency risk which may have a material adverse effect on its business, financial condition, results of operation and liquidity.

1.2.3 Borrowing and leverage

Borrowings create leverage. To the extent income derived from assets obtained with borrowed funds exceeds the interest and other expenses that the Group will have to pay, the Group's net income will be greater than if borrowings were not used. Conversely, if the income from the assets obtained with borrowed funds is not sufficient to cover the cost of borrowings, the net income of the Group will be less than if borrowing were not used. Furthermore, the cash flow must be sufficient to meet the repayment schedule for the borrowed funds in order to avoid default under the financing facilities. The Group will seek to borrow only when the directors of the Group believe that such borrowings will benefit the Group after taking into account considerations such as the costs of the borrowing, the repayment schedules and the likely returns on the assets financed with the borrowed funds. However, no assurance can be given that the income will exceed the interests and costs associated with the loan, nor be sufficient to repay the loan when due, which may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

1.2.4 Access to credit

The Group is exposed to material risks related to the availability of funding for future growth within its business segments. The Group is dependent on access to sufficient funding on acceptable terms. Any difficulty the Group may encounter in securing adequate sources of short and long-term funding, may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity, including the refinancing of existing loans.

1.2.5 Taxation

Changes in taxation law or the interpretation of taxation law may impact the business, results of operations and financial condition of the Group. To the extent tax rules change, this could have both a prospective and retrospective impact on the Group, both of which could be material.

1.3 Risk factors related to the Merger

1.3.1 Belships may not be able to successfully combine the business of the Group and Lighthouse

The Merger involves the integration of the Group and Lighthouse, which have previously operated independently. Such an integration process is challenging and involves risk. Achieving the benefits of the Merger will depend in part upon meeting the challenges inherent in the successful combination and integration of business enterprises of the size and scope of the Group and Lighthouse, and the possible resulting diversion of management attention for an extended period of time. There can be no assurance that the Group will meet these challenges and that such diversion will not negatively affect operations, or that the benefits expected from the Merger will be realised. Any delays and unexpected costs incurred in the integration process or failure to achieve the advantages contemplated by the combination of the companies may have a material adverse effect on the Group's financial condition and operating result. There can be no assurance that the Group will actually achieve anticipated synergies or other benefits from the Merger.

1.3.2 The Merger will result in reduced influence of existing shareholders

Belships will issue a total of 127,765,993 Consideration Shares in connection with the Merger. A successful completion of the Merger will thus result in an increased number of Belships Shares and by such, a reduced ownership percentage of the existing shareholders in the Company. Consequently, the existing shareholders' influence over matters submitted to a vote at the general meetings of the Company will be reduced, including their influence over the decision to declare distribution of dividends and the election of members of the Board of Directors.

1.3.3 The closing and implementation of the Merger is dependent on certain conditions

The closing and implementation of the Merger is subject to certain conditions, see Section 3.4 "Conditions for the consummation of the Merger". There can be no assurance that such conditions will be met, and if they are not, the Merger may be terminated. For instance, objections may be raised by creditors during the creditor notice period, cf. section 14-7 cf. section 13-16 of the Norwegian Public Limited Liability Companies Act.

If the Merger is not completed and the Group and Lighthouse continue to operate as separate entities, the failed Merger process will have resulted in costs, time consumption and decisions that may not have occurred if the process was never initiated. In such a situation, the continued operation of the Group and Lighthouse as separate groups may, in several ways, experience a setback compared to if the Merger process was never started.

The share price of the Belships Shares may also be negatively affected, compared to a continued separate operation of the merging companies, if the Merger fails. Also, the announcement of the intention to combine the Group and Lighthouse and the following process and flow of information, may have affected the share price. Thus, the Company's existing shareholders may experience that the price of their Belships Shares is reduced if the Merger is not completed.

1.3.4 The unaudited pro forma financial information has been prepared solely to show what the effects of the Merger might have been had the Merger occurred at an earlier date and does not purport to present the results of operations or financial condition of the Group, nor should it be used as a basis of projections of the results of operations or financial condition of the Group for any future period or date

This Information Memorandum includes unaudited pro forma financial information for the Group as of and for the year ended 31 December 2017. Although the unaudited pro forma financial information is based on estimates and assumptions based on current circumstances believed to be reasonable, actual results could have materially differed from those presented herein. There is a greater degree of uncertainty associated with pro forma figures than with actual reported results. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not purport to present the results of operations of the Group as if the Merger had occurred at the commencement of the period being presented, or the financial condition of the Group as of the date being presented, nor should it be used as the basis of projections of the results of operations for the Group for any future period or the financial condition of the Group for any date in the future.

1.4 Risk factors related to the Belships Shares

1.4.1 The price of the Belships Shares may fluctuate significantly, which could cause investors to lose a significant part of their investment

The trading price of the Belships Shares could fluctuate significantly in response to a number of factors beyond the Group's control, including, but not limited to, quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, or any other risk discussed herein materialising or the anticipation of such risk materialising. The market price of the Belships Shares may be affected by general financial market performance, and hence changes in the trading price of the Belships Shares may occur without regard to the operating performance of the Group. The price of the Company's shares may therefore fluctuate based upon factors that have little or nothing to do with the Group, and these fluctuations may materially affect the price of its Shares.

1.4.2 Future sales of Belships Shares by the Group's major shareholders or any of its primary insiders may depress the price of the Shares

The market price of the Belships Shares could decline as a result of sales of a large number of Belships Shares in the market, the perception that such sales could occur, or any sale of Belships Shares by any of the Company's major shareholders or primary insiders from time to time. These sales, or the possibility that these sales may occur, might also make it more difficult for the Company to sell equity securities in the future at a time and at a price that it deems appropriate.

1.4.3 Future issuances of Belships Shares or other securities may dilute the holdings of existing shareholders and could materially affect the price of the Belships Shares

The Company may in the future decide to offer additional Belships Shares or other equity based securities through directed offerings without pre-emptive rights for existing shareholders in order to finance new capital-intensive projects or acquisitions, or in connection with unanticipated liabilities or expenses, or for any other purposes. Any

such additional offering could reduce the proportionate ownership and voting interests of holders of Belships Shares, as well as the earnings per Belships Share and the net asset value per Belships Share.

1.4.4 Pre-emptive rights to secure and pay for Belships Shares in any additional issuance may not be available to U.S. or other shareholders

Under Norwegian law, unless otherwise resolved at a general meeting, existing shareholders have pre-emptive rights to participate, on the basis of their existing share ownership, in the issuance of any new shares for cash consideration. Shareholders in the United States, however, may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the U.S. Securities Act is in effect in respect of such rights and shares or an exemption from the registration requirements under the U.S. Securities Act is available. Shareholders in other jurisdictions outside Norway may be similarly affected if the rights and the new shares being offered have not be registered with, or approved by, the relevant authorities in such jurisdiction. The Group is under no obligation to file a registration statement under the U.S. Securities Act or seek similar approvals under the laws of any jurisdiction outside Norway in respect of any such rights and shares and doing so in the future may be impractical and costly. To the extent that the Group's shareholders are not able to exercise their rights to subscribe for new shares, their proportional interests in the Group will be reduced.

1.4.5 Investors may not be able to exercise their voting rights for Belships Shares registered in a nominee account

Beneficial owners of the Belships Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote such shares unless their ownership is re-registered in their names with the VPS prior to the Group's general meetings. The Group can provide no assurances that beneficial owners of the Belships Shares will receive the notice of a general meeting in time to instruct their nominees to either effect a re-registration of their shares or otherwise vote their shares in the manner desired by such beneficial owners.

1.4.6 The Group's ability to pay dividends is dependent on the availability of distributable equity

Norwegian law provides that any declaration of dividends must be adopted by the shareholders at the Company's general meeting of shareholders. The general meeting may following the approval of the annual accounts also authorise the board of directors of the Company (the "**Board of Directors**") to declare dividend. Dividends may only be declared to the extent that the Company has distributable equity and the Company's equity and liquidity is sound in relation to the risk and scope of the Company's business. As the Company's ability to pay dividends is dependent on the availability of distributable equity, it is, inter alia, dependent upon receipt of dividends and other distributions of value from its subsidiaries and the companies in which the Company has invested. In addition, the Group's existing loan agreements impose restrictions on the distribution of dividends from the Company's subsidiaries.

As a general rule, the general meeting may not declare higher dividends than the Board of Directors has proposed or approved. If, for any reason, the general meeting does not declare dividends in accordance with the above, a shareholder will, as a general rule, have no claim in respect of such non-payment, and the Company will, as a general rule, have no obligation to pay any dividends in respect of the relevant period.

Further, the implementation of IFRS 16 from 1 January 2019 will result in ships on long term charter to be carried in the balance. This will increase total liabilities and total assets and decrease the equity ratio but increase the EBITDA. Changes to these key metrics may impact the capital policy and structure of the Company.

1.4.7 The transfer of Belships Shares is subject to restrictions under the securities laws of the United States and other jurisdictions

The Belships Shares have not been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside Norway and are not expected to be registered in the future. As such, the Belships Shares may not be offered or sold except pursuant to exemption from registration requirements of applicable securities laws. There can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

1.4.8 Shareholders outside Norway are subject to exchange rate risk

The Shares are priced in NOK, and any future payments of dividends on the Belships Shares will be denominated in NOK. Accordingly, each investor outside Norway may risk adverse movements in the NOK against its local

currency, as the foreign currency equivalent of any dividends paid on the Belships Shares or price received in connection with any sale of the Belships Shares could be materially adversely affected.

1.4.9 Norwegian shareholders are subject to currency risk

Norwegian shareholders are subject to a currency risk, as the Group's assets and revenue mainly are nominated and traded in USD, while the share price is quoted in NOK. Further, Belships as a shipping company having "Net Asset Value" nominated in USD as a key performance indicators. Accordingly, Norwegian shareholders also have a risk related to development in NOK/USD related to both dividend capacity of Belships and also that changes in "Net Asset Value" significantly can impact the NOK equivalent amount pending on exchange rate.

1.4.10 The Group will have one major shareholder

Following completion of the Merger, Kontrari AS ("**Kontrari**") and Kontrazi AS ("**Kontrazi**"), controlled by Frode Teigen and family, will be the major shareholder of the Group with the ability to significantly influence the outcome of matters submitted for the vote of the Group's shareholders, including election of members of the Board of Directors. This concentration of ownership may not be in the best interest of the Group's other shareholders. For instance, it could delay, defer or prevent a change in control, impede a merger, consolidation, takeover or other business combination involving the Group. In addition, the interests of Kontrari may not always coincide with the interests of other shareholders, and other investors may not agree with the manner in which Kontrari acts, such as in relation to commercial relationships. Such conflicts could have a material adverse effect on the Belships' business, financial condition, results of operations, cash flows and/or prospects.

1.4.11 Investors may be unable to recover losses in civil proceedings in jurisdictions other than Norway

The Company is a public limited liability company organised under the laws of Norway. All members of its Board of Directors and of the Group's corporate management resides in Norway. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Group, to enforce against such persons or the Group judgments obtained in non-Norwegian courts, or to enforce judgments on such persons or the Group in other jurisdictions.

1.4.12 Norwegian law may limit shareholders' ability to bring an action against the Group

The rights of holders of the Belships Shares are governed by Norwegian law and by the articles of association. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. For instance, under Norwegian law, any action brought by the Group in respect of wrongful acts committed against the Group will be prioritised over actions brought by shareholders claiming compensation in respect of such acts. In addition, it may be difficult to prevail in a claim against the Group under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

1.4.13 Market interest rates may influence the price of the Belships Shares

One of the factors that may influence the price of the Belships Shares is its annual dividend yield as compared to yields on other financial instruments. Thus, an increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the price of the Belships Shares.

1.4.14 The price of the Belships Shares may be impacted by limited liquidity

There can be no assurance as to the liquidity of the Belships Shares in the secondary market, the ability of the holders of the Belships Shares to sell their shares or the price at which the holders would be able to sell their shares. The liquidity of the trading market for the shares in the Group, and the market price quoted for the Belships Shares, may be adversely affected by changes in the Group's financial performance or prospects or in the prospects for companies in the Group's industry in general. As a result, holders of Belships Shares cannot be certain that the market for the Belships Shares will be active and efficient.

2 RESPONSIBILITY STATEMENT

This Information Memorandum has been prepared by Belships ASA to provide information regarding the Merger.

The Board of Directors of Belships ASA confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Oslo, 22 October 2018

The Board of Directors of Belships ASA

Sverre Jørgen Tidemand *Chairman*	Christian Rytter *Director*	Kjersti Enkerud Ringdal *Director*
Sissel Grefsrud *Director*		Carl Erik Steen *Director*

3 DESCRIPTION OF THE MERGER

3.1 Background and reasons for the Merger

On 6 July 2018, Belships announced that the Company had concluded a strategic evaluation process and that the Company's largest shareholder, Sonata AS, had accepted an offer from Kontrari and Kontrazi whereby (i) Kontrari acquires 14,285,714 shares in the Company (equal to 30.2%) from Sonata AS at a price of NOK 7 per share (the "**Share Sale**") and (ii) the Lighthouse Companies are merged with Belships' subsidiary Belships Chartering against Consideration Shares in Belships. On 4 October 2018, Belships and the Lighthouse Companies signed the Merger Plan pursuant to which Belships Chartering will assume the assets, rights and obligations of the Lighthouse Companies against issuance of Consideration Shares in Belships.

See Section 6.2 "Strengths and strategies following completion of the Merger" for further information about strategic rationale behind the Merger and the benefits expected to be achieved through the Merger.

3.2 Legal basis and method for the Merger

The Merger will be carried out in accordance with the provisions set out in chapter 13 of the Norwegian Public Limited Liability Companies Act. The Merger will be structured as a so-called triangular merger, cf. section 13-2 second paragraph of the Norwegian Public Limited Liability Companies Act, which implies that Belships' wholly-owned subsidiary Belships Chartering assumes the assets, rights and obligations of the Lighthouse Companies in their entirety, in return for the shareholders in the Lighthouse Companies receiving Consideration Shares in Belships, issued through a share capital increase in the Company.

The basis for the share capital increase will be a receivable issued by Belships Chartering (as debtor) to Belships at the time of the completion of the Merger. The receivable will have a nominal value equivalent to the booked equity of the assets, rights and obligations transferred to Belships Chartering in the Merger, cf. section 13-2 second paragraph of the Norwegian Public Limited Liability Companies Act. The tax value of the receivable will be equal the tax value of the equity transferred upon the Merger in accordance with section 11-7 second paragraph of the Norwegian Taxation Act (Nw.: *skatteloven*). The receivable ranks after the other creditors of the assignee company.

3.3 The consideration

3.3.1 Valuation and consideration

In order to determinate a fair exchange ratio for the shareholders of both Belships and the Lighthouse Companies, several factors were taken into account, including organisation, profitability, growth, underlying values, annual accounts and values in the balance sheets per 30 June 2018. The valuation is based on the following principles:

(i) All vessels are valued by Fearnley AS ("**Fearnleys**"). Fearnleys was initially engaged by Belships to value the Belships fleet as a part of the preparations for the transaction. Subsequently Fearnleys was engaged by Kontrari and Kontrazi to value the Lighthouse Companies' fleet with instructions to use the same valuation principles as used in the valuation of Belships' fleet. It has been agreed that these valuations will be used in the estimation of the exchange ratio in the Merger. In connection with due diligence investigations on both fleets, additional valuation reports were obtained from Grieg Shipbrokers AS and Oslo Shipbrokers AS to confirm Fearnleys' valuations. All of the valuations are attached to the Merger Plan, cf. Appendix A;

(ii) The value of the vessels is based on market value, deducted net interest-bearing debt (owned ships) ("**NIBD**") or remaining leasing costs (ships hired through bareboat);

Time charters for three ships with Canpotex and three ships with Cargill, together with Belships' hired ships, Belnippon and the newbuild expected to be delivered in 2020 (see Section 4.2.2 "Dry cargo"), are valued by a present value calculation of the value of remaining time of the time charter per 30 June 2018, measured against current market rates; and

(iii) The management companies on both sides, Lighthouse Navigation (as defined below in Section 5.2.3.1 "Overview") and Belships Management (Singapore) Pte Ltd, are valued based on EBITDA multiplied by a multiple of 5 and then adjusted for net debt. The valuation of Lighthouse Navigation assumes an average (the last five years) EBITDA of USD 3.4 million and net cash of USD 3.7 million (no debt) taken into consideration the 50.01% ownership stake. The valuation of Belships Management (Singapore) Pte Ltd is based on a normalised EBITDA of USD 0.5 million and net cash of USD 0.3 million.

Further, Belships and the Lighthouse Companies have carried out a financial and legal due diligence of each other with a satisfactory result for both of them.

On this background the following valuation of the parties in the Merger was agreed upon:

Belships	USD 37.66 million
LHN Holdco 1 and 2 AS	USD 12.25 million
LHS Holdco AS	USD 61.30 million
LHS Holdco II AS	USD 29.27 million

The distribution between LHN HoldCo 1 and LHN HoldCo 2 is 80 : 20 which reflects the companies' respective ownership in Lighthouse Navigation and results in the following valuation:

LHN Holdco 1 AS	USD 9.80 million
LHN Holdco 2 AS	USD 2.45 million

The valuation is deemed to be fair and to benefit the merging companies and their shareholders.

3.3.2 Equity ratio and Consideration Shares

Based on the above-mentioned valuations, the following exchange ratio was agreed upon:

Merger between LHN Holdco 1 AS and Belships	9.80 : 37.66
Merger between LHN Holdco 2 AS and Belships	2.45 : 37.66
Merger between LHS Holdco AS and Belships	61.30 : 37.66
Merger between LHS Holdco II AS and Belships	29.27 : 37.66

As at the date of this Information Memorandum there are 47,352,000 shares in Belships, of which 548,000 are treasury shares, each with a nominal value of NOK 2. Upon the completion of the Merger, the number of shares in the Lighthouse Companies will be as follows:

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

The Lighthouse Companies have not issued any subscription rights, options, convertible bonds or other financial instruments that would give the holders a right to demand a share issue or would give such holders any other special rights as mentioned in chapter 11 of the Norwegian Public Limited Liability Companies Act. Belships has a continuing option program for key employees, and at the annual general meeting of the Company held on 24 April 2018, the board of directors was granted the authority to issue up to 200,000 new shares in the Company in order to extend the option program.

Except in accordance with the provisions of the Merger Plan or subject to the other party's prior consent, none of Belships Chartering, the Lighthouse Companies or Belships are allowed to, in the period until the consummation of the Merger, make amendments to their share capital or the number of shares, or to issue subscription rights, options or equivalent instruments who give the holder a right to demand a share issue or to acquire treasury

shares. Correspondingly, neither Belships nor the Lighthouse Companies are allowed to, in the period until the consummation of the Merger, adopt a resolution on distribution of dividend or other distributions.

The share capital in Belships will be increased by NOK 255,531,986 from NOK 94,704,000 to NOK 350,235,986 by the issuance of 127,765,993 new Belships Shares. The total share contribution is NOK 352,025,453, of which NOK 255,531,986 is share capital and NOK 96,493,467 is share premium. The share contribution shall be settled by Belships Chartering issuing a receivable in favour of Belships in the amount of NOK 352,025,453 which corresponds to the value of the net booked equity transferred to Belships Chartering in the Merger. No additional consideration shall be distributed.

The shareholders in the Lighthouse Companies will receive Consideration Shares for their shares in the Lighthouse Companies as follows:

Shareholders:	**Number of shares:**
Shareholders in LHN Holdco 1 AS	12,178,250
Shareholders in LHN Holdco 2 AS	3,044,562
Shareholders in LHS Holdco AS	76,176,194
Shareholders in LHS Holdco II AS	36,366,987

Based on the above, the exchange ratio for the shareholders of the Lighthouse Companies participating in the Merger will be as follows:

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

The total number of Consideration Shares to be issued to the shareholders in LHS Holdco AS, LHS Holdco II AS, LHN 1 AS and LHN 2 AS, respectively, is set out in the table above. A single shareholder's part of the Consideration Shares is calculated based on the exchange ratio in the table above and will often result in a decimal number. As only whole shares will be distributed to the shareholders, rounding will be necessary. General rounding rules will be applied for the distribution of the Consideration Shares to the shareholders in the Lighthouse Companies. Consequently, the shareholders having a shareholding in one of the Lighthouse Companies which entitles them to at least 0.5 Consideration Shares (possibly in addition to the whole number of Consideration Shares the person concerned is entitled to), will receive one share in Belships for his fractional part. Shareholders having a shareholding in one of the Lighthouse Companies (possibly in addition to the whole number of Consideration Shares the person concerned is entitled to) which entitles them to less than 0.5 Belships Shares, will not receive any Consideration Shares in Belships, i.e. such shares will be redeemed without any compensation.

3.4 Conditions for the consummation of the Merger

Pursuant to the terms of the Merger Plan, the consummation of the Merger is subject to the satisfaction of the following conditions:

a) The Merger Plan is approved with the required majority at the general meetings in each of Belships Chartering and the Lighthouse Companies, and the respective general meetings have adopted the agreed resolutions set out in the Merger Plan and the other party has otherwise complied with the provisions of the Merger Plan, including the provisions in section 11 of the Merger Plan. On 12 October 2018, the general meetings of Belships Chartering and the Lighthouse Companies approved the Merger Plan.

b) The Merger Plan has been approved with the required majority at the general meeting of Belships and the general meeting of Belships has resolved to issue the Consideration Shares.

c) The legislation does not prevent registration of the Merger, and the parties obtain all approvals from public authorities that are required in order to carry out the Merger.

d) The parties obtain consents to the Merger from contract parties and third parties, to the extent such consent is required according to the terms of the relevant agreement.

e) All conditions for the continued listing of the Belships Shares on the Oslo Stock Exchange are or are expected to be complied with.

f) The creditor notice period pursuant to section 14-7 cf. section 13-16 of the Norwegian Public Limited Liability Companies Act has expired, and the relation to any creditors that have submitted objections, have been settled, or the court has decided that the Merger may enter into force and be registered in the Norwegian Register of Business Enterprises regardless of the objections from the creditors.

g) Belships receives a written confirmation from the Lighthouse Companies confirming that the restructuring mentioned in section 3.4 of the Merger Plan attached hereto as Appendix A, has validly been carried out and completed in accordance with the Merger Plan and any other agreements.

h) The share transaction mentioned in section 1 of the Merger Plan has been completed.

i) Lock-up agreements as mentioned in section 13 of the Merger Plan have been signed.

j) No material negative change related to the business, assets, liabilities, results and the position of the Lighthouse Companies or their subsidiaries, Belships Chartering, Belships or Belships' other subsidiaries, has occurred.

k) Belships Chartering and the Lighthouse Companies have complied with and fulfilled all obligations and conditions in accordance with the Merger Plan.

In addition, the Lighthouse Companies' obligation to carry out the Merger is conditional upon the Oslo Stock Exchange's statement dated 28 September 2018, where the Oslo Stock Exchange concluded that an obligation to make a mandatory offer cannot be imposed as a consequence of the Merger, not having been withdrawn or amended and that no legal actions have been initiated in order to challenge the statement.

The conditions in item d), e), g), h), i), j) and k) can be waived by Belships Chartering and the Lighthouse Companies wholly or in part. The Lighthouse Companies may waive the condition relating to the statement from the Oslo Stock Exchange mentioned above.

If the conditions for consummation of the Merger have not been fulfilled within 30 April 2019, the Merger will lapse, unless the board of directors of Belships Chartering and the Lighthouse Companies agree to extend the deadline for completion of the Merger prior to the abovementioned date.

3.5 Resolutions to undertake and implement the Merger

At the extraordinary general meeting of the Company to be held on 26 October 2018, the general meeting is expected to pass the following resolutions to approve the Merger Plan and to increase the share capital of the Company (office translation from Norwegian):

The merger plan dated 4 October 2018 regarding the merger between Belships Chartering AS as assignee, and LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS and LHN Holdco 2 AS as assigning companies, is approved. The shareholders of the assigning companies will receive consideration in Belships ASA's shares.

As a consequence of the merger, the share capital in Belships ASA is increased by NOK 255,531,986, from NOK 94,704,000 to NOK 350,235,986 through the issuance of 127,765,993 new shares, each with nominal value of NOK 2.

The exchange ratio in the merger is based on a price per share of NOK 6.60. The share contribution shall be settled by Belships Chartering issuing a receivable in favour of Belships ASA which corresponds to the value of

the net booked equity transferred to Belships Chartering AS in the merger in the amount of NOK 352,025,453. The booked values implies a subscription price of NOK 2.76 per share. The amount of the total share contribution exceeding the share capital increase will be booked as share premium.

The new shares fall in their entirety to the shareholders of LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS and LHN Holdco 2 AS. The shareholders of Belships ASA will thus not have a preferential right to the new shares. The shares will be deemed subscribed for by the shareholders of LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS and LHN Holdco 2 AS upon approval of the merger plan by the general meetings in the respective companies.

The receivable which Belships ASA will receive from Belships Chartering AS will be deemed established at the time of the merger's entry into force pursuant to law and will from this point of time be charged with market interest rate.

The expenses relating to the share capital increase are estimated to approximately NOK 100,000.

The new shares give a right to dividends from the time the share capital increase has been registered with the Norwegian Register of Business Enterprises. The right to dividend is not subject to any special conditions.

As a consequence of the share capital increase section 4 of the articles of association is proposed amended to read as follows:

"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."

3.6 Changes to the Merger Plan

Pursuant to the Merger Plan, the boards of directors of the companies jointly may, on behalf of the general meetings, implement non-material changes to the Merger Plan if necessary or required.

3.7 Consummation of the Merger

The consummation of the Merger will occur after the expiry of the six weeks period for the creditors to require payment or security and after the completion of the Merger has been registered with the Norwegian Register of Business Enterprises, cf. section 13-17 of the Norwegian Public Limited Liability Companies Act. The Merger is expected to be registered before year-end 2018.

The consummation of the Merger entails the following, which will occur on the date of the consummation:

a) The Lighthouse Companies' assets, obligations, rights and liabilities are transferred to Belships Chartering;

b) The share capital in Belships is increased;

c) the shares in the Lighthouse Companies are exchanged with shares in Belships;

d) the Lighthouse Companies are liquidated;

e) the articles of association of Belships and Belships Chartering are amended in accordance with the proposal in the Merger Plan,

in addition to other consequences which, pursuant to the Merger Plan, will occur at the date of the consummation of the Merger.

3.8 Accounting and tax matters

3.8.1 Accounting matters

The Merger will be booked as a transaction in such a way that the assigning companies' assets and liabilities are calculated at fair value on the day the Merger is consummated in accordance with the acquisition method. In the accounts, the Merger will be booked as a reversed take-over, i.e. in the consolidated financial statement of Belships, the Lighthouse Companies will be booked as the assignee company (continuity) and Belships will be booked as the assigning company (fair value). Correspondingly, the Merger will be booked in Belships Chartering's

accounts as a reverse take-over, and the Lighthouse Companies will be booked as the assignee company and Belships Chartering as the assigning company.

The Merger Plan is expected to be carried out with accounting effect from the day the Merger is consummated. From this point in time, all transactions, expenses and income related to what is to be acquired by Belships Chartering, is regarded completed.

Until the day the Merger is consummated, separate accounts will be kept for the companies.

See Section 6.3 "The Merger's significance for the earnings, assets and liabilities of the Group" for further information.

3.8.2 Tax consequences of the Merger

The Merger will be carried out with tax effect from the day the Merger is consummated, cf. section 9 of the Merger Plan and section 11-10 of the Norwegian Taxation Act.

The Merger will be carried out with tax continuity in Norway in accordance with the provisions on tax-free mergers, cf. chapter 11 of the Norwegian Taxation Act. Thus, Belships Chartering takes over the tax values which the repossessed assets, rights and liabilities have in the Lighthouse Companies. The Merger is therefore not expected to trigger any direct tax consequences. The input value of the shares of the shareholders in the Lighthouse Companies will continue unaltered.

The parties have not assessed if the Merger has any tax implications for non-Norwegian shareholders.

Belships will report both its own and the Lighthouse Companies' total income and assets for the accounting year 2018.

3.9 Continued trading of the Belships Shares

The Company has one class of shares in issue, and all shares provide equal rights in the Company. Each of the shares carries one vote. The Consideration Shares will be created under the Norwegian Public Limited Liability Companies Act and are registered in book-entry form with the VPS under ISIN NO 000 3094104.

The shares of the Company will continue to be traded on the Oslo Stock Exchange after consummation of the Merger Belships ASA under the current ticker, "BEL".

3.10 Timetable for the Merger

The indicative timetable for consummation of the Merger and admission to trading of the Shares on the Oslo Stock Exchange is as follows (subject to change):

Extraordinary general meeting for the approval of the Merger Plan	26 October 2018
Expiry of creditor notice period	On or about 7 December 2018
Registration of the consummation of the Merger with the Norwegian Register of Business Enterprises	Late December 2018
Issue of Consideration Shares	Late December 2018
First day of trading of the Consideration Shares	Late December 2018

4 PRESENTATION OF BELSHIPS

4.1 Introduction to and history of the Group

4.1.1 Incorporation, registered office and registration number

The Company is a public limited company (Nw.: *allmennaksjeselskap*) incorporated in Norway under the Norwegian Public Limited Liability Companies Act, with company registration number 930 776 793. The legal and commercial name of the Company is "Belships ASA". Belships' registered office is located in Lilleakerveien 4, NO-0283 Oslo, Norway, the Company's telephone number is (+47) 22 52 76 00 and the telefax number is (+47) 22 52 76 82. Belships' web address is www.belships.com and the postal address of is P.O. Box 23 Lilleaker, NO-0216 Oslo, Norway.

4.1.2 History and development

The Company was incorporated in 1918 by former navy officer Christen Smith. The rapidly growing railroads in the developing parts of the world created global transport requirement for railroad materials. Until then this requirement had been met by the locomotives being packed into crates and sent all over the world to then be assembled in the receiving country. Christen Smith undertook to transport complete locomotives from the factory to railway companies all over the world. This was something no one had attempted to do before and Smith had to both develop new technology and convince his customers that it was actually possible to transport complete locomotives by sea to India, Argentina, Australia and Egypt.

Towards the end of the 1920s, Belships built six ships for the transport of railway materials. The ships were primarily constructed for heavy transport but were nevertheless versatile. These ships were in many ways the precursors of modern bulk ships. They could take on many different types of dry cargo, they had their own cranes on board and could thus load and unload quickly – also in simple ports without advanced equipment.

During the 1930s, Belships was the leading shipping company in heavy lift and transport of both railway materials and heavy components for the new oil refineries that were being built at that time in Asia and South America. However, both the economic depression of that decade and the shipping Company's own grand ambitions contributed to the company experiencing a serious financial crisis. Extensive credit negotiations and restructuring of the company in 1935 led to the business being continued under the new company Belships Company Limited Skibs-A/S which two years later became a listed public company.

The decade after the Second World War was Belships' golden age as a heavy lift shipping company. The new management was now faced with a market with strong demand for heavy lift ships. A whole world was to be rebuilt after six years of war.

Over the years, the family was to change Belships direction away from Christen Smiths' focus on technology towards a more market-oriented approach. Throughout the 1960s Belships was involved in both tank, dry cargo, refrigerated ships and car transport, in addition to heavy lift. In the 1970s, the focus was on dry cargo, in particular timber and large tankers. During the 1960's it became increasingly apparent that the good heavy lift market was drawing to an end, and in 1972 the company sold its last heavy lift ship.

Then came the shipping crisis. Belships experienced distress, and the owners basically had two options: either to continue the business with support from the authorities' newly established emergency aid organisation, the Guarantee Institute for ships and drilling vessels; or to sell ships and bear the whole loss themselves. The owners chose the latter and sold several ships at a large loss. In a few short years Belships was out of the large tank business.

Towards the end of the 1970s, rates and values were on the increase again. Belships' management saw a need to focus the Company's activity and chose Handysize bulk, i.e. dry cargo ships of 35-40 000 dwt.

Special market conditions at the beginning of the 1980s meant that Belships and its partners in a short time acquired a number of Handysize bulk ships. This occurred when rates were very low. The transaction had involved considerable risk, and the shipping company's financial resources were stretched to the limit. Then the market turned around and rates rose again.

During the 1990s Belships has concentrated its activity on product tank and panamax bulk, in addition to Handysize bulk. Through this moderate diversification the shipping company has ensured that risk has been spread, both by participating in diverse shipping segments and by choosing various forms of ownership and operation within the respective segments.

Over the past years, Belships has steadily increased its focus on its dry cargo operations. In 2013, the Company outlined a newbuilding program for eco-design Ultramax bulk carriers to be constructed by Imabari Shipbuilding Group in Japan and on 20 January 2014, the Company announced that it would be focusing solely on the dry bulk market. This strategic move has transformed the business area into a state-of-the-art dry bulk tonnage provider with a high focus on quality, fuel efficiency and emission control.

In accordance with the shift in strategy, the product tanker M/T Belaia was redelivered to the owner Lauritzen Tankers at the expiry of the charter in March 2014 and the Company took delivery of three Ultramax bulk carriers in the period 2015-2018. Another Ultramax bulk is expected to be delivered from the shipyard during the first half of 2020.

The Group aims to expand further as a focused tonnage provider of modern dry cargo vessels.

4.2 The business of the Group

4.2.1 Introduction

The Group's business is split into two areas, dry cargo and technical ship management, and the corporate structure of the Group can be illustrated as follows:



4.2.2 Dry cargo

Belships owns three Supramax dry bulk carriers through its wholly-owned subsidiary Belships Supramax Singapore Pte Ltd. The ships are of 58,018 dwt and were built at the Yangzhou Dayang shipyard in China in the period 2009-2011. All of the ships are registered in Singapore. The M/S Belocean was delivered in March 2011, while the M/S Belstar and the M/S Belnor were delivered in August 2009 and May 2010, respectively. M/S Belocean is chartered to Cargill International S.A., Switzerland ("**Cargill**"), while M/S Belstar and M/S Belnor are both chartered to Canpotex, Canada on 10-year time charters effective from delivery. The supramax dry bulk fleet mostly transports semi-finished industry products and operates worldwide.

Further, the Company took delivery of one 61,000 dwt Ultramax bulk carrier in September 2015 (M/V Belforest), a sister vessel in March 2016 (M/V Belisland) and one 63,000 dwt Ultramax bulk carrier in January 2018 (M/V Belnippon). M/V Belforest is bareboat chartered for 12 years with purchase options from year three onwards, whereas M/V Belisland is bareboat chartered for 15 years with purchase options from year five onwards. M/V Belnippon is time chartered for eight years with purchase options from year four onwards.

M/V Belforest is on charter to Cargill until August 2019, whereas M/V Belnippon is on charter to Cargill until February 2019. M/V Belisland is on charter to Canpotex until March 2021.

Another 63,000 dwt Ultramax bulk carrier is scheduled for delivery during the first half 2020 and will be time chartered for eight years with purchase options from year four onwards. Belships will seek charter coverage for this newbuilding closer to delivery.

All four Ultramaxes are high quality bulk carriers with optimised fuel efficiency and low emissions built in Japan by Imabari Shipbuilding.



M/S BELSTAR (SUPRAMAX BULK)

OWNERSHIP	100%
BUILT YEAR	2009
DWT	58 018
EMPLOYMENT	T/C TO 08/19
T/C-RATE (NET USD/DAY)	16 000



M/S BELOCEAN (SUPRAMAX BULK)

OWNERSHIP	100%
BUILT YEAR	2011
DWT	58 018
EMPLOYMENT	T/C TO 08/18 (+2 MONTHS OPTION)



M/S BELNOR (SUPRAMAX BULK)

OWNERSHIP	100%
BUILT YEAR	2010
DWT	58 018
EMPLOYMENT	T/C TO 05/20
T/C-RATE (NET USD/DAY)	16 000



M/S BELFOREST (ULTRAMAX BULK)

OWNERSHIP	B/B TO 09/27
BUILT YEAR	2015
DWT	61 320
EMPLOYMENT	T/C TO 09/18 (+2 MONTHS OPTION)



M/S BELISLAND (ULTRAMAX BULK)

OWNERSHIP	B/B TO 03/31
BUILT YEAR	2016
DWT	61 252
EMPLOYMENT	T/C TO 03/21
T/C-RATE (NET USD/DAY)	17 300



M/S BELNIPPON (ULTRAMAX BULK)

OWNERSHIP	T/C TO 2025 (1+1+1)
BUILT YEAR	2018
DWT	63 602
EMPLOYMENT	T/C TO 11/18 (+3 MONTHS OPTION)
T/C-RATE (NET USD/DAY)	11 070



IMABARI NEWBUILDING (ULTRAMAX BULK)

OWNERSHIP	T/C TO 2028 (1+1)
BUILT YEAR	DELIVERY 1ST HALF 2020
DWT	63 000

4.2.3 Technical ship management

The Company is engaged in technical operation activities through Belships Management (Singapore) Pte Ltd and its subsidiaries Belships (Tianjin) Ship Management & Consultancy Co Ltd and Belships (Shanghai) Shipmanagement Co Ltd. The companies handle technical maritime operation for both Belships' own ships and on behalf of other shipping companies. As at the date of this Information Memorandum the Group provides technical management for 11 ships, including its own ships, and provides crewing for 24 ships.

Belships Management (Singapore) Pte Ltd and the subsidiaries Belships (Tianjin) Ship Management & Consultancy Co Ltd and Belships (Shanghai) Shipmanagement Co Ltd are in charge of the technical management of bulkers, while technical management is offered for tankers and product tankers through the company CST Belchem Singapore Pte Ltd.

4.2.4 Counterparties

As at the date of this Information Memorandum, two customers account for all of the Group's chartering revenues.

4.2.4.1 Canpotex

Canpotex is an international marketing and distribution company, wholly owned by the Saskatchewan potash producers: Agrium Inc., the Mosaic Company, and Potash Corporation of Saskatchewan Inc.

Canpotex is one of the world's largest exporter of potash. Potash is the common name for various mined and manufactured salts that contain potassium in water-soluble form, and is mostly used in the production of fertilizers. Canpotex' potash sales are normally in the range of 8-9 million metric tons a year. Major international markets include Australia, Brazil, China, India, Indonesia, Japan, Korea and Malaysia.

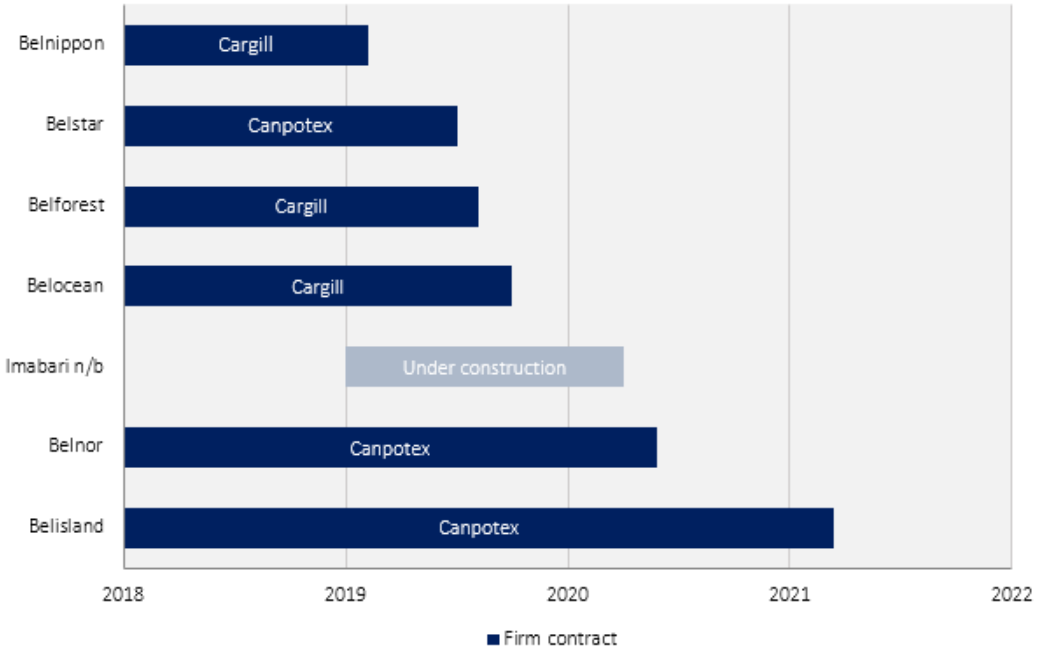
As a competitive world supplier, Canpotex markets and distributes Saskatchewan potash to customers overseas, principally to countries in Asia, Latin America, and Oceania. Operating since 1972, Canpotex has corporate offices in Singapore, Hong Kong, Tokyo, Saskatoon and Vancouver.

4.2.4.2 Cargill International S.A.

Founded in 1865, Cargill is the world's largest privately owned company. The company is an active producer and a supplier in industries as diverse as agriculture, oil, shipping and heavy industry. Cargill's ocean transportation business, headquartered in Geneva, operates one of the world's largest dry bulk charter fleets with over 550 vessels under their control at any one time, calling nearly 1,000 ports worldwide and shipping more than 220 million metric tons of dry bulk cargo each year.

4.2.4.3 Overview of contracts for the Company's fleet

The chart below illustrates the Company's contracts for the current fleet.



4.2.4.4 Average earnings per day in the first six months of 2018

The table below sets out the average earnings per day for the Belships' fleet for the six months period ending 30 June 2018.

	USD per day	Number of vessels
Ultramax	12,800	3
Supramax	13,933	3

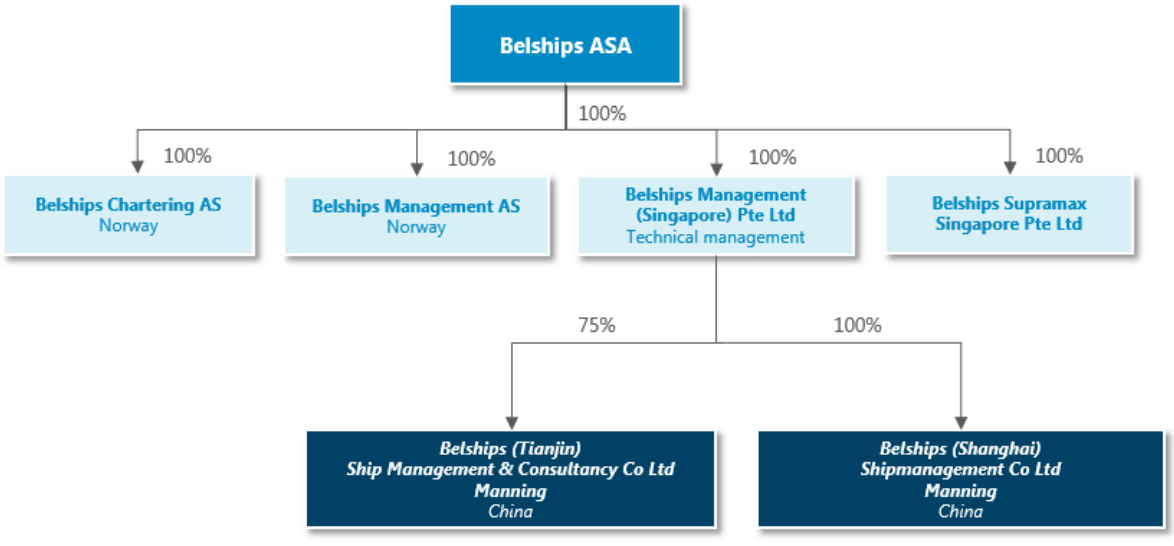
4.3 Legal structure

4.3.1 Legal structure of the Group

Belships is the parent company of the Group owning 100% of the shares in each of Belships Management AS, Belships Chartering AS, Belships (Singapore) Management Pte Ltd and Belships Supramax Singapore Pte Ltd. Although Belships mainly is a holding company, it is also party to the two sale and leaseback agreements for M/S Belforest and M/S Belisland, respectively, see Section 4.6.2.4 "4.6.2.4Bareboat charter commitments".

Belships Management (Singapore) Pte Ltd owns 100% of the shares in Belships (Shanghai) Shipmanagement Co Ltd and has a 75% ownership interest in Belships (Tianjin) Ship Management & Consultancy Co Ltd.

The legal structure of the Group, including the ownership percentage, is illustrated in the figure below.



4.3.2 Joint ventures

The Group has entered into two joint ventures. CST Belchem Singapore Pte Ltd, incorporated in January 2004, is a joint venture between Chemikalien Seetransport Gmbh, Hamburg, Germany and Belships Management (Singapore) Pte Ltd. CST Belchem Singapore Pte Ltd is 40% owned by Belships Management (Singapore) Pte Ltd. Incorporated in 2006, Belchem Philippines is a tripartite joint venture project between an international group of companies; United Philippine Lines Inc, Belships Singapore and Chemikalien Seetransport Gmbh of Hamburg, Germany.

Belships (Singapore) Management Pte Ltd also has a cooperating company in Yangon (Myanmar) to improve access to qualified personnel.

4.4 Material contracts, patents and licenses etc.

The Group has not entered into any material contracts outside the ordinary course of business which contain any provision under which any member of the Group has any obligation or entitlement.

Other than the loan agreement described in Section 4.6.2.1 "Long-term debt", the Group is not dependent on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.

4.5 Legal proceedings related to the business

The Group is not, nor has it been during the course of the preceding twelve months, involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on the Group's financial position or profitability, and the Group is not aware of any such proceedings which are pending or threatened.

4.6 Capital resources

4.6.1 Sources of liquidity

The Group obtains its liquidity from two main sources: cash flow from operating activities and long-term mortgage loans.

As of 30 June 2018, the Group had cash and cash equivalents of USD 5.4 million. As of the same date, the Group had a total equity of USD 28.8 million, interest bearing debt of USD 68.8 million and an equity ratio of 28.66%.

For information on how the Merger affects the Company's liquidity, see Section 6.3 "The Merger's significance for the earnings, assets and liabilities of the Group".

The figures in the tables below are derived from the condensed historical financial information as presented in Section 8 "Selected Financial Information" and incorporated by reference into this Information Memorandum, see Section 10.4 "Incorporation by reference, cross reference table".

	Six months ended 30 June		**Year ended 31 December**		
Amounts in USD thousands	**2018** *(unaudited)*	**2017** *(unaudited)*	**2017** *(audited)*	**2016** *(audited)*	**2015** *(audited)*
Net cash provided by/(used in) operating activities	4,058	3,093	7,993	5,710	7,322
Net cash flow provided by/(used in) investing activities	-369	-88	-271	1,183	-2,713
Net cash flow provided by/(used in) financing activities	-3,747	-3,535	-10,204	-6,975	-4,323
Total cash movement	**-58**	**-530**	**-2,482**	**-82**	**286**

Liquidity ratio and Equity ratio	Six months ended 30 June		Year ended 31 December		
	2018 *(unaudited)*	2017 *(unaudited)*	2017 *(audited)*	2016 *(audited)*	2015 *(audited)*
Liquidity ratio[1]	87.00%	104.03%	84.56%	97.16%	115.31%
Equity ratio[2]	28.66%	20.95%	25.83%	19.07%	33.74%

1 Current assets divided by current liabilities
2 Equity in percent of total assets

4.6.2 Existing borrowing arrangements

Total loan balances of the Group as of 30 June 2018 were as follows:

Amounts in USD thousands	30 June 2018
Mortgages/Bank loans	27,024
Bareboat commitments (financial leases)	41,791
Total interest-bearing debt	**68,815**

The maturity profile for the interest-bearing debt as of 30 June 2018 is as follows:

Amounts in USD thousands	30 June 2018
Due in year 1	4,577
Due in year 2	25,315
Due in year 3	2,438
Due in year 4	2,637
Due in year 5 and later	33,848
Total interest-bearing debt	**68,815**

4.6.2.1 Long-term debt

In 2014, the Company entered into a long-term financing agreement with ABN Ambro for M/S Belstar, M/S Belnor and M/S Belocean. The loan facility is secured for a period of six years. The main covenants under the financing agreement are (i) minimum cash USD 3 million, (ii) annual instalments of USD 5 million, (iii) a minimum value of 120% in 2018 and 125% in 2019 and (iv) payment of dividend is limited to 50% of net result.

4.6.2.2 Interest swap agreements

The Company has an interest swap agreement, which started in September 2015, at a rate of 1.9% and with a duration of five years covering USD 20 million, reduced by USD 2 million per year.

4.6.2.3 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.

4.6.2.4 Bareboat charter commitments

The Company entered into a sale and leaseback agreement for M/S Belforest on 25 September 2015. The bareboat period is 12 years with purchase options from year three onwards. M/S Belisland was delivered 15 March 2016 and leased for a period of 15 years with purchase options from year five onwards. Both leases are considered as finance leases.

4.6.2.5 Time charter commitments

In January 2018, the newbuilding M/S Belnippon was delivered and entered the eight-years' time charter agreement to the Company. The Company has purchase options from year four onwards.

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

4.6.3 Restrictions on use of capital

There are currently no restrictions on the use of the Company's capital resources that have materially affected or could materially affect, directly or indirectly, the Company's operations. The Company's long-term financing agreement does, however, contain a covenant limiting the payment of dividend to 50% of the net result, see Section 4.6.2.1 "Long-term debt".

4.7 Significant changes in the financial or trading position of the Group since 30 June 2018

Except for the contemplated Merger, there have been no significant changes in the financial or trading position of the Group since 30 June 2018.

4.8 Recent development and significant trends

The Group's operations are affected by general market conditions as described in Section 7 "Industry overview". Demand for dry bulk products, and for the transportation of these products, is highly related to general global economic development, as measured by GDP and other economic indicators. Economic growth in China, India and the rest of Asia continues to be a significant demand driver for the dry bulk market. Spot rates and TC earnings bottomed out in 2016 and has recovered across most size segments, and are approximately back to 2014 levels. For example, one year TC earnings for Supramax have gained more than 30% in the last twelve months. Asset values and earnings tend to be highly correlated, with asset prices and earnings moving in tandem. The year-over-year change for a 5-year old Supramax second-hand sale has increased by approximately 10%. Hence, some argue that current asset prices are lagging the strong rate sentiment, while asset prices historically typically have moved in front of the development in earnings. In the short- to medium term, all of the Group's vessels are on fixed-rate contracts (see Section 4.2.4 "Counterparties"). While providing down-side protection, this also means that the Group will be less exposed to a potential positive development in TC earnings on the back of a more balanced demand and supply situation. When the charter contracts expire, however, the Company will be in a position to renegotiate contract terms with its counterparties. The Company has succeeded in renewing recent contracts on attractive terms, significantly higher than previous fixtures. Four of the Group's charter contracts expire next year, providing responsiveness to an improving earnings climate.

Other factors that affect Belships' operations are the contract compliance of the Group's counterparties, as well as general operational elements, such as ship maintenance need.

Apart from this, the Group has not experienced any recent developments and significant trends since 31 December 2017.

4.9 Working Capital Statement

In the opinion of the Company, the Company has sufficient working capital for its present requirements, for the period covering at least the 12 months from the date of this Information Memorandum.

4.10 Board of Directors, management and corporate governance

4.10.1 Board of Directors

4.10.1.1 Overview

Belships' articles of association provide that the Company's Board of Directors shall consist of a minimum of three and a maximum of seven board members, and possibly deputy members, elected by the Company's shareholders. Belships' current Board of Directors is composed of five shareholder-elected members, without any deputy members.

The names and positions and current term of office of the board members, as at the date of this Information Memorandum are presented in the table below. The Company's registered business address, Lilleakerveien 4, 0283 Oslo, Norway, serves as c/o address for the members of the Company's Board of Directors in relation to their directorship in the Company.

Name	Position	Served since	Term expires
Sverre Jørgen Tidemand	Chairman	2011	2020
Christian Rytter	Board member	2004	2019
Kjersti Enkerud Ringdal	Board member	2004	2019
Sissel Grefsrud	Board member	2011	2020
Carl Erik Steen	Board member	2014	2020

In connection with the Share Sale, it has been agreed that Kontrari shall be represented on the Board of Directors of Belships, and it has been proposed that Peter Frølich is appointed as a new board member, replacing Christian Rytter at the EGM to be held on 26 October 2018.

Other than Sverre Jørgen Tidemand, all the current board members are independent of the majority shareholder. All the board members are independent of the Company's executive management.

The composition of the Board of Directors is in compliance with the independence requirements of the Corporate Governance Code (as defined below), meaning that (i) the majority of the shareholder-elected members of the Board of Directors are independent of the Company's executive management and material business contacts, (ii) at least two of the shareholder-elected board members are independent of the Company's main shareholders (shareholders holding more than 10% of the Belships Shares), and (iii) no member of the Company's management serves on the Board of Directors. However, the chairman of the Board of Directors is elected by the Board of Directors.

4.10.1.2 Brief biographies of the Board members

Set out below are brief biographies of the board members of the Company, including their relevant management expertise and experience and an indication of any significant principal activities performed by them outside Belships.

Sverre Jørgen Tidemand, chairman

Mr. Tidemand was the managing director of Belships from 1979 to May 2011. He was appointed chairman of the Board of Directors Belships in June 2011. He is an engineer and graduated from MIT with a Bachelor in Science of Naval Architecture and Marine Engineering and a Master of Science in Shipping and Shipbuilding Management in 1974. Mr. Tidemand worked for Lazard Brothers & Co. Ltd. in London from 1975 to 1979 and has also previously served on Belships' Board of Directors. Mr. Tidemand is a Norwegian citizen and resides in Oslo, Norway.

Christian Rytter, board member

Mr. Rytter is the Managing Director of L. Gill-Johannessen AS, an investment company with interest in shipping, real estate, venture capital and quoted securities. He has previously been employed by Kreditkassen (now Nordea Bank) and AS Laboremus (shipowning). Currently, he is a board member of, inter alia, Anchor Secondary Funds and Valhalla Oil and Gas AS. Mr. Rytter holds a degree from the Norwegian School of Economics (Nw.: *Norges Handelshøyskole*) and an MBA from Stanford University. He is a Norwegian citizen and resides in Oslo, Norway.

Kjersti Enkerud Ringdal, board member

Mrs. Ringdal is a lawyer and has been working as a senior advisor for the Norwegian Bar Association since September 2013. From 1991 she was a partner in Advokatfirmaet Thommessen AS, a Norwegian law firm with a practice within M&A. She holds a Master's Degree in law from the University of Oslo. Mrs. Ringdal is a Norwegian citizen and resides in Oslo, Norway.

Sissel Grefsrud, board member

Mrs. Grefsrud is a Director of ABN Amro Bank's Energy & Transportation division. Mrs. Grefsrud has previously been an executive in the Songa Group and First Olsen Tankers Ltd. and has held several directorships in Norway and Singapore. Mrs. Grefsrud holds an M.Sc. degree from the Norwegian School of Economics and Business Administration (NHH) and is a Chartered Financial Analyst (CFA). Mrs. Grefsrud is a Norwegian citizen and resides in Oslo, Norway.

Carl Erik Steen, board member

Mr. Steen has extensive experience in ship finance and is currently a board member in several listed companies. When he left Nordea Bank in 2011 after 28 years of employment, he was Head of Shipping, Oil Services & International Division. Mr. Steen holds an M.Sc. degree in Industrial and Management Engineering from Eidgenössische Technische Hochschule in Zürich. He is a Norwegian citizen and resides in Oslo, Norway.

Peter Frølich, proposed new board member

Mr. Frølich has a degree in law from 1984 from the University of Bergen and a Diploma in International law and Taxation from McGeorge School of law, California, from 1986. He worked in the legal department of DNB from 1984 to 1992 (as regional head of the department from 1987 to 1992) and has thereafter been a partner at Wikborg Rein law firm, working primarily with financing, restructuring, M&A and shipping related law. He has vast experience assisting with the development of numerous businesses and participating as a member of the board of directors, currently in, inter alia, Fjord Line AS, Lighthouse Shipholding AS, Fana Sparebank, Kredittforeningen for Sparebanker and previously in BNR, Sjøtrygdgruppen, Forsikringsselskapet Vesta Garanti and Wikborg Rein. He is a Norwegian citizen and resides in Bergen, Norway.

4.10.1.3 Belships Shares held by board members

As of 30 June 2018, the board members had the following shareholdings in the Company:

Name	Position	Number of Belships Shares
Sverre Jørgen Tidemand[1]	Chairman	17,461,778
Christian Rytter[2]	Board member	320,000
Kjersti Enkerud Ringdal.....	Board member	0
Sissel Grefsrud	Board member	0
Carl Erik Steen.....	Board member	259,154

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

2 Shares held through Chrem Capital AS, which is 100% owned by Christian Rytter.

As of the date of this Information Memorandum, none of the board members holds any options for Belships Shares.

4.10.2 Management

4.10.2.1 Overview

The Company's management team consists of three individuals. The names of the members of the management as at the date of this Information Memorandum, and their respective positions, are presented in the table below:

Name	Current position within the Company	Employed with the Company since
Ulrich Müller.....	Chief Executive Officer	2011
Osvald Fossholm.....	Chief Financial Officer	1990
Stein H. Runsbech	Commercial Director	1996

The Company's registered business address, Lilleakerveien 4, 0283 Oslo, Norway, serves as the business address for the members of the management in relation to their employment with the Company.

As at the date of this Information Memorandum, the Company is not aware of any planned changes to the Company's management team as a result of the Merger.

4.10.2.2 Brief biographies of the members of the management

Set out below are brief biographies of the members of the management, including their relevant management expertise and experience and an indication of any significant principal activities performed by them outside the Company.

Ulrich Müller, Chief Executive Officer

Ulrich Müller has served as Managing Director of Belships ASA since 1 May 2011. Mr. Müller has 40 years' of shipping experience from Viken Marine as Managing Director/Partner 2007-2011, Spar Shipping as Managing Director 1996-2007 and various positions within the Grieg Group (1978-1995). Mr. Müller graduated from University of Warwick in 1978. He is a Certified European Financial Analyst and has an MBA in Corporate Finance.

Osvald Fossholm, Chief Financial Officer

Osvald Fossholm graduated from BI Norwegian Business School in 1985 as an accountant, and is also a certified public accountant from the Norwegian School of Economics and Business Administration. He worked at Arthur Andersen & Co from 1985 to 1990, and became financial manager of Belships in 1990.

Stein H. Runsbech, Commercial Director

Stein Runsbech started in Belships in 1996 as Chartering Manager and is now the Commercial Director. Mr. Runsbech has extensive experience from shipping, including positions in the Torvald Klaveness Group and Skaugen AS.

4.10.2.3 Belships Shares held by members of management

As of 30 June 2018, the members of the Company's management had the following shareholdings in the Company:

Name[1]	Position	Number of Belships Shares	Outstanding options
Ulrich Müller	Chief Executive Officer	0	60,000
Osvald Fossholm	Chief Financial Officer	0	33,000
Stein H. Runsbech	Commercial Director	30,000	33,000

1 Belships Shares held through companies controlled by the respective member of management.

4.10.3 Benefits upon termination of employment

According to the terms of the employment agreement with Ulrich Müller (CEO), Mr. Müller is, upon termination by the Company of his employment, entitled to receive severance pay for a period of 24 months after the expiry of the term of notice. The severance pay is calculated on the basis of either (i) the employee's basic salary as at the time of termination of employment or (ii) the employee's basic salary as at March 2018, whichever is higher. Other than this, none of the members of the Company's management have entered into employment agreements which provide for special benefits upon termination.

None of the board members or the members of the nomination committee have service contracts which entitles them to any benefits upon termination and none will be entitled to any benefits upon termination of office.

4.10.4 Agreements entered into for the benefit of the management or the board members

No agreements have been entered into by the Company in connection with the Merger for the benefit of any board members or senior employees in the Company, or for the benefit of any senior employees in the Company, nor does the Company expect to enter into any such agreements. However, the CEO of Belships, Ulrich Müller is entitled to a bonus compensation equal to 12 months base salary if a merger is completed.

4.10.5 Corporate governance

The Company endeavours to be in compliance with the Norwegian corporate governance regime, as detailed in the Norwegian Code of Practice for Corporate Governance published on 30 October 2014 by the Norwegian Corporate Governance Board (the "**Corporate Governance Code**"). The Company, with the exceptions set out in the following, is in compliance with the Corporate Governance Code:

- The Company does not have an election or compensation committee. As members of the Board of Directors represent, directly and indirectly, more than 50% of the shareholdings in Belships, no election committee has been established in the Company. The Company has found that the Board of Directors fulfils this role itself, and the work to review candidates for the Board of Directors is handled by ad hoc committees of the Board of Directors and chaired by the chairman.

- The Company has not prepared any principles on how to act in the event of a take-over bid. The Company is of the opinion that when bids are made, the Board of Directors considers it important that shareholders are treated equally and that the Company's operations are not unnecessarily disturbed. The Board of Directors' actions will take this into account in these situations.

- Pursuant to the Company's articles of association, the chairman of the Board of Directors is elected by the Board of Directors and not by the general meeting as recommended by the Corporate Governance Code.

4.11 Corporate information and share capital

4.11.1 Company corporate information

The Company's registered name is Belships ASA. The Company is a public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Liability Companies Act. The Company's registered office is located in the municipality of Oslo, Norway. The Company was incorporated in Norway on 7 October 1935. The Company's company registration number in the Norwegian Register of Business Enterprises is 930 776 793, and the Belships Shares are registered in book-entry form with the VPS under ISIN NO 000 3094104. The Company's register of shareholders in the VPS is administrated by DNB Bank ASA, Registrar Department, Dronning Eufemias gate 30, N-0191 Oslo, Norway. The Company's registered office is located at Lilleakerveien 4, 0283 Oslo, Norway and the Company's main telephone number at that address is +47 22 52 76 00 and its telefax number is +47 22 52 76 82. The Company's website can be found at www.belships.com.

4.11.2 Legal structure

Belships ASA is the parent company of the Group. The following table sets out information about the Company's subsidiaries:

Company	Country of incorporation	Field of activity	% holding
Belships Chartering AS	Norway	Chartering	100%
Belships Management AS	Norway	Insurance and claims	100%
Belships Management (Singapore) Pte Ltd	Singapore	Technical management of ships	100%
Belships Supramax Singapore Pte Ltd	Singapore	Ship owning entity	100%

The Group is of the opinion that its holdings in the entities specified above are likely to have a significant effect on the assessment of its assets and liabilities, financial condition and profits and losses.

The company chart set out in Section 4.3.1 "Legal structure of the Group" shows the Group's legal structure at the date of this Information Memorandum.

4.11.3 Share capital and share capital history

As at the date of this Information Memorandum, the Company's share capital is NOK 94,704,000 divided into 47,352,000 Belships Shares, each with a par value of NOK 2. All the Belships Shares have been created under the Norwegian Public Limited Liability Companies Act and are validly issued and fully paid.

The table below shows the development in the Company's share capital for the period from its incorporation to the date of this Information Memorandum.

Year of resolution	Type of change	Change in share capital (NOK)	Par value (NOK)	New number of Belships Shares	New share capital (NOK)
1935	-	-	100.00	16,500	1,650,000
1968	Bond issue	1,650,000	100.00	33,000	3,300,000
1989	Share split	0	10.00	330,000	3,300,000
1991	Bond issue	3,300,000	10.00	660,000	6,600,000
1991	Share split	0	2.00	3,300,000	6,600,000
1993	Bond issue	6,600,000	2.00	6,600,000	13,200,000
1993	Share capital increase	9,424,000	2.00	11,462,000	22,624,000
1994	Share capital increase	234,000	2.00	11,579,000	23,158,000
1995	Share capital increase	4,000,000	2.00	13,579,000	27,158,000
1996	Share capital increase	1,808,000	2.00	14,483,000	28,966,000
2000	Share capital increase	20,000,000	2.00	24,483,000	48,966,000
2003	Share capital increase	212,000	2.00	24,589,000	49,178,000
2004	Share capital increase	344,000	2.00	24,761,000	49,522,000
2005	Share capital increase	182,000	2.00	24,852,000	49,704,000
2013	Share capital increase	45,000,000	2.00	47,352,000	94,704,000

4.11.4 Major shareholders

As of 15 October 2018, and insofar as known to the Company, the following persons has, directly or indirectly, an interest of 5% or more of the issued share capital of the Company:

Shareholder Name	Number of Belships Shares	%
Sonata AS	31,747,492	67.05%
Tidships AS	5,020,432	10.60%

Shareholders owning 5% or more of the Belships Shares have an interest in Belships' share capital which is notifiable pursuant to the Norwegian Securities Trading Act. These shareholders will accordingly have the ability to significantly influence the outcome submitted for the vote of shareholders of the Company. No particular measures are initiated to ensure that control is not abused by large shareholders, but the Norwegian Public Limited Liability Companies Act provides certain protections against the abuse by a major shareholder of the minority shareholders of a Norwegian public limited liability company. To the Company's knowledge there are as of the date of this Information Memorandum no other persons or entities that has a shareholding in Belships which is notifiable pursuant to the Norwegian Securities Trading Act.

The Share Sale and the Merger will result in a change of control in the Company. As at the date of this Information Memorandum, Sonata owns 67.05% of the Belships Shares and is the majority shareholder of the Company. Following the Share Sale, Sonata will have reduced its shareholding to 17,461,778 Belships Shares, equal to an ownership interest of approximately 36.9%, while Kontrari will have acquired 14,285,714 Belships Shares, corresponding to an ownership interest of approximately 30.2%. The Merger and the issuance by Belships of 127,765,993 Consideration Shares to the shareholders of the Lighthouse Companies will result in a further dilution of Sonata and the other shareholders, and increase the ownership interest of Kontrari and Kontrazi, jointly, to approximately 68.86%.

Other than as set out above, the Company is not aware of any persons or entities that, directly or indirectly, jointly or severally, will exercise or could exercise control over Belships. The Company is not aware of any other arrangements than the Share Sale and the Merger the operation of which may at a subsequent date result in a change of control in Belships.

4.11.5 Authorisation to increase the share capital and to issue Belships Shares

At the annual general meeting held on 24 April 2018, the Board of Directors was granted an authorisation to increase the share capital of the Company by a maximum of NOK 9,400,000. The authorisation is valid until the Company's annual general meeting in 2019, but no longer than to 30 June 2019.

4.11.6 Authorisation to acquire treasury Belships Shares

At the annual general meeting held on 24 April 2018, the Board of Directors was granted an authorisation to acquire up to 700,000 treasury shares. The authorisation is valid until the annual general meeting in 2019, but no longer than to 30 June 2019.

4.11.7 Other financial instruments

4.11.7.1 General employee option program

At the annual general meeting held on 24 April 2018 the Board of Directors 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 annual general meeting. The authorisation is valid for two years.

The option program requires a service period of 12 months before it can be exercised. The options can be exercised after one year from the date of the annual general meeting at which the option program was approved, and runs until the date of the next annual general meeting. The option program includes all employees employed by the Company at the time when the options can be exercised.

The options awarded on 17 August 2016 were cancelled on 21 March 2018 with an agreement between the Company and the employees that the Company would pay the employees the difference between the exercise price and the market price. This payment amounted to NOK 454,000.

As at 30 June 2018 the number of outstanding options were 200,000. A summary of outstanding options for the years ended 31 December 2017, 2016 and 2015 is set out in the table below.

Summary of outstanding options	2017	2016	2015
Outstanding 1 January	400,000	400,000	200,000
Awarded	200,000	200,000	200,000
Exercised	0	0	0
Not exercised	-200,000	-200,000	0
Outstanding 31 December	**400,000**	**400,000**	**200,000**

4.11.7.2 Option program for the CEO

In addition to the above mentioned option program, the CEO has a separate share option plan with the right to subscribe for up to 2 million shares in the Company 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 the Company issues after the option agreement date. Sub-option A expires 30 June 2019, while Sub-option B expires 30 June 2020.

4.11.8 Shareholder rights

The Company has only one class of Belships Shares in issue, and in accordance with the Norwegian Public Limited Liability Companies Act, all Belships Shares in that class will provide equal rights in the Company. Each of the Belships Shares carries one vote. The shares are freely transferable.

4.12 Independent auditor

The Company's independent auditor is Ernst & Young AS ("**EY**") with company registration number 976 389 387 and business address Dronning Eufemias gate 6, 0191 Oslo, Norway. EY has been the Company's auditor since 2002. The partners of EY are members of Den Norske Revisorforening (The Norwegian Institute of Public Accountants).

The auditor's reports on the Financial Statements, together with the Financial Statements, have been incorporated into this Information Memorandum by reference, see Section 10.4 "Incorporation by reference, cross reference table". EY's report on the pro forma accounts is attached to this Information Memorandum as Appendix C. No special matters were included in the audit opinions for the years ending 31 December 2017, 2016 or 2015.

The Interim Financial Statements have not been audited.

Other than as set out above, EY has not audited, reviewed or produced any report on any other information provided in this Information Memorandum.

4.13 Legal advisor

Advokatfirmaet Thommessen AS (Haakon VII's gate 10, 0161 Oslo, Norway) is acting as legal counsel to the Company.

5 PRESENTATION OF LIGHTHOUSE

5.1 Introduction

The Lighthouse Companies are holding companies established for the purpose of owning shares in each of Lighthouse Shipholding AS ("**Lighthouse Shipholding**" and together with its wholly owned subsidiaries the "**Lighthouse Shipholding Group**"), Lighthouse Shipholding II AS ("**Lighthouse Shipholding II**" and together with its wholly-owned subsidiaries the "**Lighthouse Shipholding II Group**") and Lighthouse Navigation Pte. Ltd. ("**Lighthouse Navigation**" and together with its subsidiaries and joint ventures the "**Lighthouse Navigation Group**"). Lighthouse Shipholding, Lighthouse Shipholding II and Lighthouse Navigation, including their subsidiaries, joint ventures and companies in which they hold a majority shareholding will hereinafter be referred to as the "**Lighthouse Subsidiaries**". The Lighthouse Companies do not have any other assets than the mentioned shareholdings, and the business of Lighthouse is accordingly carried out by the Lighthouse Subsidiaries.

Lighthouse Shipholding was established in 2013 with the purpose of contracting Dolphin-64 design, Ultramax size dry bulk carriers at Jiangsu Hantong Ship Heavy Industry in Nantong, China. Lighthouse Shipholding II was incorporated in 2016 with the purpose to acquire second-hand ships. See Section 5.4.1 "The Lighthouse Shipholding Group" and 5.4.2 "The Lighthouse Shipholding II Group" for legal structure charts showing the Lighthouse Shipholding Group and the Lighthouse Shipholding II Group, respectively.

Lighthouse Navigation provides commercial management of the vessels. The company has been offering customised transportation services for dry bulk charterers in the handy-size and supramax-size markets since 2009, specialising in commodities such as steel, fertilisers, agricultural products and other break bulk cargoes.

5.2 The business of Lighthouse

5.2.1 The fleet

5.2.1.1 The Ultramax dry bulk carriers

The Lighthouse Shipholding Group owns a fleet consisting of five Ultramax size dry bulk carriers of Dolphin-64 design. The design is a so-called eco design combining high cargo carrying capacity with low fuel consumption, and the vessel size is 64,000 DWT. The Ultramax dry bulk carriers are equipped with five cargo holds total 78,000 CBM, 4 x 36T cranes, single engine, single propeller and ballast water treatment system.

The five sister vessels owned by the Lighthouse Shipholding Group, which are named Northern Light, Southern Light, Indian Light, Baltic Light and Atlantic Light, were built at Jiangsu Hantong Ship Heavy Industry and delivered between May 2015 and May 2016.

The fleet is registered with the Norwegian International Ship Registry (NIS) with Egersund as home port. The vessels' class certificates are maintained by DNV GL, and technical management and manning is provided by Fleet Management Limited in Hong Kong, one of the largest third party management companies in the world and a specialist in dry bulk vessels.

MV Northern Light

Built: 2015
LOA x BEAM: 200m × 32m
Gross Tonnage: 36,321
Deadweight: 63,279
Ship Type: ULTRAMAX GEARED BULK CARRIER
Call Sign: LAVI7
IMO: 9744051
MMSI: 257972000
Flag: Norway (NIS)



MV Southern Light



Built: 2015
LOA x BEAM: 200m × 32m
Gross Tonnage: 36,321
Deadweight: 63,297
Ship Type: ULTRAMAX GEARED BULK CARRIER
Call Sign: LAVJ7
IMO: 9744063
MMSI: 258097000
Flag: Norway (NIS)

MV Indian Light



Built: 2016
LOA x BEAM: 199.90m × 32.26m
Gross Tonnage: 36,321
Deadweight: 63,338
Ship Type: ULTRAMAX GEARED BULK CARRIER
Call Sign: LAVK7
IMO: 9744075
MMSI: 258288000
Flag: Norway (NIS)

MV Baltic Light



Built: 2016
LOA x BEAM: 199.90m × 32.26m
Gross Tonnage: 36,331
Deadweight: 63,263
Ship Type: ULTRAMAX GEARED BULK CARRIER
Call Sign: LAVL7
IMO: 9744087
MMSI: 258102000
Flag: Norway (NIS)

MV Atlantic Light



Built: 2016
LOA x BEAM: 199.99m x 32.26 m
Gross Tonnage: 36,321
Deadweight: 63,279
Ship Type: ULTRAMAX GEARED BULK CARRIER
Call Sign: LAVN7
IMO: 9744104
MMSI: 258297000
Flag: Norway (NIS)

5.2.1.2 Supramax dry bulk carriers

The Lighthouse Shipholding II Group owns four Supramax size box-shaped dry bulk carriers of 50,000 DWT. The ships were built at the PT PAL yard in the period 2006 - 2008 and are equipped with five box shaped cargo holds total 60,000 CBM, 4 x 35T cranes, single engine and single propeller.

All four ships owned by the Lighthouse Shipholding II Group are registered with the Norwegian International Ship Registry (NIS) with Egersund as home port and are classed by DNV-GL. Technical management and manning of the ships named Eastern Light and Pacific Light is provided by Sunship Schiffahrtskontor KG in Germany, which has followed the ships since contracted. Technical management and manning of the ships named Bering Light and Orient Light is provided by Fleet Management Limited, which has followed the ships since delivered from the shipyard.

MV Eastern Light



Built: 2006
LOA x BEAM 189.90 x 30.53 m
Gross Tonnage: 30,570
Deadweight: 50,198
Ship Type: Boxshaped Geared Bulk Carrier
Call Sign: LAZR7
IMO: 9336828
MMSI: 259262000
Flag: Norway (NIS)

MV Pacific Light



Built: 2007
LOA x BEAM 189.90 x 30.50 m
Gross Tonnage: 30,138
Deadweight: 50,222
Ship Type: Boxshaped Geared Bulk Carrier
Call Sign: LACC8
IMO: 9336830
MMSI: 305023000
Flag: Norway (NIS)

MV Bering Light



Built: 2008
LOA x BEAM: 189.9m × 30.5m
Gross Tonnage: 30,273
Deadweight: 50,292
Ship Type: Boxshaped Geared Bulk Carrier
Call Sign: LAED7
IMO: 9335020
MMSI: 2597107000
Flag: Norway (NIS)

MV Orient Light



Built: 2008
LOA x BEAM: 189.84m × 30.5m
Gross Tonnage: 30,273
Deadweight: 50,202
Ship Type: Boxshaped Geared Bulk Carrier
Call Sign : LAFW7
IMO : 9382724
MMSI : 259790000
Flag : Norway (NIS)

5.2.2 Average earnings per day for the Lighthouse fleet in the first six months of 2018

The table below sets out the average earnings per day for the six months period ending 30 June 2018.

	USD per day	Number of vessels
Ultramax	10,350	5
Supramax	9,950	4

5.2.3 Transportation services, ship agency and commercial management services

5.2.3.1 Overview

The Lighthouse Navigation Group offers services within transportation, ship agency and commercial management as further described below. A structure chart showing the Lighthouse Navigation Group is included in Section 5.4 "The Lighthouse Navigation Group".

5.2.3.2 Transportation services and commercial management

Lighthouse has offered customised transportation services for dry bulk charterers in the handy-size and supramax-size markets since 2009, transporting commodities such as steel, fertilisers, agricultural products and other break bulk cargoes. Lighthouse also works closely with various commodity traders who need freight backing for cargo tenders and provides logistical advice to trading houses and industrial groups. The annual volume carried is about 3.5 million tonnes, and the turnover exceeds USD 100 million.

Further, Lighthouse provides commercial management of the above mentioned vessels owned by Lighthouse Shipholding and Lighthouse Shipholding II.

The company is based in Asia and serves customers on a world-wide basis.

5.2.3.3 Liner services

Orient Asia Lines BV was established in 2010 and is a joint venture between Lighthouse and Nepa Holding (HK) Limited. Orient Asia Lines (Malaysia) Sdn Bhd, a subsidiary of Orient Asia Lines, was established in September 2012.

Orient Asia Lines offers a regular liner service from South East Asia to the Middle East and the Eastern Mediterranean and specialises in the carriage of forestry products, such as lumber, sawn timber, wood pulp and paper, plywood and medium density fibreboard (MDF). Orient Asia Lines also carries project cargoes, steels and machineries.

5.2.3.4 Ship agency services

Siam Thara Agency Co., Ltd, ("**Siam Thara Agency**") established in January 2014, is owned 40% by Lighthouse Navigation and 17.5% by Lighthouse Navigation Co. Ltd., which in turn is owned 40% by Lighthouse Navigation.

Siam Thara Agency is a full service agency company representing both owners and charterers, focusing on securing the interests of all parties with minimal conflict.

The company offers protective agency, where the protective agents undertake specific responsibilities as required by the client. Siam Thara Agency offers a fully customisable service to allow adequate protection of the client's commercial and legal interests locally and in real time. The company offers comprehensive advice on ports, logistics and commodities both on the export and import fronts in Thailand and is considered leading in its handling of all other miscellaneous elements of port logistics.

Further, the company provides vessel husbandry, which includes, inter alia, coordination of booked services, cash to master delivery, meet and greet with owner / charterer representatives, crew change formalities, pick up, repatriations, hospitalisation, shore leave, transportation and hotel accommodations, medical assistance, spare parts handling, lubricants and/or bunker delivery coordination and launch services, fresh water, provisions, deck and engine stores supplies.

Siam Thara Agency also provides logistics services, including stevedoring, barging, inland transportation, door to door delivery, warehousing and distribution, customs house brokerage services, documentation and registration with authorities for clearance and cargo insurance.

The company is also cargo booking agent for Nortrans Express Pte Ltd.

5.3 Key financial figures

5.3.1 Statements of comprehensive income

5.3.1.1 Introduction

The Lighthouse Companies were incorporated in 2018 for the sole purpose of being holding companies owning shares in the Lighthouse Subsidiaries. The Lighthouse Companies are not operative. Set out in the tables below are key financial information for the operative Lighthouse Subsidiaries derived from the financial statements for each of the companies the periods indicated.

5.3.1.2 Lighthouse Shipholding AS

In USD million	Year ended 31 December		
	2017 *(audited)*	**2016** *(audited)*	**2015** (audited)
Total operating income	21.0	11.2	3.4
Profit (loss) before tax	11.6	-10.7	-10,6
Profit (loss) for the period	11.5	-10.7	-10.9
Total assets	122.8	120.9	88.6
Total equity	19.8	8.3	15.0
Total liabilities	103.0	112.6	73.6

5.3.1.3 Lighthouse Shipholding II AS

In USD million	Year ended 31 December	
	2017 *(audited)*	**2016** *(audited)*
Total operating income	7.9	0.3
Profit (loss) before tax	0.5	-0.2
Profit (loss) for the period	0.5	-0.3
Total assets	16.0	5.5
Total equity	11.3	5.2
Total liabilities	4.7	0.2

5.3.1.4 Lighthouse Navigation Pte. Ltd.

In USD million	Year ended 31 December		
	2017 *(audited)*	**2016** *(audited)*	**2015** (audited)
Total operating income	96.0	34.8	21.7
Profit (loss) before tax	3.3	-0.9	8.4
Profit (loss) for the period	3.3	-0.9	8.3
Total assets	26.9	20.4	18.5
Total equity	16.7	13.4	15.5
Total liabilities	10.2	7.1	3.0

5.3.2 Statements of financial position

5.3.2.1 Introduction

The Lighthouse Companies are holding companies incorporated in 2018, with limited balance sheets. Key figures as at August/September 2018 are included in the tables below.

5.3.2.2 LHS Holdco AS

In USD million	As at 6 September
	2018 *(audited)*
Total assets	0.03
Total equity	0.024
Total liabilities	0.006

5.3.2.3 LHS Holdco II AS

In USD million	As at 6 September 2018 *(audited)*
Total assets	0.03
Total equity	0.024
Total liabilities	0.006

5.3.2.4 LHN Holdco 1 AS

In USD million	As at 30 August 2018 *(audited)*
Total assets	0.03
Total equity	0.024
Total liabilities	0.006

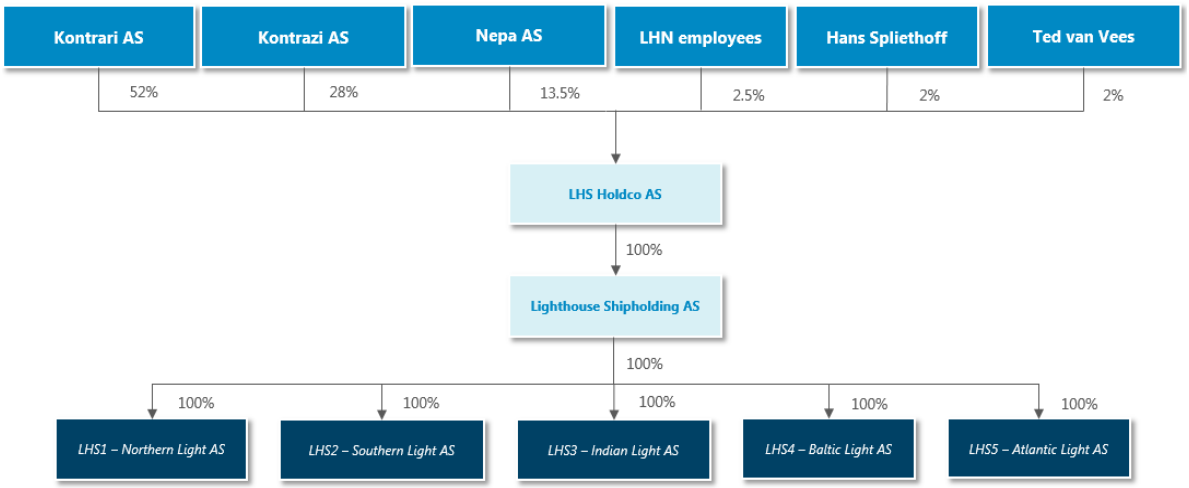
5.3.2.5 LHN Holdco 2 AS

In USD million	As at 3 September 2018 *(audited)*
Total assets	0.03
Total equity	0.024
Total liabilities	0.006

5.4 Legal structure

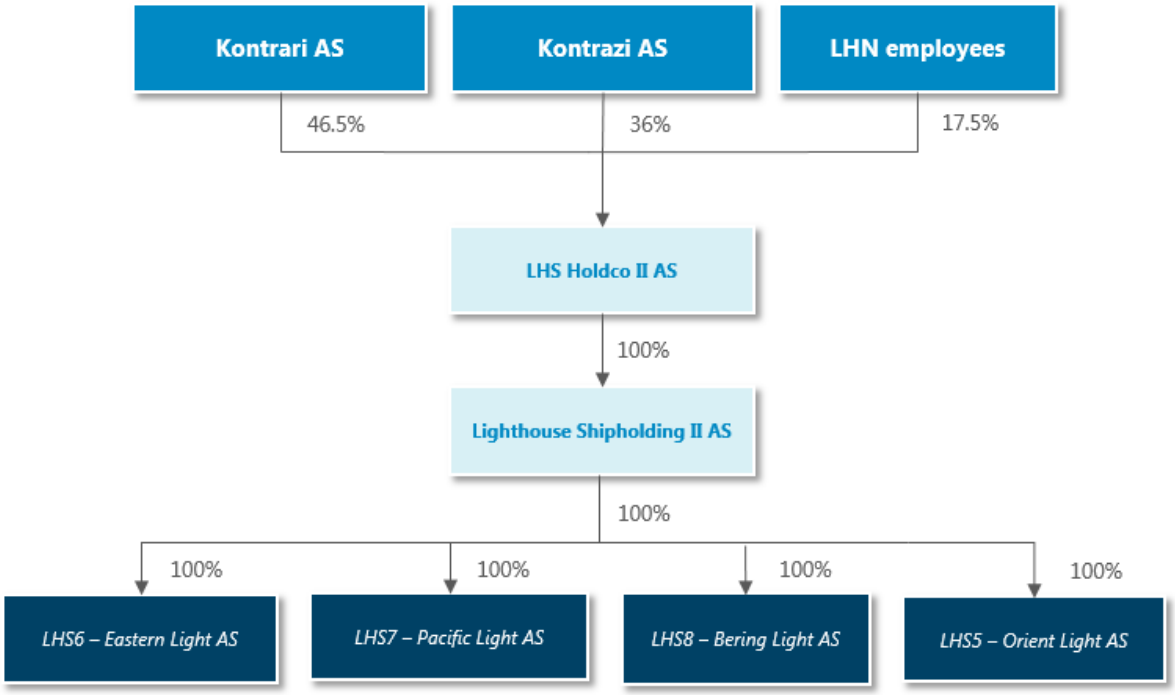
5.4.1 The Lighthouse Shipholding Group

The legal structure, including ownership percentages, of the Lighthouse Shipholding Group is illustrated in the figure below.



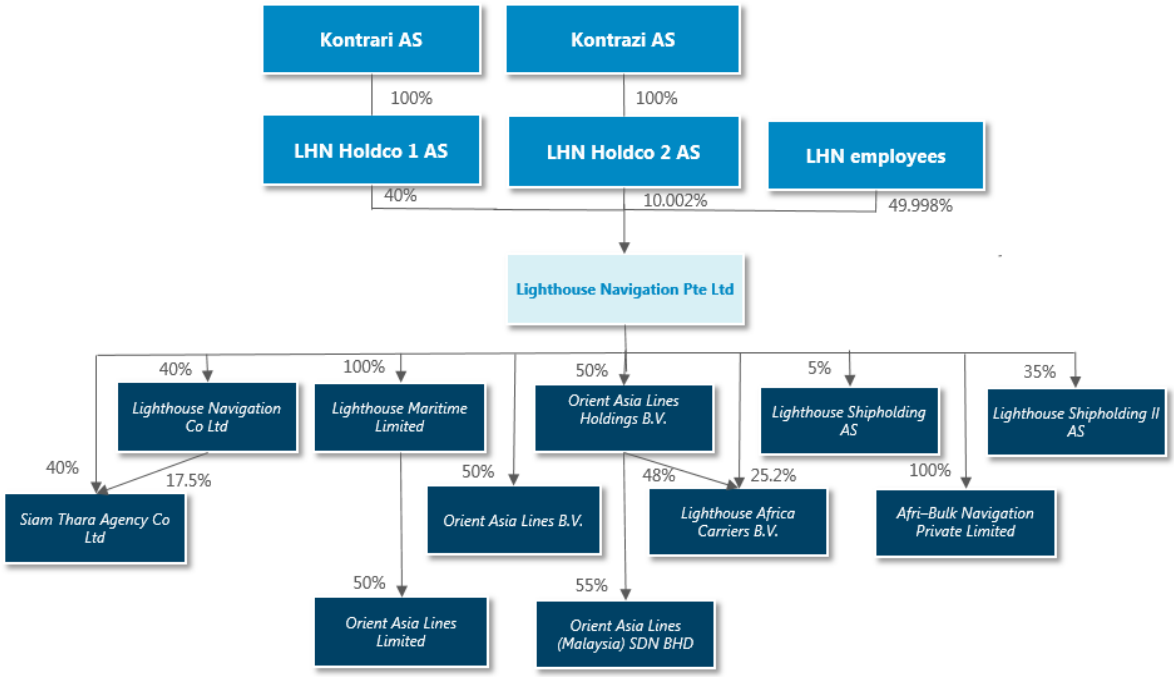
5.4.2 The Lighthouse Shipholding II Group

The legal structure, including ownership percentages, of the Lighthouse Shipholding II Group is illustrated in the figure below.



5.4.3 The Lighthouse Navigation Group

The legal structure, including ownership percentages, of the Lighthouse Navigation Group is illustrated in the figure below.



5.5 Significant changes in the financial or trading position of Lighthouse since 31 December 2017

Since 31 December 2017, Lighthouse Shipholding II has acquired two ships and taken a senior loan for the fleet of four ships with advance ratio 50%, a profile of eight years and tenor of five years. Except for this and for the contemplated Merger, there have been no significant changes in the financial or trading position of Lighthouse since 31 December 2017.

5.6 Material contracts related to Lighthouse

Lighthouse has not entered into any material contracts outside the ordinary course of business which contain any provision under which any member of Lighthouse has any obligation or entitlement.

Lighthouse is not dependent on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to Lighthouse's business or profitability.

5.7 Legal proceedings related to Lighthouse

Lighthouse is not, nor has it been during the course of the preceding twelve months involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on Lighthouse's financial position or profitability, and Lighthouse is not aware of any such proceedings which are pending or threatened.

5.8 Recent developments and significant trends for Lighthouse

The Lighthouse operations are affected by general market conditions as described in section 7 "Industry overview". Demand for dry bulk products, and for the transportation of these products, is highly related to general global economic development, as measured by GDP and other economic indicators. Economic growth in China, India and the rest of Asia continues to be a significant demand driver for the dry bulk market. Spot rates and TC earnings bottomed out in 2016 and has recovered across most size segments, and are approximately back to 2014 levels. For example, one year TC earnings for Supramax have gained more than 30% in the last twelve months. Asset values and earnings tend to be highly correlated, with asset prices and earnings moving in tandem. The year-over-year change for a 5 year-old Supramax second-hand sale has increased approximately 10%. Hence, some argue that current asset prices are lagging the strong rate sentiment, while asset prices historically typically have moved in front of the development in earnings. All of the Lighthouse vessels are operated in the spot market through short term charter parties (trip charters) or earning freight (voyage charters). The earnings accordingly respond to the market with a short lag and track the applicable earnings indexes with some short term deviation depending on the ships' positions. General operational elements, such as ship maintenance need, are also affecting Lighthouse.

Apart from the above, Lighthouse has not experienced any recent developments and significant trends since 31 December 2017.

5.9 Board of directors, management and employees

5.9.1 Board of directors and management of Lighthouse

Jan Erik Sivertsen serves as the sole board member of the Lighthouse Companies. The board of directors in Lighthouse Shipholding consists of Peter Frølich (chairman) Frode Teigen, Jan Erik Sivertsen Anders Sødergren and Kai Einheuser. The board of directors in and Lighthouse Shipholding II consists of Peter Frølich (chairman), Frode Teigen and Jan Erik Sivertsen.

The management of the Lighthouse Companies, Lighthouse Shipholding and Lighthouse Shipholding II, respectively, consists of Frode Bjørklund who holds the position as CEO of all companies. Mr. Bjørklund has been the CEO of Lighthouse Shipholding since 2015 and of Lighthouse Shipholding II since its incorporation in 2016.

Lighthouse Navigation Pte. Ltd.'s management team consists of Anders Sødergren and Helge Bruns, and the board of directors consists of Helge Bruns, Anders Sødergren, Franciscus Teeuwen, Rudy Tan and Frode Bjørklund.

5.9.2 Agreements entered into for the benefit of the management or the board members

No agreements have been entered into by Lighthouse in connection with the Merger for the benefit of any board members or senior employees in Lighthouse, or for the benefit of any senior employees in Lighthouse, nor does Lighthouse expect to enter into any such agreements.

5.10 Corporate information

5.10.1 LHS Holdco AS

LHS Holdco AS is a private limited liability company (Nw.: *aksjeselskap*) organised and existing under the laws of Norway pursuant to the Norwegian Private Limited Liability Companies Act, with company registration number 921 350 775. The legal and commercial name of the company is "LHS Holdco AS". LHS Holdco AS' registered address is Nedre Bekkegate 1-3, 4371 Egersund, Norway, the telephone number is (+47) 948 20 057 and the company's web address is www.lighthouseshipholding.com.

LHS Holdco AS was incorporated on 22 August 2018 by Kontrari. LHS Holdco AS is owned by Kontrari (52%), Kontrazi (28%), Nepa Shipholding B.V (13.5%), employees (2.5%), Hans Spliethoff (2%) and Ted van Vees (2%). LHS Holdco AS owns 100% of the shares in Lighthouse Shipholding AS. See Section 5.4.1 "The Lighthouse Shipholding Group" for a chart showing the ownership structure of the Lighthouse Shipholding Group and Section 6.1.1 "Group structure" for a chart illustrating the ownership structure of the Group after the Merger.

5.10.2 LHS Holdco II AS

LHS Holdco II AS is a private limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Private Limited Companies Act, with company registration number 921 350 597. The legal and commercial name of the company is "LHS Holdco II AS". LHS Holdco II AS' registered address is Nedre Bekkegate 1-3, 4371 Egersund, Norway, the telephone number is (+47) 948 20 057 and the company's web address is www.lighthouseshipholding.com.

LHS Holdco II AS was incorporated on 22 August 2018 by Kontrari. LHS Holdco II AS is owned by Kontrari (46.5%), Kontrazi (36%) and certain employees in the Lighthouse Navigation Group (17.5%). LHS Holdco II AS owns 100% of the shares in Lighthouse Shipholding II AS. See Section 5.4.2 "The Lighthouse Shipholding II Group" for a chart showing the ownership structure of the Lighthouse Shipholding II Group and Section 6.1.1 "Group structure" for a chart illustrating the ownership structure of the Group after the Merger.

5.10.3 LHN Holdco 1 AS

LHN Holdco 1 AS is a private limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Private Limited Companies Act, with company registration number 921 312 474. The legal and commercial name of the company is "LHN Holdco 1 AS". LHN Holdco 1 AS' registered address is Nedre Bekkegate 1-3, 4371 Egersund, Norway, the telephone number is (+47) 948 20 057 and the company's web address is www.lighthousesnavigation.com.

LHN Holdco 1 AS was incorporated on 16 August 2018 by Kontrari, which as of the date of this Information Memorandum owns 100% of the shares in LHN Holdco 1 AS. LHN Holdco 1 AS owns 40% of the shares in Lighthouse Navigation. See Section 5.4.3 "The Lighthouse Navigation Group" for a chart showing the ownership structure of the Lighthouse Navigation Group and Section 6.1.1 "Group structure" for a chart illustrating the ownership structure of the Group after the Merger.

5.10.4 LHN Holdco 2 AS

LHN Holdco 2 AS is a private limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Private Limited Liability Companies Act, with company registration number 921 312 415. The legal and commercial name of the company is "LHN Holdco 2 AS". LHN Holdco 2 AS' registered address is Nedre Bekkegate 1-3, 4371 Egersund, Norway, the telephone number is (+47) 948 20 057 and the company's web address is www.lighthousenavigation.com.

LHN Holdco 2 AS was incorporated on 16 August 2018 by Kontrazi, which as of the date of this Information Memorandum owns 100% of the shares in LHN Holdco 2 AS. LHN Holdco 2 AS owns 10.002% of the shares in Lighthouse Navigation. The remaining 49.998% of the shares are owned by employees in the Lighthouse Navigation Group. See Section 5.4.3 "The Lighthouse Navigation Group" for a chart showing the ownership structure of the Lighthouse Navigation Group and Section 6.1.1 "Group structure" for a chart illustrating the ownership structure of the Group after the Merger.

5.10.5 Lighthouse Shipholding AS

Lighthouse Shipholding AS is a private limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Private Limited Liability Companies Act, with company registration number 911 703 033. The legal and commercial name of the company is "Lighthouse Shipholding AS". Lighthouse Shipholding's registered address is Nedre Bekkegate 1, 4371 Egersund, Norway, the telephone number is (+47) 948 20 057 and the company's web address is www.lighthouseshipholding.com.

Lighthouse Shipholding was incorporated on 6 March 2013 and is wholly-owned by LHS Holdco AS. See Section 5.4.1 "The Lighthouse Shipholding Group" for a chart showing the ownership structure of the Lighthouse Shipholding Group and Section 6.1.1 "Group structure" for a chart showing the ownership structure of the Group following the Merger.

5.10.6 Lighthouse Shipholding II AS

Lighthouse Shipholding II AS is a private limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Private Limited Liability Companies Act, with company registration number 917 593 019. The legal and commercial name of the company is "Lighthouse Shipholding II AS". Lighthouse Shipholding II' registered address is Nedre Bekkegate 1, 4371 Egersund, Norway, the telephone number is (+47) 948 20 057 and the company's web address is www.lighthouseshipholding.com.

Lighthouse Shipholding II was incorporated on 5 August 2016 and is wholly-owned by LHS Holdco II AS. See Section 5.4.2 "The Lighthouse Shipholding II Group" for a chart showing the ownership structure of the Lighthouse Shipholding II Group and Section 6.1.1 "Group structure" for a chart showing the ownership structure of the Group following the Merger.

5.10.7 Lighthouse Navigation Pte. Ltd.

Lighthouse Navigation Pte. Ltd. is a private company limited by shares, organised and existing under the laws of Singapore, with company registration number 200901318K. The legal and commercial name of the company is "Lighthouse Navigation Pte. Ltd.". Lighthouse Navigation's registered address is 4 Robinson Road 05-01, The House of Eden, Singapore, 048543, the telephone number is (+47) 948 20 057 and the company's web address is www.lighthousenavigation.com.

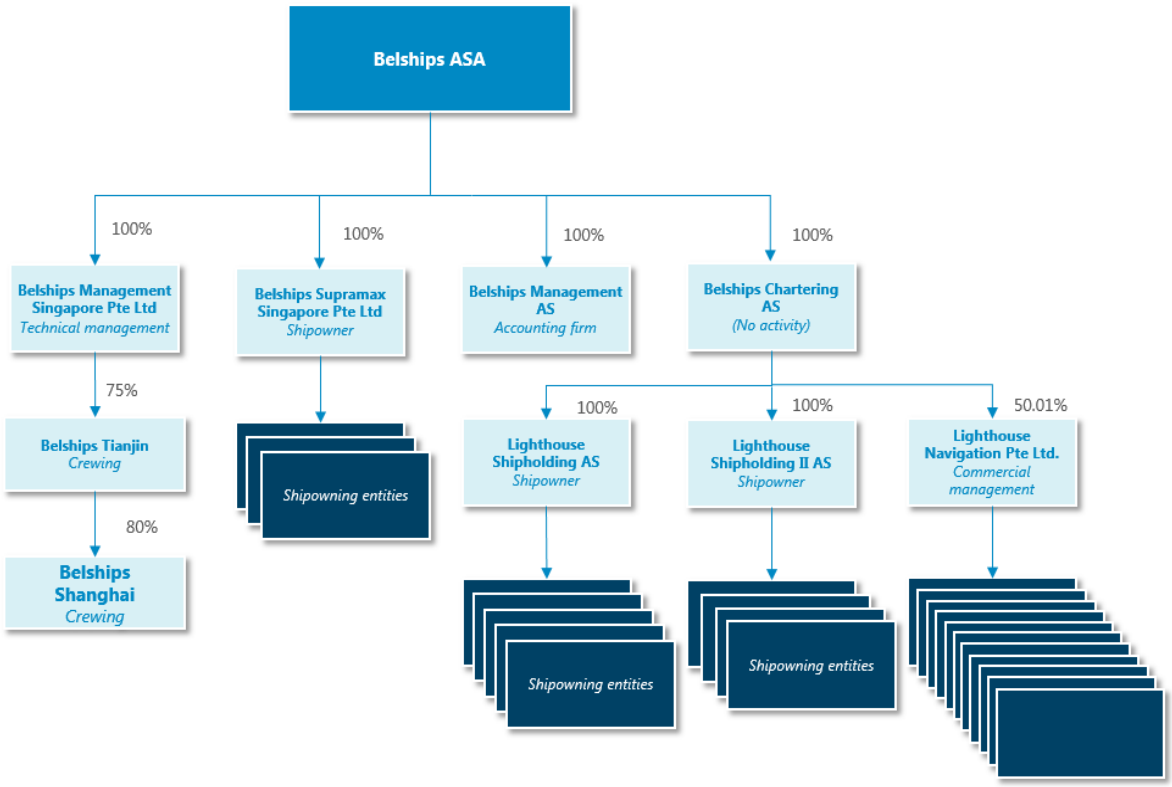
Lighthouse Navigation was incorporated on 21 January 2009 and is owned by LNH Holdco 1 AS (40%), LHN Holdco 2 AS (10%) and certain employees in the Lighthouse Navigation Group (50%). See Section 5.4.3 "The Lighthouse Navigation Group" for a chart showing the ownership structure of the Lighthouse Navigation Group and Section 6.1.1 "Group structure" for a chart showing the ownership structure of the Group following the Merger.

6 BELSHIPS FOLLOWING COMPLETION OF THE MERGER

6.1 The Group after the consummation of the Merger

6.1.1 Group structure

The Group structure following completion of the Merger is illustrated in the structure chart below.



6.1.2 Address, company name etc.

Upon the completion of the Merger, Belships Chartering will change its name to Belships Lighthouse AS and operate under the business name Belships Lighthouse AS. There will be no changes to the business name of Belships.

The head office of Belships will continue to be in Lilleaker following the completion of the Merger and the Group's operations will be managed from the head office. However, Lighthouse Navigation will be managed locally.

6.1.3 The board of directors and management

In connection with the Share Sale, it has been agreed that Kontrari shall be represented on the board of directors of Belships, and it has been proposed that Peter Frølich is appointed as a new board member, replacing Christian Rytter at the EGM to be held on 26 October 2018.

Belships is not aware of any further plans by its shareholders to make changes to the composition of the board of directors or the management team following completion of the Share Sale and the Merger.

6.1.4 The Merger's significance for the employees and the employment

There are no employees in the Lighthouse Companies or Belships Chartering. All employees in the Lighthouse Subsidiaries will be indirectly transferred to Belships. Following the Merger, there will be approximately 120 employees in the Group and associated companies.

6.2 Strengths and strategies following completion of the Merger

The Merger of Belships and Lighthouse represents an excellent strategic fit, with a consolidation of two uniform and matching fleets. Both companies are specialised in the medium-sized bulker segments Supramax and Ultramax, with proven operational excellence within the segments. Following the Merger, Belships will increase its fleet size from seven to 16 ships, significantly strengthening its position within the two segments. The modern fleet will have an average age of approximately five years, with efficient fuel-economics and low operational expenditures. The increased size will allow for significant operational synergies, through economies of scale and reduction of other costs, through elimination of overlapping functions, in-sourcing of Belships' technical management and Lighthouse's commercial management, and more.

Belships has a unique charter backlog of USD 40 million to financially sound counter parties in Cargill and Canpotex. The high creditworthiness of Belships' counterparties provides a predictable and stable revenue base, that has historically been appreciated in the capital markets. Lighthouse's fleet exclusively operates in the spot market, hence providing responsiveness and ability to leverage the positive sentiment in the dry bulk market. The Company will therefore represent a particularly attractive investment case, with limited downside from the charter contracts, while maintaining the upside potential through spot exposure from Lighthouse's fleet.

The shipping industry has in recent years seen a significant consolidation activity, with size as an often-mentioned rationale behind the mergers. In a competitive industry, a larger fleet size will improve the Group's negotiation position towards charterers and hence potentially improve the commercial terms of the Company. The larger fleet size may also lower the insurance premium and enable even lower lending margins. Research analysts generally have responded positively to size-motivated mergers, appreciating the importance of size both for the cost synergies, as well as for potential synergies on the revenue side.

Belships has a renown technical management and crew operation based in Singapore, while Lighthouse has a commercial management operation based in Bangkok. The management operations are highly complementary, and will result in Belships having a complete in-house management platform. Operating all key functions in-house is perceived very shareholder-friendly, as potential value leakages are prevented. Incorporating Belships' vessels into Lighthouse's commercial management and Lighthouse's fleet into Belships' technical and crewing operation may provide significant synergies and increase the management operations' contribution to the earnings and cash flow of the Company. Further, the efficient in-house operational structure with all core services and functions in-house, will represent an attractive and qualified platform for further growth.

The Merger will facilitate increased free float in the Belships Shares. The low free float in recent years has resulted in limited liquidity, which in turn has constrained the Company's ability to utilise share issuances to raise capital in the market. The Merger will increase the free float in the Belships Shares, and hence potentially improve the Company's access to the capital markets. Future share issuances can be utilised to finance accretive fleet acquisitions, as well as improve the Company's currency in ship-for-share transactions. The further expansion is in line with the new majority owner's ambition of using Belships as a platform for further growth.

6.3 The Merger's significance for the earnings, assets and liabilities of the Group

The Merger is expected to have a significant impact on Belships' earnings, assets and liabilities.

On a pro forma basis, operating income would have increased from USD 27.3 million historically to USD 155.2 million and net result for the year would have increased from USD 6.4 million for the year ended 31 December 2017 to USD 24.2 million for the same period after pro forma adjustments, including purchase bargain gain and transaction expenses.

With respect to the balance sheet, the Merger is expected to considerably increase Belships' total assets, total equity, and, total liabilities. As of 31 December 2017, the Company's total assets were USD 102.1 million, total equity was USD 26.4 million, and total liabilities were USD 75.8 million, which on a pro forma basis would have increased to USD 271.4 million, USD 114.0 million and USD 157.4 million, respectively.

For a further description of the pro forma figures and the basis for such figures, see Section 9 "Unaudited pro forma financial information".

7 INDUSTRY OVERVIEW

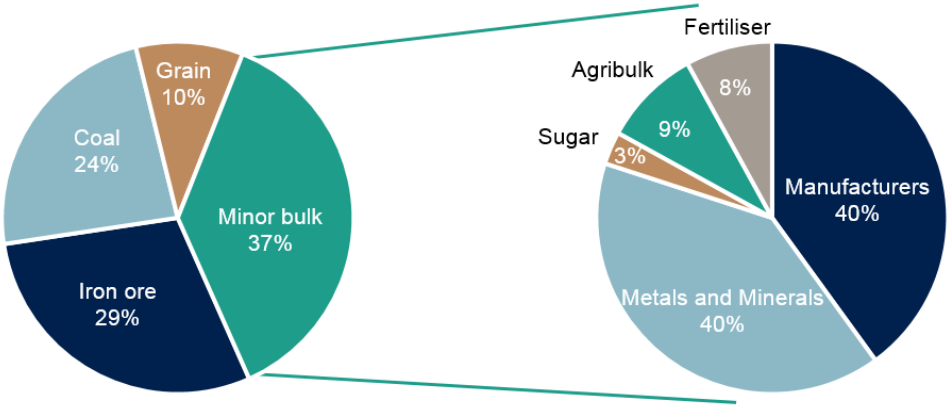
This Section 7 discusses the industry and markets in which the Group and Lighthouse operate. Information in this Section which relates to market environment, market developments, growth rates, market trends, industry trends, competition and similar, are estimates based on data compiled by professional organisations, consultants and analysts, as well as market data from other external and publicly available sources, and the Company's knowledge of the markets in which it operates. The estimates and data from ABGSC Research are based on information from Clarksons (August 2018). Data from Clarksons' database is not publicly available and can only be accessed through a valid account.

The following discussion contains forward-looking statements, see Section 10.3 "Cautionary note regarding forward-looking statements". Any forecast information and other forward-looking statements in this section are not guarantees of future outcomes and future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, see Section 1 "Risk Factors" for further details.

7.1 Demand drivers

The three largest cargo categories for dry bulk vessels are coal, iron ore, and grain, amounting in total to close to two-thirds of the total demand. Iron ore is the primary ingredient in the production of steel together with coking coal and limestone. The seaborne coal trade comprises two types of coal: steam coal (used for electricity generation and industrial uses) and coking coal (key ingredient for steel making). Grain typically consists of wheat, corn, barley, oats, rye and soya bean/meal. The remaining 37% are minor bulks, which include goods such as metals and minerals, phosphate rock, fertilizers, bauxite, steel products, forest products, nickel, ore, sugar, salt and others.

Seaborne bulk trade and breakdown of minor bulks

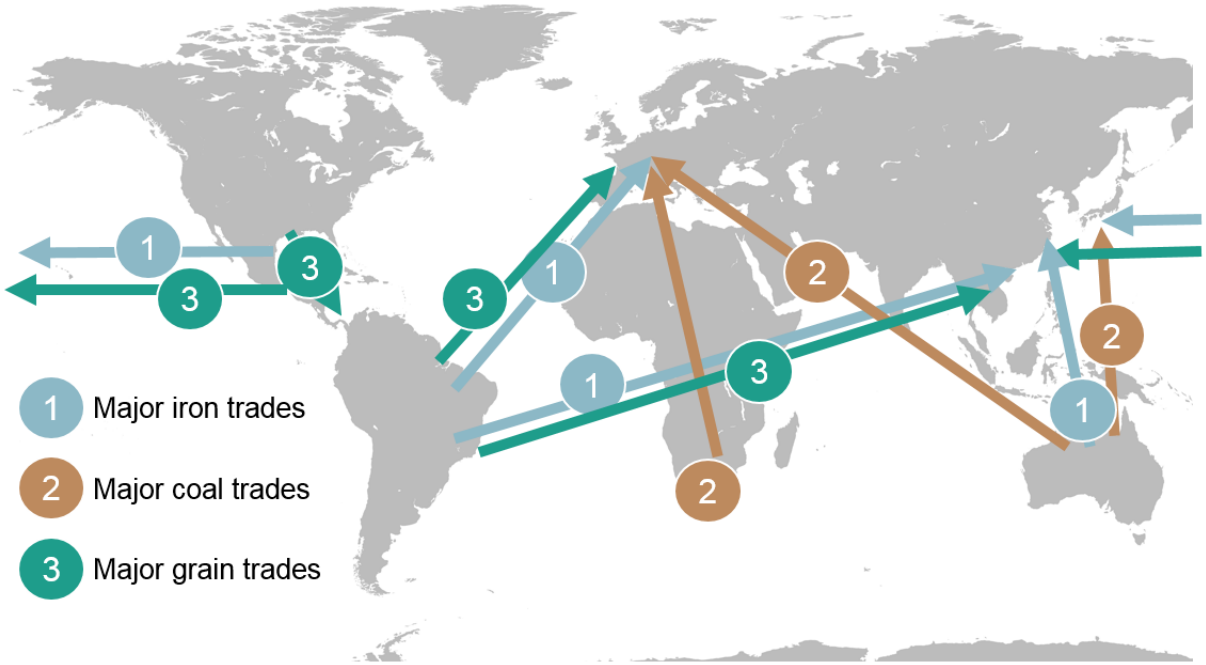


Source: ABGSC Research, based on data from Clarksons (August 2018). Data from Clarksons' database is not publicly available and can only be accessed through a valid account.

Major exporters of dry bulk products are countries and regions with significant natural resources or agricultural producing regions. The major exporting regions of iron ore and grains are Australia, Brazil and the United States. Major exporting regions of coal are South Africa and Australia. The major importers of dry bulk products are countries and regions with significant industrial production and with a relative under-coverage of input factors. This includes Asia and Western Europe, who are significant importing regions of all the major cargo types. Demand for dry bulk products, and for the transportation of these products, is highly related to general global economic development, as measured by GDP and other economic indicators. As the geographic end market for different cargoes to a large extent overlaps across the different cargo types, economic development in these regions are of particular importance for the development in the dry bulk market. Economic growth in China, India and the rest of Asia continues to be a significant demand driver for the dry bulk market.

The illustration below highlights certain important dry bulk trades.

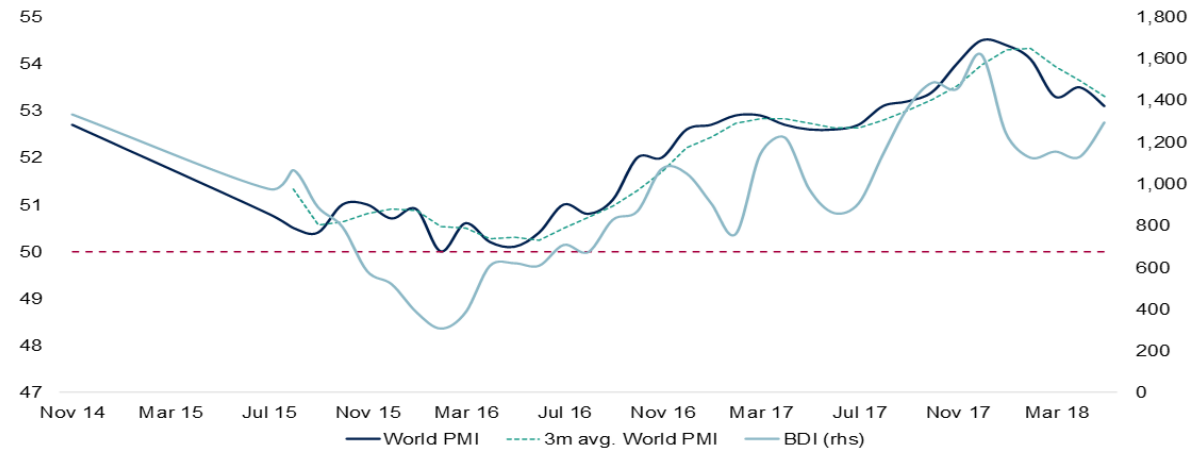
Main trade routes within dry bulk



Source: ABGSC Research, based on data from Clarksons (August 2018). Data from Clarksons' database is not publicly available and can only be accessed through a valid account.

As key dry bulk cargoes are important input factors in various industrial uses, the dry bulk market is highly correlated with the development in the global industry in general. Growth in steel production is positive for the dry bulk freight market as it directly increases demand particularly for iron ore, but also coking coal, scrap and other minor ores used to produce steel. A commonly used indicator of industrial development is the Purchase Manager Index ("**PMI**"), which is an industrial economic indicator derived from monthly surveys of private sector companies. The PMI for manufacturing is a forward-looking indicator for the industrial production, which is typically highly correlated to the world's steel production, which in turn explains the strong relationship between PMI and freight rates. The chart below illustrates the strong relationship between this general economic indicator and the development in dry bulk rates, here represented by the Baltic Dry Index. The Baltic Dry Index is a composite of the Capesize, Panamax and Supramax time charter averages.

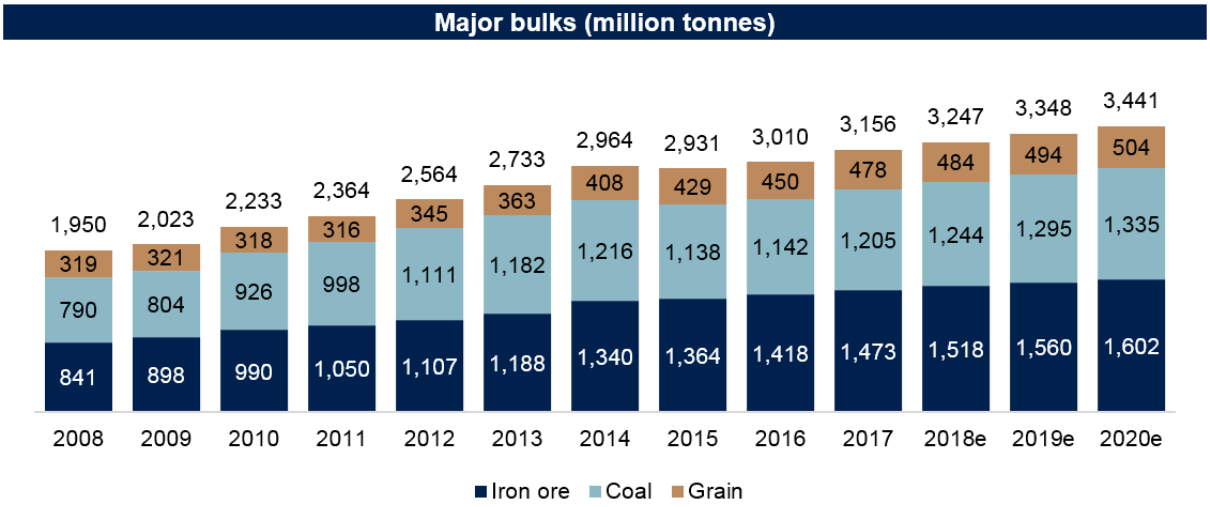
World PMI vs Baltic Dry Index



Source: ABGSC Research, based on data from Clarksons (August 2018). Data from Clarksons' database is not publicly available and can only be accessed through a valid account.

Iron ore and coal together constitute more than half of all deep-sea cargo. Although coal is declining in importance for the global energy mix, coal consumption is still growing and is a key source of energy in the global industry.

As the chart below illustrates, the growth in the three key dry bulk cargos iron ore, coal and grain have shown steady growth over the past decade.



Source: ABGSC Research, based on data from Clarksons (August 2018). Data from Clarksons' database is not publicly available and can only be accessed through a valid account.

7.2 Supply

The dry bulk fleet is typically divided into four main size categories, here listed in descending order with regards to size: Capesize, Panamax, Supramax and Handysize. Within each category, there are typically several sub-categories, concerning both size and specifications such as crane, cargo hold, etc. In addition to these main categories, there is a large fleet of smaller bulkers used in regional and coastal trade. Larger bulkers offer more economies of scale, but are restrained from many canals and ports.

The table below illustrates the fleet composition divided into the four largest vessel types.

Development in world dry bulk fleet

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
Fleet primo	Capesize	132	144	171	210	250	280	294	308	309	315	324	335	344
	Panamax	108	114	120	135	151	169	184	192	195	196	202	206	209
	Supramax	77	84	93	111	131	148	159	167	179	188	196	201	202
	Handysize	76	78	79	86	90	91	90	92	93	94	96	98	97
	Total	**393**	**420**	**463**	**542**	**622**	**688**	**727**	**759**	**777**	**794**	**818**	**840**	**853**
Deliveries & additions	Capesize	14	28	42	50	42	22	19	17	20	15	14	12	12
	Panamax	8	8	15	22	27	20	13	10	9	9	5	6	4
	Supramax	7	10	19	22	21	15	11	16	13	11	6	3	2
	Handysize	4	7	10	11	11	6	5	6	5	3	3	1	1
	Total	**33**	**54**	**86**	**105**	**101**	**63**	**48**	**49**	**47**	**38**	**27**	**23**	**18**
Scrapping & removals	Capesize	-2	-1	-3	-11	-12	-8	-4	-16	-14	-7	-2	-3	-8
	Panamax	-1	-2	-1	-6	-9	-5	-5	-7	-8	-4	-1	-3	-4
	Supramax	-1	-1	-1	-2	-5	-4	-3	-3	-4	-3	-1	-2	-4
	Handysize	-2	-6	-3	-7	-9	-7	-4	-5	-3	-2	-1	-2	-4
	Total	**-6**	**-11**	**-7**	**-25**	**-35**	**-24**	**-16**	**-31**	**-30**	**-15**	**-4**	**-10**	**-20**
Fleet ultimo	Capesize	144	171	210	250	280	294	308	309	315	324	335	344	348
	Panamax	114	120	135	151	169	184	192	195	196	202	206	209	209
	Supramax	84	93	111	131	148	159	167	179	188	196	201	202	200
	Handysize	78	79	86	90	91	90	92	93	94	96	98	97	94
	Total	**420**	**463**	**542**	**622**	**688**	**727**	**759**	**777**	**794**	**818**	**840**	**853**	**851**
Fleet growth	Capesize	9.1%	18.6%	23.1%	18.9%	12.1%	5.0%	4.9%	0.4%	1.9%	2.8%	3.5%	2.7%	1.2%
	Panamax	5.9%	5.3%	12.1%	12.2%	12.0%	8.9%	4.4%	1.5%	0.5%	2.7%	2.3%	1.5%	-0.2%
	Supramax	8.5%	10.7%	19.6%	18.0%	12.3%	7.4%	5.2%	7.6%	5.0%	4.0%	2.5%	0.8%	-1.1%
	Handysize	2.6%	1.5%	8.5%	4.6%	1.7%	-0.7%	1.3%	1.4%	1.4%	1.9%	1.8%	-0.5%	-3.3%
	Total	**6.8%**	**10.2%**	**17.0%**	**14.8%**	**10.6%**	**5.7%**	**4.4%**	**2.4%**	**2.2%**	**3.0%**	**2.8%**	**1.6%**	**-0.2%**

Assumptions

Scrapping: Assumed 70% of the vessels that turn 25yrs or more in 2018 will be scrapped. For 2019 and 2020, estimated scrapping of 50% of the vessels of 25yrs age and above

Deliveries: Assumed 70% delivery compliance throughout the estimate period.

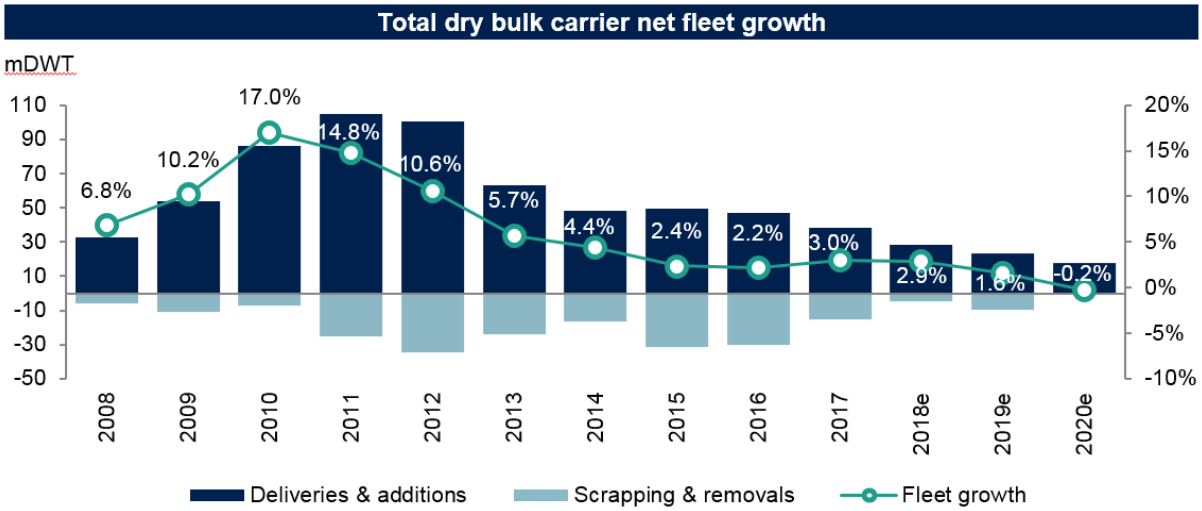
Source: ABGSC Research, based on data from Clarksons (August 2018). Data from Clarksons' database is not publicly available and can only be accessed through a valid account.

The years following the financial crisis were years with significant fleet growth in all segments, due to high contracting activity prior to the crisis. Many deliveries were postponed due to the economic conditions, hence extending the period of high fleet growth. The highest growth rates were observed within the largest vessel types.

In later years, the fleet growth has been far more conservative, contributing to a more balanced supply and demand situation. The high fleet growth in the past decade has resulted in a relatively young fleet of dry bulk carriers, with as much as 74% of the total fleet younger than 10 years.

The strongest indicator of future supply growth is the level of the order book. Currently, the size of the total order book is equal to 10% of the existing fleet on water. This compares to a historical average of 26%, indicating a lower than normal supply growth. For Supramax, the most relevant segment for the Group's activities, the current order book is 6% of the existing fleet, compared to a historical average of 29%.

Net fleet growth can be estimated based on the current order book, assumptions on delivery compliance (i.e. the number of orders that are actually delivered) and scrapping. The graph below illustrates a conservative net fleet growth in the next years, significantly lower than the historically observed levels for the past decade.

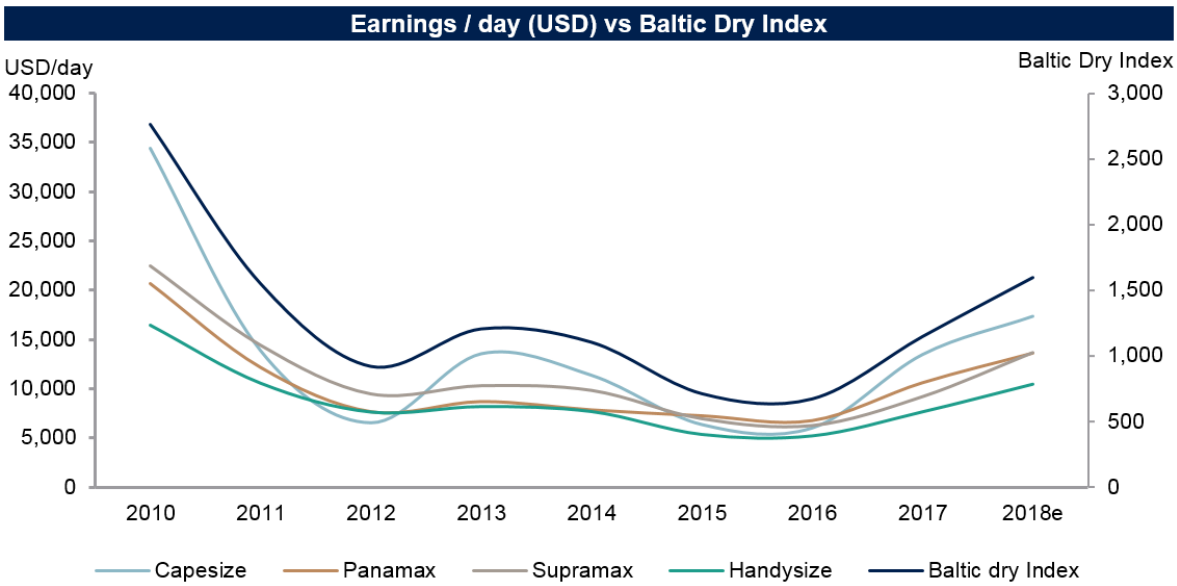


Source: ABGSC Research, based on data from Clarksons (August 2018). Data from Clarksons' database is not publicly available and can only be accessed through a valid account.

7.3 Development in rates

The high fleet growth following the financial crisis had a significant impact on the rate environment for dry bulk carriers. Due to the excess supply and idle capacity in the markets, the earnings dropped significantly. After years of low earnings, the rate environment has gradually started to improve across all segments, with the largest vessels leading the way.

The chart below illustrates the earnings for the different vessel categories, together with the Baltic Dry Index.



Source: ABGSC Research, based on data from Clarksons (August 2018). Data from Clarksons' database is not publicly available and can only be accessed through a valid account.

8 SELECTED FINANCIAL INFORMATION

8.1 Introduction

The tables set out in this Section 8 present selected financial information derived from the Group's audited annual consolidated financial statements (including the notes thereto) as of and for the years ended 31 December 2017, 2016 and 2015 (the "**Financial Statements**") and from the Group's unaudited half-yearly consolidated financial statements as of and for the six months ended 30 June 2018 and 2017 (the "**Interim Financial Statements**" and together with the Financial Statements the "**Financial Information**"). The Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**"), while the Interim Financial Statements have been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" as adopted by the EU ("**IAS 34**").

The historical results of the Group are not necessarily indicative of its results for any future period. For a discussion of certain risks that could impair the business, operating results, financial condition, liquidity and prospects of the Group, see Section 1 "Risk Factors". The following summary of consolidated financial data should be read in conjunction with the other information contained in this Information Memorandum, including the financial statements of the Group and the notes therein, which have been incorporated in this Information Memorandum by reference, see Section 10.4 "Incorporation by reference, cross reference table". For description for applicable accounting policies and explanatory notes, see note 2 to the financial statements for the year ended 31 December 2017. The accounting principles have been applied consistently for the periods presented. With effect from 1 January 2018, the Group implemented IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. Implementation of these standards did not have any impact on the income statement or the statement of financial position.

The Financial Statements have been audited by the Company's auditor Ernst & Young AS as set out in their reports, incorporated hereto by reference, see Section 10.4 "Incorporation by reference, cross reference table". Ernst & Young has not audited, reviewed or produced any report on any other information provided in this Information Memorandum.

The Interim Financial Statements have not been audited.

8.2 Consolidated statement of comprehensive income

The table below sets out selected data from the Group's audited consolidated statement of comprehensive income for the years ended 31 December 2017, 2016 and 2015 and from the Group's unaudited consolidated statement of comprehensive income for the six months periods ended 30 June 2018 and 2017.

In USD thousands	**Six months ended 30 June**		**Year ended 31 December**		
	2018 *(unaudited)*	**2017** *(unaudited)*	**2017** *(audited)*	**2016** *(audited)*	**2015** *(audited)*
Operating income					
Freight income	14,335	10,904	22,646	21,338	17,570
Other operating income	2,118	2,155	4,663	4,077	4,414
Total operating income	**16,453**	**13,059**	**27,309**	**25,415**	**21,984**
Operating expenses					
T/C hire expenses	-2,353	0	0	0	0
Ship operating expenses	-4,104	-4,013	-8,175	-8,197	-5,717
Operating expenses ship management	-1,706	-1,746	-3,371	-3,405	-3,694
Payroll expenses	-	-	-1,678	-1,659	-1,933
Other general administrative expenses	-1,498[1]	-1,262[1]	-815	-874	-767
Total operating expenses	**-9,661**	**-7,021**	**-14,039**	**-14,135**	**-12,111**
Operating result (EBITDA)	**6,792**	**6,038**	**13,270**	**11,280**	**9,873**
Depreciations on ships and other fixed assets	-2,846	-2,263	-4,597	-4,901	-4,686
Reversal/impairment of ships	1,269	0	2,544	-13,823	-31,847
Loss on sale of ship/effect on onerous contracts	0	397	397	-1,463	0
Operating result (EBIT)	**5,215**	**4,172**	**11,614**	**-8,907**	**-26,660**

In USD thousands	Six months ended 30 June		Year ended 31 December		
	2018 *(unaudited)*	**2017** *(unaudited)*	**2017** *(audited)*	**2016** *(audited)*	**2015** *(audited)*
Financial income and expenses					
Interest income	23	13	26	13	29
Interest expenses	-2,121	-2,399	-4,735	-4,833	-2,185
Currency exchange gain/(loss)	-59	-253	114	69	-483
Other financial items	37	38	-361	-761	-674
Net financial items	**-2,120**	**-2,601**	**-4,956**	**-5,512**	**-3,313**
Net result before tax	**3,095**	**1,571**	**6,658**	**-14,419**	**-29,973**
Tax	-83	-85	-294	-174	-177
Net result for the year	**3,012**	**1,486**	**6,364**	**-14,593**	**-30,150**
Hereof non-controlling interests	18	18	60	53	109
Hereof majority interests	2,994	1,468	6,304	-14,646	-30,259
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial gain/(loss) on defined benefit plan	0	0	-6	-39	-23
Total comprehensive income	**3,012**	**1,486**	**6,358**	**-14,632**	**-30,173**
Hereof non-controlling interests	18	18	60	53	109
Hereof majority interests	2,994	1,468	6,298	-14,685	-30,282
Earnings per share (US cent)	6.44	3.17	13.60	-31.18	-64.42
Diluted earnings per share (US cent)	6.44	3.17	13.48	-31.18	-64.42

1 For the six months periods ended 30 June 2018 and 2017 this item is reported as "General and administrative expenses".

8.3 Consolidated statement of financial position

The table below sets out selected data from the Group's audited consolidated statement of financial position for the years ended 31 December 2017, 2016 and 2015 and from the Group's unaudited consolidated statement of financial position for the six months periods ended 30 June 2018 and 2017.

In USD thousands	Six months ended 30 June		Year ended 31 December		
	2018 *(unaudited)*	**2017** *(unaudited)*	**2017** *(audited)*	**2016** *(audited)*	**2015** (audited)
NON CURRENT ASSETS					
Tangible assets					
Ships	89,734	90,810	91,242	93,009	87,730
Newbuilding instalments	-	-	405	0	4,225
Prepaid timecharter hire	0	850	-	1,500	0
Other fixed assets	2,623	2,125	1,832	1,683	1,676
Total fixed assets	**92,357**[1]	**93,785**[1]	**93,479**	**96,192**	**93,631**
Financial fixed assets					
Financial investments	-	-	126	108	151
Other long-term receivables	-	-	122	183	200
Total financial assets	**-**	**-**	**248**	**292**	**351**
Total fixed assets	**92,357**[1]	**93,785**[1]	**93,727**	**96,483**	**93,982**
CURRENT ASSETS					
Trade debtors	-	-	323	91	4
Prepaid timecharter hire	957	650	1,095	-	-

In USD thousands	Six months ended 30 June		Year ended 31 December		
	2018 *(unaudited)*	**2017** *(unaudited)*	**2017** *(audited)*	**2016** *(audited)*	**2015** (audited)
Other receivables	1,887[2]	1,455[2]	1,525	1,120	1,269
Cash and cash equivalents (restricted)	-	-	229	3,203	1,996
Cash and cash equivalents	5,400[3]	7,394[3]	5,230	4,715	5,997
Total current assets	**8,244**	**9,499**	**8,402**	**9,129**	**9,266**
Total assets	**100,601**	**103,284**	**102,129**	**105,612**	**103,248**
EQUITY					
Paid-in capital	43,628	43,625	43,620	43,620	43,588
Retained earnings	-15,166	-22,419	-17,589	-23,887	-9,202
Non-controlling interests	370	429	351	411	445
Total equity	**28,832**	**21,635**	**26,382**	**20,144**	**34,831**
LIABILITIES					
Provision for liabilities					
Pension obligations	504	563	530	648	796
Other long-term liabilities					
Mortgage debt	20,557	28,441	22,999	30,883	35,767
Obligation under finance leases	39,765	41,845	40,816	42,811	21,809
Financial instruments	-	242	8	323	602
Other non current liabilities	1,467[4]	1,427[4]	1,458	1,407	1,407
Total other long-term liabilities	**62,293**	**72,518**	**65,281**	**75,424**	**59,585**
Current liabilities					
Current portion of mortgage debt/lease liability	7,026	6,857	6,940	6,778	5,688
Tax payable	-	-	256	131	121
Public taxes and duties payable	-	-	155	284	301
Trade creditors	-	-	573	256	380
Other short-term liabilities	2,450[5]	9,131[5]	2,011	1,948	1,546
Total current liabilities	**9,476**	**9,131**	**9,936**	**9,396**	**8,036**
Total liabilities	**71,769**	**81,649**	**75,747**	**85,468**	**68,417**
TOTAL EQUITY AND LIABILITIES	**100,601**	**103,284**	**102,129**	**105,612**	**103,248**

1 For the six months ended 30 June 2018 and 2017 financial fixed assets are not reported separately.

2 For the six months ended 30 June 2018 and 2017 items "Trade debtors" and "Other receivables" are reported together in item "Short term receivables".

3 For the six months ended 30 June 2018 and 2017 restricted cash and cash equivalents are not reported as a separate item.

4 For the six months ended 30 June 2018 and 2017 items "Financial instruments" and "Other non current liabilities" are reported together as "Other long term liabilities".

5 For the six months ended 30 June 2018 and 2017 this item comprises items "Tax payable", "Public taxes and duties payable", "Trade creditors" and "Other short-term liabilities".

8.4 Consolidated statement of cash flows

The table below sets out selected data from the Group's audited consolidated statement of cash flows for the years ended 31 December 2017, 2016 and 2015 and from the Group's unaudited consolidated statement of cash flows for the six months periods ended 30 June 2018 and 2017.

In USD thousands	Six months ended 30 June		Year ended 31 December		
	2018 *(unaudited)*	**2017** *(unaudited)*	**2017** *(audited)*	**2016** *(audited)*	**2015** (audited)
CASH FLOW FROM OPERATIONS					
Net result before tax	3,095	1,571	6,658	-14,419	-29,973
Adjustments to reconcile result before tax to net cash flows:					
Loss on sale of ship/effect on onerous contracts	0	-397	-397	1,463	0
Depreciations on fixed assets	2,846	2,263	4,597	4,901	4,686
Reversal/impairment of ships	-1,269	0	-2,544	13,823	31,847
Share-based compensation expense	8	5	0	31	25
Difference between pension expenses and paid pension premium	-28	-102	-171	-210	-205
Net finance costs	2,120	2,601	4,956	5,512	3,313
Working capital adjustments:					
Change in trade debtors and trade creditors	166	92	85	-212	39
Change in other short-term items	-687	-512	-345	-241	-213
Interest received	23	13	26	13	29
Interest paid	-2,121	-2,399	-4,735	-4,833	-2,185
Income tax paid	-95	-42	-137	-118	-41
Net cash flow from operating activities	**4,058**	**3,093**	**7,993**	**5,710**	**7,322**
CASH FLOW FROM INVESTING ACTIVITIES					
Payment on newbuilding	0	0	0	-20,531	-22,615
Sale of ship (net sales amount)	0	0	0	23,637	27,634
Prepayment bareboat hire	0	-	-	0	-6,000
Payment of other investments	-369	-88	-271	-1,923	-1,732
Net cash flow from investing activities	**-369**	**-88**	**-271**	**1,183**	**-2,713**
CASH FLOW FROM FINANCING ACTIVITIES					
Repayment of current debt	-2,992	-3,391	-9,835	-6,491	-5,187
Proceeds from new loan	-	0	-	0	1,423
Dividend paid	-577	-	-	-	-
Paid costs related to financing	-178	-144	-369	-484	-559
Net cash flow from financing activities	**-3,747**	**-3,535**	**-10,204**	**-6,975**	**-4,323**
Net change in cash and cash equivalents during the period	-59	-530	-2,482	-82	286
Cash and cash equivalents at 1 January	5,459	7,918	7,918	7,993	8,064
Change currency NOK deposits	-	6	23	7	-357
Cash and cash equivalents at the end of the period	**5,400**	**7,394**	**5,459**	**7,918**[1]	**7,993**

1 Includes certain restricted cash. See note 15 to the financial statements for the year ended 31 December 2016.

8.5 Consolidated statement of changes in equity

The table below sets out selected data from the Group's audited consolidated statements of changes in equity for the years ended 31 December 2017, 2016 and 2015 and from the Group's consolidated statements of changes in equity for the six months periods ended 30 June 2018 and 2017.

	Majority interests						
	Paid-in						
In USD thousands	**Share capital**	**Treasury shares**	**Share premium reserves**	**Other equity**	**Other equity**	**Non-controlling interest**	**Total 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
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 30 June 2017							
Equity as at 31 December 2016	14,272	-166	13,751	15,763	-23,887	411	20,144
Net result for the period	0	0	0	0	1,468	18	1,486
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income.....	**0**	**0**	**0**	**0**	**1 468**	**18**	**1 486**
Share-based payment expense.....	0	0	0	5	0	0	5
Equity as at 30 June 2017.	**14,272**	**-166**	**13,751**	**15,768**	**-22,419**	**429**	**21,635**
As at 31 December 2017							
Equity as at 31 December 2016	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	0	0	0	0	-6	0	-6
Total comprehensive income.....	**0**	**0**	**0**	**0**	**6,298**	**60**	**6,358**
Share-based payment expense.....	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 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	0	0	0	0	-39	0	-39
Total comprehensive income.....	**0**	**0**	**0**	**0**	**-14,685**	**53**	**-14,632**
Share-based payment 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**
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

In USD thousands	Majority interests					Non-controlling interest	Total equity
	Paid-in						
	Share capital	Treasury shares	Share premium reserves	Other equity	Other equity		
Other comprehensive income	0	0	0	0	-23	0	-23
Total comprehensive income	**0**	**0**	**0**	**0**	**-30,282**	**109**	**-30,173**
Share-based payment 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**

8.6 Segment information

The table below sets out selected data from the Group's audited statements of segment information for the years ended 31 December 2017, 2016 and 2017 and from the Group's statements of segment information for the six months periods ended 30 June 2018 and 2017.

In USD thousands	Dry cargo	Technical management	Administration	Group transactions	Total
1 January – 30 June 2018					
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 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
1 January – 30 June 2017					
Freight revenue	10,678	0	0	226	10,904
Management fees	0	2,370	368	-583	2,155
Operating income	**10,678**	**2,370**	**368**	**-357**	**13,059**
Ship operating expenses	-4,370	0	0	357	-4,013
Operating expenses ship management	0	-1,746	0	0	-1,746
General administrative expenses	-6	0	-1,256	0	-1,262
Operating expenses	**-4,376**	**-1,746**	**-1,256**	**357**	**-7,021**
Operating result (EBITDA)	**6,302**	**624**	**-888**	**0**	**6,038**
Depreciation and amortisation	-2,199	-28	-36	0	-2,263
Effect on onerous contracts	397	0	0	0	397
Operating result (EBIT)	**4,500**	**596**	**-924**	**0**	**4,172**

In USD thousands	Dry cargo	Technical management	Administration	Group transactions	Total
Interest income	0	9	4	0	13
Interest expenses	-2,309	0	-90	0	-2,399
Other financial items	-109	-6	-138	0	-253
Currency gains/(-losses)	-10	-67	115	0	38
Net financial items	**-2,428**	**-64**	**-109**	**0**	**-2,601**
Result before taxes	**2,072**	**532**	**-1,033**	**0**	**1,571**
Taxes	0	-85	0	0	-85
Net result	**2,072**	**447**	**-1,033**	**0**	**1,486**
Hereof non-controlling interests	0	18	0	0	18
Hereof majority interests	2,072	429	-1,033	0	1,468
1 January – 31 December 2017					
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 expenses	-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					
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 expenses	-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**
Effect on onerous contracts	-1,463	0	0	0	-1,463
Depreciations on fixed assets	-4,779	-53	-69	0	-4,901
Reversal of 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

In USD thousands	Dry cargo	Technical management	Administration	Group transactions	Total
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					
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

9 UNAUDITED PRO FORMA FINANCIAL INFORMATION

9.1 Background

On 6 July 2018, Belships announced that the Company's largest shareholder, Sonata, had accepted an offer from Kontrari and Kontrazi (being companies controlled by Frode Teigen and family) relating to a contemplated sale of 14,285,714 shares (30.2%) in the Company from Sonata to Kontrari. The Share Sale is followed by a merger between certain subsidiaries of Kontrari and Kontrazi, and Belships Chartering AS, a wholly-owned subsidiary of Belships, with consideration in Belships shares. The Merger represents a significant gross change for the Company and triggers the preparation of pro forma financial information.

The Lighthouse Companies are holding companies established for the purpose of owning shares in:

- Lighthouse Shipholding, which through its wholly-owned subsidiaries, owns a fleet of five Ultramax size dry bulk carriers delivered between May 2015 and May 2016. Upon completion of the Merger, Belships Chartering will own 100% of the shares in Lighthouse Shipholding;

- Lighthouse Shipholding II which, through its wholly-owned subsidiaries, owns four Supramax dry bulk carriers built in 2006-2007. Subject to completion of the Merger, Belships Chartering will own 100% of the shares in Lighthouse Shipholding II; and

- Lighthouse Navigation, through its subsidiaries and investments in joint ventures, provides commercial management of the vessels in addition to customised transportation services for dry bulk charterers in the handy-size and supramax-size markets. Subject to completion of the Merger, Belships Chartering will own 50.01% of the shares in Lighthouse Navigation.

Belships and Kontrari signed a Merger Plan on 4 October 2018, pursuant to which Belships Chartering assumes the assets, rights and obligations of the Lighthouse Companies against issuance of shares in Belships. The Merger shall be completed as a statutory triangular merger pursuant to and in accordance with Norwegian Law, whereby Belships Chartering will be the surviving company and Belships will keep its name and is assumed to continue to be listed on the Oslo Stock Exchange.

The Company, with reference to applicable accounting framework, assessed that the Merger will constitute a reverse acquisition under IFRS. As such, in accordance with IFRS 3 Business Combination, the Lighthouse Companies will comprise the acquirer for accounting purposes ("**Accounting Acquirer**"), and Belships will comprise the acquiree for accounting purposes ("**Accounting Acquiree**"). Future financial statements of the Group will be prepared based on Belships' accounting principles but as if Lighthouse had acquired Belships, and comparative financial information will be retrospectively adjusted to reflect the continuation of the accounting acquirer's financial statements.

As no consolidated financial statements historically have been prepared for the Lighthouse Companies as a group, no accounting principles under IFRS exist. Consequently, Belships' accounting principles will be applied in the preparation of the financial statements for the merged company.

For the purpose of the presentation of this pro forma financial information, the Lighthouse Companies are considered to be under common control of Kontrari and Kontrazi. Consequently, the financial information for the Lighthouse Companies are accounted for based on continuity.

The unaudited pro forma condensed financial information has been prepared upon the assumption that the Merger has been completed. The completion of the Merger is conditional upon satisfaction of a number of closing conditions, including but not limited to the following:

- the approval of the Merger by the general meetings;

- consents from third parties and regulatory approvals being given;

- the conditions for a continued listing of Belships are likely to be fulfilled;

- expiry of the creditor notice period;

- no material adverse change shall have occurred;

- the completion of the Share Sale and the statement from the Oslo Stock Exchange dated 28 September 2018, stating that a mandatory offer obligation will not be imposed as a consequence of the Merger, has not been withdrawn or amended; and

- no legal steps to challenge the statement from the Oslo Stock Exchange have been taken.

The completion of the Merger and the issuance of the Consideration Shares are expected to take place shortly after the expiry of the creditor notice period, i.e. in the second half of December 2018, subject to the abovementioned conditions being fulfilled.

9.2 Cautionary note regarding the unaudited pro forma financial information

The unaudited pro forma condensed financial information has been prepared for illustrative purposes only, in order to show how the Merger might have affected Belships consolidated statements of comprehensive income for 2017 as if the Merger occurred on 1 January 2017, and the consolidated statement of financial position as of 31 December 2017, as if the Merger occurred at that date.

Because of its nature, the unaudited pro forma condensed financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results if the Merger had in fact occurred on the dates mentioned above and is not representative of the results of operations for any future periods. Investors are cautioned not to place undue reliance on this unaudited pro forma condensed financial information. The unaudited pro forma condensed financial information does not include all of the information required for financial statements under the IFRS and should be read in conjunction with the consolidated financial statements of Belships for the year ended 31 December 2017.

The unaudited pro forma condensed financial information has been compiled to comply with the requirements in section 3.5.2.6 of the Continuing Obligations issued by the Oslo Stock Exchange.

The unaudited pro forma condensed financial information has been prepared in accordance with Annex II of Regulation (EC) 809/2004. This information is not in compliance with SEC Regulation S-X, and had the securities been registered under the U.S. Securities Act of 1933, this unaudited pro forma condensed financial information, including the report by the auditor, would have been amended and/or removed from the Information Memorandum.

9.3 Independent assurance report on the unaudited pro forma financial information

With respect to the unaudited pro forma condensed financial information, EY has applied assurance procedures in accordance with International Standards on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of pro forma financial information included in an Information Memorandum, in order to express an opinion as to whether the unaudited pro forma condensed financial information has been properly compiled on the basis stated, and that such basis is consistent with the accounting policies of the Group. EY's report is included as Appendix C "Independent Assurance Report on the Unaudited Pro Forma Financial Information."

9.4 Basis for the unaudited condensed pro forma financial information

The unaudited pro forma condensed financial information has been prepared in a manner consistent with the accounting principles applied in the audited 2017 financial statement of Belships. Belships will not adopt any new policies in 2018 as a result of the Merger or otherwise, with the exception of IFRS 15, Revenue from Contracts with Customers which was adopted on 1 January 2018. Please refer to the financial statements for 2017 for a description of the accounting policies.

As the main part of Belships' revenue is freight income on time charter contracts, IFRS 15 will not have any impact on revenue recognition or the consolidated statement of comprehensive income. The impact of implementing IFRS 15 on the Lighthouse Companies is not yet fully assessed.

The unaudited pro forma condensed financial information has been compiled based on:

- The audited 2017 annual financial statements of Belships, prepared in accordance with the IFRS as adopted by the European Union and incorporated into this Information Memorandum by reference, see Section 10.4 "Incorporation by reference, cross reference table";

- The audited 2017 annual consolidated financial statements of Lighthouse Shipholding and Lighthouse Shipholding II prepared in accordance with the Norwegian Accounting Act and NGAAP and included in the Information Memorandum in Appendix D; and

- The audited 2017 annual consolidated financial statements of Lighthouse Navigation prepared in accordance with Financial Reporting Standards in Singapore ("**FRS**") and included in the Information Memorandum in Appendix D.

The historical financial information of the Lighthouse Companies has for the purpose of the unaudited pro forma condensed financial information been converted to IFRS. Further, no consolidated financial information has historically been prepared for the Lighthouse Companies. For the purpose of the pro forma condensed financial information, these entities are consolidated. See Section 9.5 "Purchase price allocation" with belonging notes for IFRS adjustments and pro forma consolidation adjustments.

The unaudited pro forma condensed financial information is presented in USD, which is the functional and the presentation currency of Belships and the Lighthouse Companies. The unaudited pro forma condensed financial information has been prepared under the assumption of going concern.

9.5 Purchase price allocation

The unaudited pro forma condensed financial information also includes certain management assumptions and adjustments, which would not necessarily have been applied for an actual financial consolidation for the same periods.

The Merger is considered to constitute a reverse acquisition. As a result, management has for the purpose of the unaudited pro forma condensed financial information performed a preliminary purchase price allocation ("**PPA**") on Belships as the Accounting Acquiree, where the assets, liabilities and contingent liabilities/obligations of Belships are recorded at fair value.

For the purpose of the PPA, the purchase price (the fair value of the consideration transferred) has been calculated based on the quoted market price of the Belships Share as at 3 October 2018 and the agreed relative valuation of Belships and the Lighthouse Companies. This allocation has formed the basis for the amortisation and depreciation charges in the unaudited pro forma condensed statement of comprehensive income and the presentation in the unaudited pro forma condensed statement of financial position. In the preliminary PPA, the fair value of the consideration has been allocated to the identifiable assets, liabilities and contingent liabilities of Belships.

The fair value of the consideration transferred is currently based on the quoted market price of Belships as at 3 October 2018 and will be updated using the quoted market price as at the date of the completion of the Merger. The excess/less values identified in this preliminary PPA may change when further and more complete information regarding the assets and liabilities acquired is available. The values allocated to the identified tangible and intangible assets and liabilities may change in the final PPA.

Based on the preliminary PPA, assuming the completion of the Merger on the transaction date, the fair value of the Accounting Acquiree is as follows:

Fair value of the consideration transferred – *NOK thousands*	260,436
Fair value of the consideration transferred – *USD thousands*	31,845
Fair value of net identifiable assets (*USD thousand*)	
Book value of equity (30 June 2018)	28,832
Fair value adjustment vessels	1,266
Fair value adjustment vessel contracts	6,734
Goodwill	2,670
Transaction costs	-1,800
Total fair value of assets acquired and liabilities assumed	37,702
Total equity consideration	31,845
Bargain purchase gain	**-5,857**

9.6 Unaudited pro forma condensed statement of comprehensive income

The table below sets out Belships' unaudited pro forma condensed statement of comprehensive income for the year ended 31 December 2017, as if the Merger had taken place at 1 January 2017.

Condensed statement of comprehensive income 2017

USD thousands	**Belships ASA Consolidated** *(audited)*	**Lighthouse Shipholding AS Consolidated** *(NGAAP)*	**Lighthouse Shipholding II AS Consolidated** *(NGAAP)*	**Lighthouse Navigation Pte. Ltd. Consolidated** *(IFRS)*	**IFRS adjustments** *(unaudited)*	**Notes to IFRS adjustments**	**Pro forma consolidation adjustments** *(unaudited)*	**Notes to pro forma consolidation adjustments**	**Pro forma adjustments** *(unaudited)*	**Notes to pro forma adjustments**	**Pro forma** *(unaudited)*
Freight revenue	22,646	21,050	7,949	96,754	-114	1	2,947	**1, 2**	-3,940	1	147,292
Management fees	4,663	-	-	-	-		-				4,663
Operating income	**27,309**	**21,050**	**7,949**	**96,754**	**-114**		**2,947**		**-3,940**		**151,955**
Ship operating expenses	-8,175	-11,063	-6,808	-93,045	-		-		-		-119,409
Operating expenses ship management	-3,371	-	-	-	-		-		-		-3,371
Payroll expenses	-1,678	-182	-	-	-		-		-		-1,860
Other general and administrative expenses	-815	-	-	-3,287	-		-1,915	1,2	-2,200	2	-8,217
Operating expenses	**-14,039**	**-11,245**	**-6,808**	**-96,332**	**-**		**-1,915**		**-2,200**		**-132,539**
					-						
Operating result (EBITDA)	**13,270**	**9,805**	**1,141**	**422**	**-114**		**1,032**		**-6,140**		**19,417**
Depreciation and amortisation	-4,597	-4,726	-597	-7	-		-		-56	1	-9,983
Reversal/impairment of ships	2,544	9,474	-	-	-		-		-		12,018
Effect of onerous contracts	397	-	-	-	-		-		-		397
Purchase bargain gain	-	-	-	-	-		-		5,857	3	5,857
Operating result (EBIT)	**11,614**	**14,553**	**544**	**416**	**-114**		**1,032**		**-339**		**27,706**
Interest income	26	0	0	-	-		2	2	-		28
Share of profit of associated companies	-	-	-	658	-		-658	2			-
Share of profit from joint ventures	-	-	-	2,215	-		-				2,215
Other financial income	-	6	3	-	-		7	2			16
Interest expenses	-4,735	-2,949	0	-	-		-		-		-7,684
Currency gains/(-losses)	114	-	-	-	-		-		-		114
Other financial items	-361	-10	-1	-	-		-		-		-372
Net financial items	**-4,956**	**-2,953**	**2**	**2,873**	**-**		**-649**		**-**		**-5,683**
Net result before taxes	**6,658**	**11,600**	**546**	**3,288**	**-114**		**383**		**-339**		**22,023**

Taxes	-294	-64	-18	-	-		-264	2	-	4	-640
Net result for the year	**6,364**	**11,537**	**528**	**3,288**	**-114**		**119**		**-339**		**21,383**
Other comprehensive income											
Actuarial gain/(loss) on defined benefit plans	-6	-	-	-	-		-		-		-6
Total comprehensive income	**6,358**	**11,537**	**528**	**3,288**	**-114**		**119**		**-339**		**21,377**

The notes to the unaudited pro forma statement of condensed comprehensive income are an integral part of the unaudited pro forma condensed financial information.

Notes to the unaudited pro forma condensed statement of comprehensive income – IFRS adjustments

Note 1

IFRS adjustments Lighthouse Navigation

This IFRS adjustment of USD 114,000 on "Freight revenue", relates to different interpretation of calculation of percentage of completion on open voyages as of 31 December 2017. This will have continuing impact.

Notes to the unaudited pro forma condensed statement of comprehensive income – Pro forma consolidation adjustments

Lighthouse Shipholding, Lighthouse Shipholding II and Lighthouse Navigation are assessed to be entities under common control of Kontrari and Kontrazi. However, no consolidated financial statements have been prepared historically. The adjustments are done to reflect how the consolidated statements of comprehensive income for 2017 and the consolidated statement of financial position as of 31 December 2017 had been, if historical consolidated financial information had been prepared.

Note 1

The following adjustments represent elimination of intercompany transactions between the Lighthouse Companies. The adjustment will have continuing impact.

Figures in USD thousand	
Reduced revenue	-1,641
Reduced operating expense	-1,641
Net	**-**

Note 2

Under IFRS, it is assessed that Lighthouse Navigation has control over two entities previously accounted for under the equity method in accordance with FRS. Further, one investment accounted for as "Available for Sale" should have been recorded for under the equity method. The adjustments below relate to the consolidation of these entities in addition to elimination of the previously recorded share of net income under the equity method. The consolidated profit and loss items from the three investments are based on reported figures for the entities for 2017. The following table summarises the adjustments in statement of comprehensive income related to the consolidation of the investments:

Figures in USD thousand	
Increased revenue	4,588
Increased other general and administrative expenses	3,556
Net financial items (expense)	-649
Increased tax expense	264
Total impact profit and loss (-)	**119**

The adjustments will have continuing impact.

Notes to the unaudited pro forma condensed statement of comprehensive income – pro forma adjustments

Note 1 – Depreciation and amortisation

Ships

The annual depreciation of the vessels has been adjusted to reflect the excess values described in note 3 to the unaudited pro forma condensed statement of financial position. The excess values have been depreciated over the remaining useful life, less the estimated residual value. The net adjustment of USD 56,000 made to depreciation and amortisation reflects depreciation of the excess values. The adjustment will have continuing impact.

Charter contracts

The excess value on the time charter contracts has been amortised over the remaining contractual periods, which is between 2 and 11 years starting from 1 January 2017, and recognised as a reduction in freight revenue with USD 6,356,000.

The identified loss contracts has been amortised over the remaining contractual periods, which is between 1 and 8 years starting from 1 January 2017, and recognised as an increase on freight revenue with USD 2,416,000.

The net of the adjustments above has reduced the freight revenue by USD 3,940,000. The adjustments will have continuing impact.

Note 2

Other general and administrative expenses

The USD 2,200,000 adjustment in the item "Other general and administrative expenses" reflects estimated transaction cost, which has to be expensed in accordance with IFRS 3. The adjustment will not have continuing impact.

Note 3

Bargain purchase gain

As the fair value of consideration transferred is less than the fair value of net identifiable assets, the Merger constitutes a bargain purchase gain. According to IFRS 3, the management has reassessed the valuation of the assets acquired and the liabilities assumed and concluded that the values constitute the best estimate available, and consequently, a bargain purchase gain amounting to USD 5,857,000 is concluded to exist. As described above, the PPA presented in the pro forma financial information is preliminary, and the final PPA may change significantly at the transaction date. One argument that a bargain purchase exists is the very low trade volume in the Belships Share (liquidity discount) due to a controlling shareholder. The value of the acquired net assets is supported by negotiated pricing between independent, willing and well-informed parties. None of the parties involved in the Merger are in a distressed financial situation. The most important part of the net identifiable assets is the value of ships, which is supported by three independent broker estimates and second hand transactions for similar ships involving non-distressed parties. Further, fair value of the contracts is supported by external observable market rates that have been compared with the fixed charter rates in the customer contract. The adjustment will not have continuing impact.

Note 4

Taxes

Belships' ships and belonging charters are owned and operated partly by Belships in Singapore and in Norway. In Singapore, the operation is under the tonnage tax regime, while in Norway, Belships has significant unrecorded tax losses carried forward. Accordingly, no tax effect is recorded. This will have continuing impact.

9.7 Unaudited pro forma condensed statement of financial position

The table below sets out Belships' unaudited pro forma condensed statement of financial position as of 31 December 2017 as if the Merger had occurred on that date.

Condensed statement of financial position 31 December 2017

USD thousands	**Belships ASA Consolidated** *(audited)*	**Lighthouse Shipholding AS Consolidated** *(NGAAP)*	**Lighthouse Shipholding II AS Consolidated** *(NGAAP)*	**Lighthouse Navigation Pte. Ltd. Consolidated** *(IFRS)*	**IFRS adjustments** *(unaudited)*	**Notes to IFRS adjustments**	**Pro forma consolidation adjustments** *(unaudited)*	**Notes to pro forma consolidation adjustments**	**Pro forma adjustments** *(unaudited)*	**Notes to pro forma adjustments**	**Pro forma** *(unaudited)*
ASSETS											
Goodwill	-	-	-	-	-		-		2,670	2	2,670
Intangible assets	-	-	-	7	-		-		11,365	3	11,407
Ships	91,242	115,305	10,427	-	-		34	2	1,266	1	218,239
Prepaid time charter hire	405	-	-	-	-		-		-		405
Other fixed assets	2,080	24	-	-	-		243	2	-		2,347
Investments in associated companies	-	-	-	5,039	-		-5,039	2	-		-0
Investments in joint ventures	-	-	-	2,149	-		-		-		2,149
Available-for-sale financial assets	-	-	-	494	-		-494	2	-		-
Restricted cash	-	-	-	-	-		214	2	-		214
Total non-current assets	**93,727**	**115,329**	**10,427**	**7,689**	**-**		**-5,042**		**15,301**		**237,431**
Inventories	-	-	-	2,043	-		-		-		2,043
Accounts receivables	-	261	549	8,369	-		1,753	1, 2	-		10,933
Group receivables	-	-	-	4,103	-		-3,179	1	-		924
Other receivables	-	1,559	2,506	311	-		14	2	-		4,390
Short term receivables	1,848	-	-	-	-		-		-		1,848
Prepaid time charter hire	1,095	-	-	-	-		-		-		1,095
Cash and cash equivalents	5,459	5,643	2,472	4,365	-		2,210	2	-		20,149
Total current assets	**8,402**	**7,463**	**5,527**	**19,191**	**-**		**798**		**-**		**41,382**
Total assets	**102,129**	**122,792**	**15,954**	**26,880**	**-**		**-4,243**		**15,301**		**278,813**
EQUITY AND LIABILITIES					-						
Paid-in capital	43,620	27,598	10,976	5,389	-		-4,389	2	3,470	4	86,664
Other paid in equity	-	-	-	-	-		-		35,500	5	35,500
Retained earnings	-17,589	-7,766	290	11,286	-114		-225	2	4,999	4	-9,120
Non-controlling interests	351	-	-	-	-		1,032	2	-		1,383

Total equity	**26,382**	19,832	11,266	16,675	-114	1	-3,583		43,969		114,427
Mortgage debt.....	22,999	66,00	-	-	-		-		-		88,999
Bareboat commitment.....	40,816	-	-	-	-		-		-		40,816
Pension obligation.....	530	-	-	-	-		-		-		530
Other long term liabilities	1,466	35,575	4,000	-	-		3,035	1, 2	-33,284	3, 5	4,722
Total non-current liabilities..	**65,811**	**101,575**	**4,000**	**-**	**-**		**-3,035**		**33,284**		**135,067**
Mortgage debt.....	5,000	**-**	**-**	**-**	**-**		**-**		**-**		5,000
Bareboat commitment.....	1,940	-	-	-	-		-		-		1,940
Other short term liabilities	2,996	1,385	688	10,205	114	1	2,375	1, 2	4,616	3, 6	22,379
Total current liabilities	**9,936**	**1,385**	**688**	**10,205**	**114**		**2,375**		**4,616**		**29,319**
Total liabilities.....	**75,747**	**102,960**	**4,688**	**10,205**	**114**		**-661**		**-28,668**		**164,386**
Total equity and liabilities ...	**102,129**	**122,792**	**15,954**	**26,880**	**-**		**-4,243**		**15,301**		**278,813**

The notes to the unaudited pro forma condensed statement of financial position adjustments are an integral part of the unaudited pro forma statement of financial position.

Notes to the unaudited pro forma condensed statement of financial position – IFRS adjustments

Note 1

IFRS adjustments Lighthouse Navigation

Reduction in equity and increase in other short-term liabilities of USD 114,000 due to different interpretation of calculation of percentage of completion on open voyages as of 31 December 2017, see note 1 – IFRS adjustments to the unaudited pro forma condensed statement of comprehensive income.

Notes to the unaudited pro forma condensed statement of financial position – Consolidation adjustments

Lighthouse Shipholding, Lighthouse Shipholding II and Lighthouse Navigation are assessed to be entities under common control of Kontrari and Kontrazi. However, no consolidated financial statements have been prepared historically. The adjustments are done to reflect how the consolidated statements of comprehensive income for 2017 and the consolidated statement of financial position as of 31 December 2017 had been, if historical consolidated financial information had been prepared.

Note 1

Adjustments to eliminate intercompany balances in Lighthouse companies:

Figures in USD thousand	
Reduced accounts receivables	-57
Reduced short term receivables	-3,179
Reduced trade creditors	-57
Reduced long term payables	-3,179
Net	-

Note 2

Under IFRS, it is assessed that Lighthouse Navigation has control over two entities previously accounted for under the equity method in accordance with FRS. Further, one investment accounted for as "Available for Sale" should have been recorded for under the equity method. The adjustments below relate to the consolidation of these entities in addition to elimination of the previously recorded profit/loss from investments under the equity method. The consolidated assets and liabilities from the three investments are based on reported figures (book values) for the entities as of 31 December 2017. The following summarize the adjustments to statement of financial position related to the consolidation of the investments:

Figures in USD thousand	
Increased intangible assets	34
Increased other fixed assets	243
Increased restricted cash	214
Increased accounts receivables	1,810
Increased other receivables	14
Increased cash	2,210
Gross increase assets	4,525
Reduced investment in associated companies	-5,533
Total impact assets (reduction)	**-1,007**
Increased other non-current liabilities	143
Increased current liabilities	2,432
Total impact liabilities (increase)	**2,575**
Total impact equity (reduction)	**-3,583**

Notes to the unaudited pro forma condensed statement of financial position – pro forma adjustments

Note 1

The fair value of the acquired ships has been evaluated by Belships in the preliminary PPA. Consequently, the book value of the ships has been increased by USD 1,266,000. The adjustment is based on analysis and evaluations made by Belships. See note 1 to the unaudited pro forma consolidated condensed statement of comprehensive income

Note 2

Goodwill of USD 2,670,000 reflects the value of the companies ship management and crewing activity. The fair value was set based on a multiple on normalised earnings.

Note 3

For charter contracts where agreed rates are above current market rate, a contract value of USD 11,365,000 is recorded as an intangible asset, while unfavourable charter value is USD 4,632,000, of which USD 2,416,000 is reflected under "Other short term liabilities" and USD 2,216,000 is reflected under "Other long term liabilities". See note 3. Net positive value of several charter contracts in the amount of 6,730,000 is identified in the preliminary PPA. See note 3 to the unaudited pro forma consolidated condensed statement of comprehensive income for a description of how the fair value adjustment have been calculated. These will be amortised linearly over the charter period.

Note 4

The assumed assets, rights and obligation of the Lighthouse Companies will be contributed to Belships as part of the Merger, against Consideration Shares. Since the Merger is a reverse acquisition, the book value of the equity in the Lighthouse Companies (controlling interest) will equal to the increase in paid in capital in the Company.

In USD thousand	
Merger contribution (controlling interest)	43,044
Paid in capital Lighthouse companies	-39,574
Pro forma adjustment paid in capital	**3,470**

Of the capital increase, USD 31,245,000 will be recorded as increase of share capital, and USD 11,799,000 as other paid in capital. Total number of shares to be issued is 127,765,993.

In USD thousand	
Excess value Ships (note 1)	1,266
Goodwill (note 2)	2,670
Excess value contracts (note 3)	11,365
Negative value contracts (note 3)	-4,632
Transaction costs (note 5)	-2,200
Reclassification to paid in capital (note 4)	-3,470
Total pro forma adjustments retained earnings	**4,999**

Lighthouse Shipholding and Lighthouse Shipholding II have shareholder loans of USD 33,000,000 and USD 2,500,000, respectively after repayments and conversion in 2018 of USD 4,075,000 in total. Prior to completion of the Merger, the shares in the Lighthouse companies and the shareholder loans will be contributed into the four newly established Holdco's, see Section 3.4g). These Holdco's will be merged with Belships Chartering. As a result, the shareholder loans will become intercompany loans and are therefore eliminated as a pro forma adjustment with the following effect:

Figures in USD thousand	**Lighthouse Shipholding AS**	**Lighthouse Shipholding II AS**	**Total**
Decreased long term debt	-33,000	-2,500	-35,500
Increased other paid in capital	33,000	2,500	35,500

Note 6

The pro forma adjustment of USD 4,616,000 relates to USD 2,200,000 in transaction costs (as described in note 3 to the unaudited pro forma consolidated condensed statement of comprehensive income) and USD 2,416,000 in negative current value of charter contracts (see note 3 above).

10 ADDITIONAL INFORMATION

10.1 Documents on display

Copies of the following documents will be available for inspection at the Company's offices at Lilleakerveien 4, 0283 Oslo, Norway, during normal business hours from Monday to Friday every week (except public holidays) and on the Company's website (www.belships.com) for a period of twelve months from the date of this Information Memorandum:

- The Company's and the Lighthouse Companies' certificate of incorporation and articles of association;
- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's or Lighthouse's request any part of which is included or referred to in this Information Memorandum;
- The historical financial information of the Company and Lighthouse and their subsidiary undertakings for the three financial years preceding the publication of this Information Memorandum; and
- This Information Memorandum.

10.2 Sources of industry and market data

The information in this Information Memorandum that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

10.3 Cautionary note regarding forward-looking statements

This Information Memorandum contains forward-looking statements, including, without limitation, projections and expectations regarding the Company's and Lighthouse's future financial position, business strategy, plans and objectives. When used in this document, the words "anticipate", "believe", "estimate", "expect", "seek to", "may", "plan" and similar expressions, as they relate to the Company and Lighthouse, their subsidiaries or their management, are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company and the Lighthouse Companies and their subsidiaries, or, as the case may be, the industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's and Lighthouse's present and future business strategies and the environment in which the Company and the Lighthouse Companies and their subsidiaries will operate. Factors that could cause the Company's and Lighthouse' actual results, performance or achievements to materially differ from those in the forward-looking statements include but are not limited to:

- the competitive nature of the markets in which the Company and Lighthouse and their subsidiaries operate;
- global and regional economic conditions;
- government regulations;
- changes in political events; and
- force majeure events.

Some important factors that could cause actual results to differ materially from those in the forward-looking statements are, in certain instances, included with such forward-looking statements and in Section 1 "Risk Factors" in this Information Memorandum. Any forward-looking statements contained in this Information Memorandum should not be relied upon as predictions of future events.

Readers are cautioned not to place undue reliance on the forward-looking statements contained in this Information Memorandum, which represent the best judgement of the Company's management as of the date of this Information Memorandum. Except as required by applicable law, the Company does not undertake responsibility to update these forward-looking statements, whether as a result of new information, future events

or otherwise. Readers are advised, however, to consult any further public disclosures made by the Company and/or Lighthouse.

10.4 Incorporation by reference, cross reference table

The Norwegian Securities Trading Act and the Norwegian Securities Trading Regulations, implementing Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, allow the Company to incorporate by reference information into this Information Memorandum that has been previously filed with Oslo Børs or the Norwegian Financial Supervisory Authority in other documents. The Company's consolidated financial statements as of and for the years ended 31 December 2017, 2016 and 2015 and the audit reports in respect of these Financial Statements, as well as the consolidated interim financial statements for the six months periods ended 2018 and 2017, are by this reference incorporated as a part of this Information Memorandum. Accordingly, this Information Memorandum is to be read in conjunction with these documents.

10.4.1 Cross reference table

The information incorporated by reference in this Information Memorandum should be read in connection with the following cross reference table. References in the table to "Annex" and "Items" are references to the disclosure requirements as set forth in the Norwegian Securities Trading Act cf. the Norwegian Securities Trading Regulations by reference to such Annex (and Item therein) of Commission Regulation (EC) no. 809/2004.

Section in the Information Memorandum	Disclosure requirement	Reference document and link	Page (P) in reference document
Section 8	Audited historical financial information (Annex XXIII, section 15.1 and 15.3)	**Financial statements 2017:** https://newsweb.oslobors.no/message/447646	P 7 - 41
		Financial statements 2016: https://newsweb.oslobors.no/message/423219	P 7 - 41
		Financial statements 2015: https://newsweb.oslobors.no/message/398296	P 7 - 41
Section 8	Auditing of historical annual financial information (Annex XXIII, section 15.4)	**Auditor's report 2017:** https://newsweb.oslobors.no/message/447646	P 66 – 69
		Auditor's report 2016: https://newsweb.oslobors.no/message/423219	P 66 – 69
		Auditor's report 2015: https://newsweb.oslobors.no/message/398296	P 64 - 65
Section 8	Interim and other financial information (Annex XXIII, section 15.6)	**Interim report H1 2018:** https://newsweb.oslobors.no/message/457994	P 5 - 12

11 DEFINITIONS AND GLOSSARY

In the Information Memorandum, the following defined terms have the following meanings:

Accounting Acquiree	Belships.
Accounting Acquirer	The Lighthouse Companies.
Belships or Company	Belships ASA.
Belships Chartering	Belships Chartering AS.
Belships Shares	The shares in the Company.
Board of Directors	The board of directors of the Company.
Cargill	Cargill International S.A.
Consideration Shares	The shares issued by Belships as consideration to the shareholders of the Lighthouse Companies.
Continuing Obligations	The Continuing Obligations for Stock Exchange Listed Companies.
Corporate Governance Code	Norwegian Code of Practice for Corporate Governance published on 30 October 2014 by the Norwegian Corporate Governance Board.
EU	The European Union.
EY	Ernst & Young AS, the Company's auditor.
Fearnleys	Fearnleys AS.
Financial Information	The Financial Statements and the Interim Financial Statements, jointly.
Financial Statements	The Group's annual consolidated financial statements for the years ended 31 December 2017, 2016 and 2015.
FRS	Singapore Financial Reporting Standards.
GDP	Gross domestic product.
Group	The Company and its subsidiaries, jointly.
IAS 34	International Accounting Standard 34, "Interim Financial Reporting".
IFRS	International Financial Reporting Standards.
IMO	ISM Code Rules and regulations adopted by the International Maritime Organisation.
Information Memorandum	This information memorandum dated 22 October 2018.
Interim Financial Statements	The Group's half-yearly unaudited financial statements for the six months ended 30 June 2018 and 2017.
Kontrari	Kontrari AS.
Kontrazi	Kontrazi AS.
Lighthouse	The Lighthouse Companies, the Lighthouse Shipholding Group, the Lighthouse Shipholding II Group and the Lighthouse Navigation Group, jointly.
Lighthouse Companies	LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS and LNH Holdco 2 AS.
Lighthouse Navigation	Lighthouse Navigation Pte. Ltd.
Lighthouse Navigation Group	Lighthouse Navigation Pte. Ltd. and its subsidiaries and joint ventures.
Lighthouse Shares	The shares in the Lighthouse Companies.
Lighthouse Shipholding	Lighthouse Shipholding AS.
Lighthouse Shipholding II	Lighthouse Shipholding II AS.
Lighthouse Shipholding Group	Lighthouse Shipholding and its subsidiaries.
Lighthouse Shipholding II Group	Lighthouse Shipholding II and its subsidiaries.
Lighthouse Subsidiaries	The Lighthouse Shipholding Group, the Lighthouse Shipholding II Group and the Lighthouse Navigation Group, jointly.
Merger	the merger of the Company with the Lighthouse Companies, whereby the Lighthouse Companies will be merged into the Company.
Merger Plan	The merger plan entered into by the boards of directors of the Company and the Lighthouse Companies.
NGAAP	Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway.
NIBD	Net interest-bearing debt.
Norwegian Public Limited Liability Companies Act	The Norwegian Public Limited Liability Companies Act of 13 June 1997 No. 45.
Norwegian Taxation Act	The Norwegian Act of 26 March 1999 No. 14 relating to the Taxation of Net Wealth and Income.
Oslo Stock Exchange	Oslo Børs ASA.
PMI	Purchase Manager Index.
PPA	Preliminary purchase price allocation.
Share Sale	The acquisition by Kontrari of 14,285,714 shares in the Company from Sonata AS.
Siam Thara Agency	Siam Thara Agency Co., Ltd.
Sonata	Sonata AS.
SOx	Sulphur oxides.
Sub-option A	The first exercise alternative under the CEO's share option plan.
Sub-option B	The second exercise alternative under the CEO's share option plan.

The Norwegian Register of Business Enterprises	Foretaksregisteret.
U.S. Securities Act	The United States Securities Act of 1933, as amended.
VPS.....	Verdipapirsentralen.

BELSHIPS ASA

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www.belships.com

APPENDIX A

THE MERGER PLAN

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

INNHOLD

Side

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Bilag 1	Vedtekter for LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS før fusjon
Bilag 2	Vedtekter for Belships Chartering AS før fusjonen
Bilag 3	Vedtekter for Belships Chartering AS etter fusjonen
Bilag 4	Vedtekter for Belships ASA før fusjon
Bilag 5	Vedtekter for Belships ASA etter fusjonen
Bilag 6	Belships ASAs årsregnskap, årsberetning og revisjonsberetning for regnskapsårene 2017, 2016 og 2015
Bilag 7	Belships Chartering AS' årsregnskap, årsberetning og revisjonsberetning for regnskapsårene 2017, 2016 og 2015
Bilag 8	Stiftelsesdokumenter for LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS og LHN Holdco 2 AS
Bilag 9	Mellombalanser for LHS Holdco AS (per 6. september 2018), LHS Holdco II AS (per 6. september 2018), LHN Holdco 1 AS (per 30. august 2018), LHN Holdco 2 AS (per 3. september 2018) og Belships Chartering AS, samt halvårsrapport for Belships ASA
Bilag 10	Revisors bekreftelse av mellombalanser
Bilag 11	Verdivurderingsrapporter for flåtene
Bilag 12	Skriftlig bekreftelse fra Lighthouse-selskapene om restruktureringen

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 fusjoneres 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 godkjennelse 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. Verdsettelsen 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 taksere Belships-flåten som et ledd i forberedelsene til transaksjonen. Deretter engasjerte også Kontrari Fearnleys til å taksere 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 mindreverdien 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 multippel 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, utstede 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

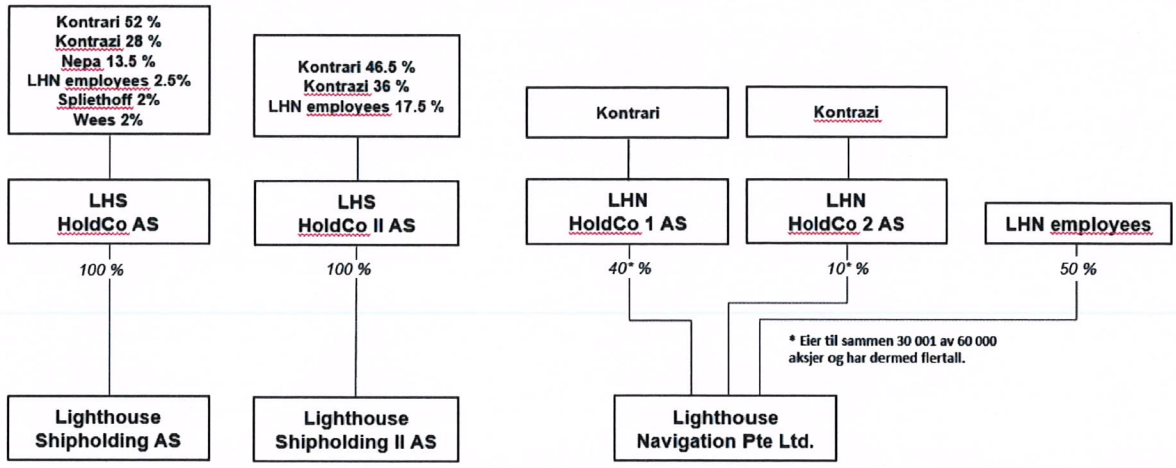
Basert på ovennevnte vil bytteforholdet for hver av de selskapene som deltar i fusjonen være som følger:

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**"):

(i) Utestående lån mellom Lighthouse Shipholding AS og Lighthouse Shipholding II AS og deres aksjonærer skal konverteres til egenkapital;

(ii) 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;

(iii) Etablering av holdingselskapene LHN Holdco 1 AS og LHN Holdco 2 AS over LHN ved hjelp av drop-down-fisjoner; og

(iv) 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 SELSKAPSRETTSLIGE 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, godkjennes. 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 tilsvarer 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 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, 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 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, 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 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, 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 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, 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 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,

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 SELSKAPSRETTSLIG 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 inntrer 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 Parters 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

Sverre Jørgen Tidemand

Christian Rytter

Kjersti Ringdal

Sissel Grefsrud

Carl Erik Steen

Bilag 1

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.

§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 6

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

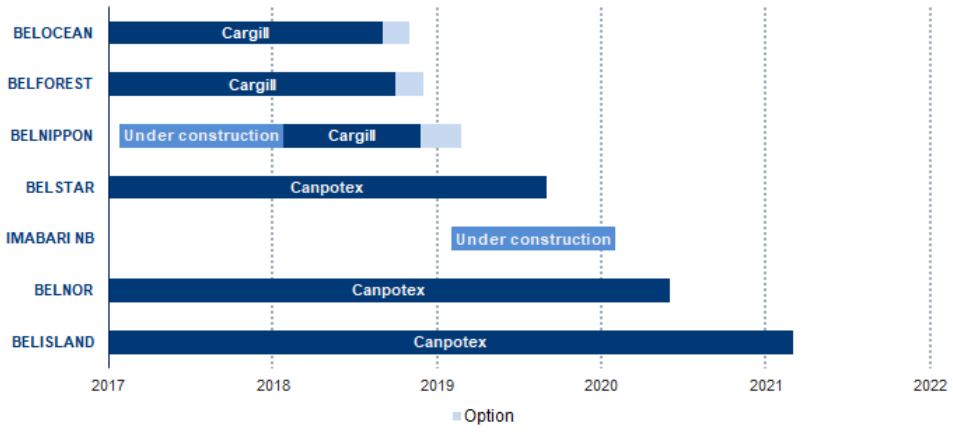
USD 1 000		2017	2016
Operating income		27 309	25 415
EBITDA		13 270	11 280
Operating result (EBIT)		11 614	-8 907
Net result for the year		6 364	-14 593
Total assets		102 129	105 612
Equity		26 382	20 144
Equity per share	NOK	4.62	3.71
Interest coverage ratio		2.45	-1.84
Current ratio	%	84.56	97.16
Equity 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 Belocean 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 it's 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			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
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

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 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 debitors 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

		Majority interests						
		Paid-in						
USD 1000	Note	Share capital	Treasury shares	Share premium reserves	Other equity	Other equity	Non-controlling interest	Total 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.

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 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 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 compultation 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.

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.

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**

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 Belocean 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 Belocean.
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.

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

NOTE 7
SHIPS AND OTHER FIXED ASSETS

	2017				2016				
	Ships					Ships			
	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	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**

SPESIFICATION 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 Belocean	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 Belocean 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 Belocean 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 Belocean 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.

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**

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

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.

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

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.

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 Belocean. 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.

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 %

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.

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.

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

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.

NOTE 19
ENVIRONMENTAL ISSUES

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

NOTE 20
EQUITY

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 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 Søland	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.

NOTE 21
CONTINGENCIES

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

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

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 2017	LOANS AND RECEIVABLES 2016	CHANGE IN FAIR VALUE THROUGH PROFIT AND LOSS 2017	CHANGE IN FAIR VALUE THROUGH PROFIT AND LOSS 2016	AVAILABLE FOR SALE 2017	AVAILABLE FOR SALE 2016	TOTAL 2017	TOTAL 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 2017	LEVEL 1 2016	LEVEL 2 2017	LEVEL 2 2016	LEVEL 3 2017	LEVEL 3 2016	TOTAL 2017	TOTAL 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

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

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 debitors 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 equivalens		**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.

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.

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.

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.

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.

NOTE 6
EQUITY

		PAID-IN				RETAINED	
	NOTE	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM RESERVES	OTHER EQUITY	OTHER EQUITY	TOTAL
Equity per 31 December 2016		94 704	-1 096	93 333	106 726	-117 116	**176 551**
Actuarial gains/(losses) obligation	7	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 Søland	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 3 for more information about separate share option plan.*

NOTE 7
PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme, which is in line with the occupational pension scheme for employees in Norway in accordance with the Act on Mandatory occupational pensions. Annual payable cost is reflected in the income statements and the company does not have any future liabilities related to this scheme. Total costs related to this scheme amounted to 1 041 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.

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

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.

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

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.

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.

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.

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.

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.

Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Belships ASA

Report on the audit of the financial statements

Opinion

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

The financial statements of the parent company comprise the balance sheet as at 31 December 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.

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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.

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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.

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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)

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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
– Sincerety & Honesty

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

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

1. Environment

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

Belships recognizes its environmental responsibility and strive to comply with and maintain high standards in order to reduce the environmental impact from its operations. The Company is focusing on reducing bunkers consumption, which is the main source of the shipping sector's emissions of CO_2, NOX and SOX.

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

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

Pollution by invasive species carried with ballast water has become an important issue. M/S Belforest and M/S Belisland have ballast water treatment systems in place. Belships is actively preparing for the expected implementation of regulations on ballast water treatment entering into force. In fact, some of our third party managed ships have already started to use ballast water treatment system.

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

2. Human and Labour rights

It is Belships policy to integrate attention to human and labor rights into its existing business processes. In practice, a large part of the human and labor rights agenda is covered by the Company's health and safety efforts. The health and safety of our employees is a key priority for Belships. As an international and multi-local industrial employer, the Company respects international and local legislation, including the provision of the International Labor Organization's Maritime Labor Convention of 2006 (the "MLC"). The MLC is widely known as the "seafarers' bill of rights", and sets out seafarers' right to decent working conditions, including

elements such as minimum age of seafarers, payment of wages, hours of work or rest, onboard medical care, paid annual leave and freedom of association.

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

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

Belships' goal is to run the operations of the Company with zero fatal accidents. This goal was achieved in 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, wheras the second ship, Belisland, is fixed to Canpotex for a 5 year period from delivery in March 2016.

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

We are excited about our journey over the coming years.



Bernt Ulrich Müller
Chief Executive Officer
Belships ASA

KEY FINANCIAL FIGURES

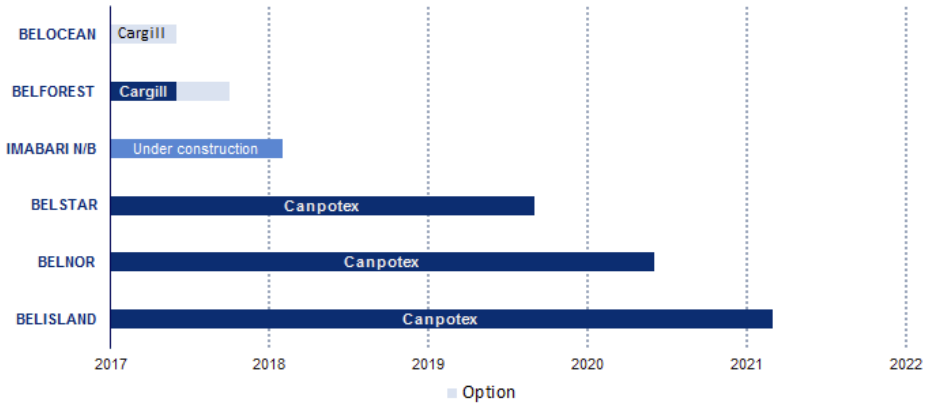
USD 1 000		2016	2015
Operating income		25 415	21 984
Operating result		-8 907	-26 660
Net result for the year		-14 593	-30 150
EBITDA		11 280	9 873
Total assets		105 612	103 248
Equity		20 144	34 831
Equity per share	NOK	3.71	6.56
Interest coverage ratio		-1.84	-12.20
Current ratio	%	97.16	115.31
Equity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

FLEET LIST

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

1) Delivery during 1st quarter of 2018 for long-term charter with purchase option. Charter period is eight years with three annual renewal options. Purchase option may be exercised at the end of year 4 to JPY 3.01 billion, with an annual decrease of JPY 110 million.

CHARTER COVERAGE



DIRECTORS' REPORT 2016

THE DRY BULK MARKET

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

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

OPERATIONS

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

The company's tonnage is modern, and all ships operated satisfactorily without significant off-hire. The operating expenses were close to budgeted levels.
Belships' newbuilding program with Imabari Shipbuilding Group in Japan for 2 x 61 000 dwt eco-design Ultramax bulk carriers is completed. In addition, Belships will take delivery of a 63 000 dwt Ultramax bulk carrier from Imabari in January 2018 for long term charter including purchase option.
The subsidiary Belships Management (Singapore) Pte Ltd made a positive contribution from technical management services. The company expanded its customer base, and currently provides technical management for 10 ships, including Belships' own ships.

RESULTS

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

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

The parent company's net result for the year was NOK -143 824 000 (NOK -36 111 000). The Board proposes the result for the year to be allocated as follows:

AMOUNTS IN NOK	
PROVISION FOR DIVIDEND	0
TRANSFER FROM OTHER RETAINED EARNINGS	-143 824 000
TOTAL ALLOCATIONS	**-143 824 000**

GOING CONCERN

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act.
Belships has three long-term T/C agreements with Canpotex. The sale & leaseback of M/S Belforest (Q3 2015) and M/S Belisland (Q1 2016) provided additional liquidity to the Group.
The main shareholder has provided an on demand guarantee of USD 5 million. Current activity will also generate sufficient liquidity to cover current debt and operating expenses throughout 2017. Based on this, the Board considers that the conditions for a going concern are in place.

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

SAFETY AND THE ENVIRONMENT

Belships aims to minimize environmental impact from its activity, and strives to improve safety. Measures are taken to prevent the business polluting the environment. Belships works consciously to improve standards, on board and ashore. Pollution from ships is governed by a number of national and international environmental standards and certifications. Belships meets official requirements in terms of safety and the environment.
The newbuildings from Imabari Shipbuilding have low emissions of pollutants and have ballast water treatment systems.

ORGANISATION

Belships is headquartered in Oslo, from where most of its commercial and financial business including insurance is handled. Technical management is handled from Singapore. There has been no change within the senior management in 2016. Management activities in Singapore were stable over the year. The Group employed 62 office staff at the end of 2016. Ships under management had 210 crew members on board. The sick leave was less than 2% in 2016. The Group was not subject to any serious accidents in 2016.

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

FINANCIAL AND OTHER MATTERS

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

At the end of 2016 Belships held 548 000 treasury shares in total at an average cost of NOK 9.91 per share. In August 2016, the employees were granted options to purchase 200 000 shares at a strike price of NOK 3.11. These options can be exercised from the annual general meeting 2017 until the annual general meeting in 2018.
The Belships' share value has increased by 65 per cent in the course of 2016. By comparison, the OSEBX increased by 12%. A total of 5 501 000 shares were traded in 183 of 253 trading days. In 2015 a total of 2 112 000 shares were traded in 124 of the 251 trading days.
The Group is exposed to market risks due to changes in FX rates, interest rates, freight rates and oil prices.
The Group's income and costs are mainly in USD. Belships' foreign exchange exposure is linked to administrative costs in Norway and in Singapore. Compared to the Group's cash flows, however, this exposure is limited. Hedging of the Group's interest exposure on bank loan is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 85% (leases excluded).
Fluctuating bunker prices will not affect the Group as the ships are fixed on long-term time charters where the charterers cover the fuel cost.
Belships aims to minimize counterpart risk by entering into long term time charter contracts with reputable charterers.
The Group's limited tax cost is expected to continue. Three ships are owned by a Singaporean subsidiary within the local tonnage tax regime.
The Group's Norwegian entities have considerable tax loss carried forward.

CORPORATE GOVERNANCE

Belships' corporate governance is based on the company's goals and strategy. The Company is listed on the Oslo Stock Exchange, and is subject to the Norwegian Accounting Act, the Securities Trading Act and the Public Limited Company Act.
With exception of establishing election committee, Belships follows the Norwegian code of good corporate governance of 30 October 2014. Please see the separate statement of corporate governance that appears as a section of the annual report in its own right.

CORPORATE SOCIAL RESPONSIBILITY

Belships is a shipping company with global reach and close to a hundred years history. The Board is well aware of the direct and indirect impact Belships' activities have on the outside world as well as the company's shareholders. Belships is determined to create long-term shareholder values and at the same time act as a responsible participant in the society.
The most important issues for our business and our shareholders in respect of Corporate Social Responsibility (CSR) are considered to be:

– Environment
– Human and labour rights
– Anti-corruption

It is our policy to follow the standards, laws and regulations set by the national and international maritime regulatory authorities, but also the moral and ethical behavior as set by our culture. Belships reports on safety and environment in the annual report. Belships does not tolerate any corrupt practices with our suppliers, customers or government entities affecting our business.

Belships do pay attention to the working conditions and safety within our own operations. Please see the separate statement of corporate social responsibility that appears as a section of the annual report in its own right.

OUTLOOK

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

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

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

OSLO, 16 MARCH 2017
BELSHIPS ASA

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

The annual report provides a true and fair overview

DIRECTORS' RESPONSIBILITY STATEMENT

The Board and Chief Executive Officer have today considered and approved the annual report and financial statements for the Belships group and its parent company Belships ASA for 2016.

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

To the best of our knowledge:

- the 2016 financial statements for the Group and parent company have been prepared in accordance with all applicable accounting standards
- the information provided in the financial statements gives a true and fair representation of the Group and parent company's assets, liabilities, profit and overall financial position as of 31 December 2016
- the annual report provides a true and fair overview of:
  - the development, profit and financial position of the Group and parent company
  - the most significant risks and uncertainties facing the Group and the parent company

OSLO, 16 MARCH 2017
BELSHIPS ASA

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

Consolidated Statements of Comprehensive Income

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

Consolidated balance sheets

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

OSLO, 16 MARCH 2017
BELSHIPS ASA

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

Consolidated cash flow statements

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

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

Consolidated statements of changes in equity

USD 1000	Note	Majority interests					Non-controlling interest	Total equity
		Paid-in				Other equity		
		Share capital	Treasury shares	Share premium reserves	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.

NOTE 2
SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED

A) BASIS OF PREPARATION

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

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

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

B) CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of Belships ASA and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.
Unrealised gains from transactions with affiliated companies are eliminated with the Group's share of the company/enterprise. Unrealised losses are likewise eliminated, but only to the degree that there is no indication of loss of value on the asset being sold internally.

C) CURRENCY TRANSACTIONS

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

The accounts for the units in the Group which have a functional currency different from the Group's reporting currency, convert their accounts into the reporting currency according to the following guidelines:
- Assets and debts are converted according to conversion rates on the balance sheet date
- Income and costs are converted according to monthly average conversion rates

Transactions in foreign currency
Transactions in foreign currency are converted to the functional currency at the rate at time of the transaction. Monetary items in foreign currency are converted into functional currency using the rate at the balance sheet date. Non-monetary items which are measured at historical cost expressed in foreign currency, are converted into functional currency using the currency rate at the time of the transaction.
Non-monetary items, which are measured at fair value expressed in foreign currency, are converted at the currency rate on the date of measurement. Currency rate changes are recognised continuously against profit and loss during the accounting period. Currency rates at year end was USD 8.6200 (2015: USD 8.8090) and SGD 5.9645 (2015: SGD 6.2386).

D) ACCOUNTS RECEIVABLE

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

E) TANGIBLE FIXED ASSETS

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

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

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

See section L) regarding treatment of borrowing costs.

F) LEASING

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

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

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

G) FINANCIAL INSTRUMENTS

Financial instruments under the scope of IAS 39 are classified in the following categories:
• financial assets at market value through profit or loss (held for trading purposes)
• available for sale
• loans and receivables
• held to maturity investments
• other obligations

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

H) PROVISIONS

A provision is recognised when the company has a liability (legal or constructive) as a result of a previous event and where it is probable (more probable than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is material, the provision is estimated by discounting the expected future cash flow with a discount rate before tax which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.
A provision is recognised for any unavoidable net loss arising from the contract, the unavoidable cost under a contract reflect the least net cost of exiting from the contract, i.e. the lower of the cost of fulfilling the contract; and any compensation of penalties arising from failure to fulfill the contract.

I) EQUITY

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

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

(iii) Costs related to equity transactions
Transaction costs directly related to equity transactions are charged directly against the equity after tax deductions.

J) REVENUE RECOGNITION

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

K) EMPLOYEE BENEFITS

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

Defined benefit pension scheme
Actuarial gains and losses arising from changes in actuarial assumptions are recognised as other comprehensive income in the period in which they arise. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.
The company has unfunded pension liabilities. These relate to early retirement and pension to persons, that have not been included in the service pension scheme. Pension obligations are estimated by an independent actuary.

L) BORROWING COSTS

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

M) CONTINGENT ASSETS AND OBLIGATIONS

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

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

N) TAXES ON INCOME

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

Deferred tax assets are recognised when it is likely that the company will have sufficient profit for tax purposes in subsequent periods that will enable the company to utilise the tax asset. Similarly, the company will reduce the deferred tax asset to the extent the company no longer regards it as being likely that it can utilize the deferred tax asset.
Deferred tax liabilities and deferred tax assets are measured on the basis of prevailing tax rates for the companies in the Group where temporary differences have occurred, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

O) IMPAIRMENT OF ASSETS

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

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

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

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

P) EVENTS AFTER THE BALANCE SHEET DATE

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

Q) SHARE-BASED PAYMENTS

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

R) CASH AND CASH EQUIVALENTS

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

S) RESTRICTED DEPOSITS

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

T) REPORTING BY SEGMENTS

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

U) RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out at market terms. See note 10 for further information.

V) CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Liquid assets include cash, bank deposits (restricted and unrestricted) and other short-term investments which can be converted to cash within 3 months. For restricted deposits, see note 15.

W) CLASSIFICATION BALANCE SHEET

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.
An asset is considered current when it is:

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

or

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

All other assets are classified as non-current.

A liability is considered current when it is:

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

or

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

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

X) CHANGES IN ACCOUNTING POLICES

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

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

IFRS 15 Revenue from Contracts with Customers
The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment).
Based on the current activity of the Group, implementation of IFRS 15 is not expedted to have any significant impact. The standard is effective from 1 January 2018.

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

NOTE 3
USE OF ESTIMATES AND JUDGEMENT IN PREPARATION OF THE ANNUAL ACCOUNTS

Preparing the annual accounts in accordance with IFRS as adopted by EU requires the management to use estimates and assumptions affecting the amounts reported in the accounts with notes. The management assumptions and valuations are based on past experience and on miscellaneous other factors assumed to be reasonable and appropriate. This applies in particular to impairment assessment of ships and lease classification assessment. Future events can entail a change in these estimates. Estimates and the underlying assumptions are evaluated on an ongoing basis.

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

SHIPS – IMPAIRMENT ASSESSMENT

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

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

OPERATING VERSUS FINANCIAL LEASE AGREEMENTS

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

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

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

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**

NOTE 5
LEASE AGREEMENTS

LEASE OBLIGATIONS

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

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

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

CONTRACTED TIME CHARTER REVENUE

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

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

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

Lease obligations are nominal amounts.

NOTE 6
OTHER GENERAL ADMINISTRATIVE EXPENSES

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

NOTE 7
SHIPS AND OTHER FIXED ASSETS

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

SPESIFICATION OF THE GROUP'S SHIPS

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

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

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

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

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

IMPAIRMENT TESTS

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

For calculations of the net present value of the estimated fair value of the remaining 3-5 years charter, the Group has calculated the variance between the contractual rate and the current observable market rate for similar ships and a weighted average cost of capital ratio (WACC) of 8%. In the calculation of the required rate of return, the risk-free interest rate was set at the 5-year LIBOR at 1.75%, and the margin was fixed at 4% which is approximately equal to margin on external loan and implicit interest on the lease agreement. The equity risk premium was set at 6%, which is the estimated additional return required by investors in order to invest in a market portfolio above a risk-free interest rate.
For ships where the Group has entered into sale & leaseback agreements, the implied price in the agreement has also been taken into consideration in the impairment test.
The Company's impairment model has taken into consideration market expectations of future development in the dry bulk market. If the market continue to further detoriate, or the period until recovery is prolonged, additional impairment can be expected.

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

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

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

CALCULATION OF DEPRECIATIONS

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

Reference is made to note 5 regarding contracted time charter incomes for the ships.

NOTE 8
SPECIFICATIONS OPERATING EXPENSES AND OTHER FINANCIAL ITEMS

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

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

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

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

NOTE 9
SALARIES, NUMBER OF EMPLOYEES

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

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

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

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

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

BONUS

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

SHARE OPTIONS

The Chief Executive Officer has a separate option scheme. For details see note 16.
For share options to the employees, see note 16. The Board members have not been awarded share options.

ALLOWANCE TO THE BOARD

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

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

NOTE 10
RELATED PARTIES

The subsidiary Belships Management AS provides accounting services to Sonata AS, which is owned by the chairman and his family. Fees amounted to 126 (128) in 2016.

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

All fees are in line with prevailing market rates.

No loans were issued or security provided with respect to the company's shareholders or associated parties. Certain members of the management have loans from the company. These amounted to 64 (62) as at 31 December 2016.

NOTE 11
EARNINGS PER SHARE

Basic earnings per share is the ratio between net result of the year attributable to ordinary equity holders (i.e. net profit with dividend deducted) and the issued average number of shares outstanding during the period.
When calculating diluted earnings per share, net result attributable to ordinary equity holders and the number of issued average outstanding shares are adjusted for share options. In "the denominator" all share options (see note 16) which are "in-the-money" and exercisable are taken into consideration. In the calculations, share options are considered as having been converted at the time they were awarded.
The diluted earnings per share is equal to the basic earnings per share, as the Group's result before tax are negative.

AVERAGE NUMBER OF SHARES (EXCLUDING TREASURY SHARES)	2016	2015
Average number of issued shares	**46 804 000**	46 804 000
Average number of options outstanding	**400 000**	400 000
Diluted average issued number of shares	**47 204 000**	47 204 000

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

NOTE 12
TAXES

	2016	2015
Income tax expense	**174**	177

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

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

TAX LOSS CARRIED FORWARD

The Group had a tax loss carried forward of USD 58.5 million as at 31 December 2016 (2015: USD 46.7 million) in Norway. No deferred tax benefits are recognised in the balance sheet. The Group's revenue is generated mainly by companies in Singapore that are either within the national tonnage tax regime or are subject to regular national taxation. Dividends from these companies are nontaxable to the recipients. Taxable income subject to ordinary Norwegian taxation does not indicate any reporting of deferred tax benefits.

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

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

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

NOTE 13
RECEIVABLES AND LIABILITIES

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

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

MORTGAGE DEBT

In 2014 Belships entered into a long-term financing agreement for M/S Belstar, M/S Belnor and M/S Belocean. The loan facility of USD 50 million is secured for a period of 6 years. The following principal conditions applies to the loan: agreed interest rate is LIBOR pluss margin of 2.75%, minimum market value of the ships is 110% of the outstanding loan balance, minimum value adjusted equity on a consolidated basis is 25% and the Group shall at all times have available liquidity of at least USD 5 million or 6% of total interest bearing debt.
The ship values have dropped significantly during the last two years. In order to avoid breach of loan covenants, Belships received a revised waiver from ship mortgage lender in November 2016. Main terms in the waiver period until 1 January 2018 are as follows: Minimum cash USD 5.0 million including restricted cash of USD 3.0 mill, minimum value 100% incl. restricted cash, minimum value adjusted equity of 20% and on-demand guarantee from main shareholder of USD 5 million. All the covenants were fulfilled as at 31 December 2016. The market value of the ships were 101% of the outstanding loan balance at year-end.

BAREBOAT COMMITMENT

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

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

INTEREST SWAP AGREEMENTS

Belships has an interest swap agreement with a fixed interest rate at 2.2% with a remaining duration of 1.5 years covering USD 10 million, reducing by USD 5 million per year. Another interest swap agreement started in September 2015 at a rate of 1.9% and with a duration of 5 years covering USD 19 million, reducing by USD 2 million per year.
Hedging the Group's interest exposure is considered on an ongoing basis. Hedge accounting is not used.

CURRENT RECEIVABLES AND SHORT-TERM LIABILITIES

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

NOTE 14
INVESTMENTS AND GROUP COMPANIES

THE FOLLOWING COMPANIES ARE INCLUDED IN THE CONSOLIDATED ACCOUNTS:	BUSINESS LOCATION	MAIN ACTIVITY	OWNERSHIP/ VOTING PERCENTAGE
Belships Management AS	Oslo	Management	100 %
Belships Management (Singapore) Pte Ltd	Singapore	Technical management	100 %
Belships Supramax Singapore Pte Ltd	Singapore	Shipping	100 %
Belships Chartering AS	Oslo	Shipping	100 %
Belships Management (Singapore) Pte Ltd			
Belships (Tianjin) Ship Management & Consultancy Co Ltd	China	Crewing	75 %
Belships (Shanghai) Shipmanagement Co Ltd	China	Crewing	60 %

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

NOTE 15
BANK DEPOSITS

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

NOTE 16
OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2015, the Board was authorised to issue up to 200 000 share options to employees. The option price was 105% of closing share price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 3.89 was awarded in August 2015. No options have been exercised.
At the AGM in 2016, the Board was authorised to issue up to 200 000 share options to employees. The option price is 105% of closing share price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 3.11 was awarded in August 2016.

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

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

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

The following forms the basis for the calculation:
Share price at the time the option was awarded: The share price is set as equal to the stock exchange share price when the option was awarded.
Exercise price per option: The exercise price was 105 % of the stock exchange market price when the option was awarded.
Volatility: Historic volatility set as indication of future volatility. Expected volatility equals a historic volatility of 39.0%.
Duration of options: It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.
Dividend: Estimated dividend per share is NOK 0 per year.
Risk free interest rate: Interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 0.53% for 2016.
Decrease in the number of employees: Expected reduction is 0.

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

In addition to the above share option plan the CEO has a separate share option plan with the following conditions:
The right to subscribe for up to 2 million shares in Belships ASA at a subscription price of NOK 5.00, of which:

- 500 000 shares may be subscribed for if the company's market value exceeds NOK 300 million (Sub-option A).
- The remaining 1.5 million shares may be subscribed for if the company's market value exceeds NOK 750 million (Sub-option B). Sub-option B is for 2 million shares if Sub-option A is not exercised within the time allowed for Sub-option A.

The market value is the product of the volume-weighted closing price of the company's shares on the Oslo stock exchange in a 15-day period and the number of outstanding shares less treasury shares and/or shares Belships issues after the option agreement date.
Sub-option A expires 30 June 2018, while sub-option B expires 30 June 2020.
In 2016 the calculated cost for this option amounted to 15.

NOTE 17
PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme, which is in line with the occupational pension scheme for employees in Norway in accordance with the Act on Mandatory occupational pensions. Annual payable cost is reflected in the income statements and the company does not have any future liabilities related to this scheme. Total costs related to these schemes amounted to 121 (120) in 2016. Pension costs in Singapore is reclassified as operating expenses ship management and amounted to 210 (227) in 2016.

DEFINED BENEFIT SCHEME

In addition to defined contribution scheme, the company has unfunded pension liabilities which are covered through the daily operations. These relate to early retirement and pension to persons, that have not been included in the defined contribution scheme. There are 7 retired persons included in this scheme.
Pension commitments are calculated by an independent actuary. The basis for the calculation is shown below. The new mortality table (K2013) for Norway is used in the calculations.
Social security costs are recorded based on net pension obligation in the balance sheet included estimate discrepancy.

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

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

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

NOTE 18
SUBSEQUENT EVENTS

No material events have taken place after 31 December 2016.

NOTE 19
ENVIRONMENTAL ISSUES

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

NOTE 20
EQUITY

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2016 distributed among 481 shareholders (2015: 451). Each share has one vote.

TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2016. Belships ASA has lent 50 000 of the treasury shares to ABG Sundal Collier Norge ASA (ASC) in connection with ASC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2016 the Board received authorisation to issue up to 4.7 million new shares. The authorisation has not been used and is valid to the next ordinary Annual general meeting.

DIVIDEND

The Board of Directors of Belships ASA will at the general meeting on 25 April 2017 propose no payment of dividend (2016: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2016		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	31 747 492	67.05 %
2	Tidships AS	6 041 336	12.76 %
3	Skandinaviska Enskilda Banken AB	987 419	2.09 %
4	Belships ASA	498 000	1.05 %
5	Carlings AS	400 000	0.84 %
6	Colorado Eiendom AS	355 000	0.75 %
7	Tidinvest II AS	315 414	0.67 %
8	Jenssen & Co A/S	302 816	0.64 %
9	Chrem Capital AS	270 000	0.57 %
10	Jovoko AS	250 000	0.53 %
11	Toru Nagatsuka	250 000	0.53 %
12	Liv Søland	240 000	0.51 %
13	ASL Holding AS	225 000	0.48 %
14	AR Vekst AS	218 995	0.46 %
15	HKG Holding AS	212 779	0.45 %
16	JSL AS	211 000	0.45 %
17	Carl Erik Steen	207 203	0.44 %
18	Bernhard Kielland	200 000	0.42 %
19	Arne Risøy	138 651	0.29 %
20	Torstein Søland	130 000	0.27 %
Total 20 largest shareholders		43 201 105	91.23 %
Other shareholders		4 150 895	8.77 %
Total number of shares		**47 352 000**	**100.00 %**

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Sverre J. Tidemand *	31 747 492	0
Christian Rytter	270 000	0
Carl Erik Steen	207 203	0
Other members	0	0

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

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

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

For changes in equity, see separate statement.

NOTE 21
CONTINGENCIES

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

NOTE 22
FINANCIAL MARKET RISK

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

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

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

See note 8 for the specification of other financial items.

INTEREST RATE RISK

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

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

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

SENSITIVITY TO CHANGES IN INTEREST RATE LEVELS	2016	2015
Change in the interest rate level in basis points	**-100/+100**	-100/+100
Effect on result before tax	**388/-388**	438/-438

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

CAPITAL STRUCTURE AND EQUITY CAPITAL

The primary objective of the Group's capital management is to achieve best possible credit rating, and to maximize the shareholders values. The company's goal is to maintain an equity capital ratio of at least 35%. Added value related to the long-term charter party for M/S Belisland is not included in the balance sheet. In addition an improved market is expected to increase the equity capital ratio up to 35%. The equity ratio is calculated by dividing the book equity to total assets as shown below:

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

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

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

LIQUIDITY RISK

The Group's solvency and financial position is considered to be satisfactory. The debt ratio increased in 2016 mainly due to delivery of new ship. Total current assets cover 97% of total short-term liabilities as at 31 December.

CREDIT RISK

There will always be a credit risk related to the Group's business. Belships monitors this risk and the strategy is to carefully select counterparts. Historical losses have been small. The Group's ships are employed on long-term charter to Canpotex Shipping Services Ltd and to Cargill, which is considered to be solid and reputable counterparts.
There is no class of financial assets that is past due and/or impaired except for trade receivables. All accounts receivable in the balance sheet are due within 30 days from the balance sheet date.

CURRENCY RISK

The functional currency of all the consolidated companies is USD since the major part of revenues and costs are in USD. Belships currency exposure is related to administrative expenses in Norway, Singapore and China. This exposure is considered to be limited. At year end the Group had a cash balance of NOK 2.9 million, SGD 0.7 million and CNY 9.9 million. Belships has no currency hedge agreements as at 31 December 2016.
The company does not use hedge accounting.

FAIR VALUE MEASUREMENTS

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

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Valuation based on other observable factors, either directly (prices) or indirectly (derived from prices) than quoted prices included within level 1 of the asset or obligation.
Level 3: Valuation based on factors not taken from observable markets (not observable assumptions).

There was no change in levels in 2016. Interest swap agreements are valued in accordance with the principles described as level 2. Fair value is defined as present value of future cash flows. For the above derivatives, fair value is confirmed by the financial institution, which is counterpart. The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts. The long-term liabilities have floating interest rate with a fixed margin. The margin is considered not to have significantly changed since drawing date, thus carrying amount is considered a reasonable estimate of fair value.

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

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

ASSETS AND OBLIGATIONS MEASURED AT FAIR VALUE	LEVEL 1		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 fiancial leases is estimated by discounting future cash flows using rates currently available for debt on similar items. The obligations under financial leases as of 31 December 2016 reflects best timing estimate of declaring purchase options. Further, the lease agreements are newly entered into, and there has not been any significant changes in the credit risk of the Group. Fair value of the obligations under financial leases are therefore not considered to be materially different from book value as of the reporting date. Based on the discussions Belships have had with its lender over the last year related to amendment of the loan agreement, the Group has not made observations indicating that there has been any significant difference between the fair value and carrying amount except for un-amortised loan transaction costs.

Belships ASA income statements

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

Belships ASA balance sheets

AS AT 31 DECEMBER/ NOK 1 000	NOTE	2016	2015
FIXED ASSETS			
Tangible fixed assets			
Ships	2	**368 567**	215 036
Instalments newbuildings	2	**0**	37 218
Prepaid time charter hire	2	**12 930**	0
Other fixed assets	2	**5 745**	5 329
Total tangible fixed assets		**387 242**	257 583
Financial fixed assets			
Shares in subsidiaries	8	**207 136**	241 518
Other shares		**141**	141
Other long-term receivables	12	**1 581**	1 764
Total financial assets		**208 858**	243 423
Total fixed assets		**596 100**	501 006
CURRENT ASSETS			
Other receivables		**4 702**	4 904
Cash and cash equivalents	5	**4 962**	35 922
Total current assets		**9 664**	40 826
Total assets		**605 764**	541 832
EQUITY			
Paid-in capital			
Share capital		**94 704**	94 704
Treasury shares		**-1 096**	-1 096
Share premium reserve		**93 333**	93 333
Other paid-in capital		**106 727**	106 463
Total paid-in capital		**293 668**	293 404
Retained earnings			
Other equity		**-117 116**	27 044
Total equity	6	**176 551**	320 448
LIABILITIES			
Long-term liabilities			
Bareboat commitment	12	**369 032**	190 586
Provision for losses on contracts	2	**17 612**	0
Pension obligations	7	**5 583**	7 008
Financial instruments	14	**1 480**	2 400
Intercompany balances	4	**5 848**	5 764
Total long-term liabilities		**399 556**	205 758
Short-term liabilities			
Bareboat commitment, current portion	12	**15 326**	6 060
Public taxes and duties payable		**2 447**	1 392
Trade creditors		**281**	788
Intercompany balances	4	**4 546**	6 126
Other short-term liabilities		**7 056**	1 260
Total short-term liabilities		**29 657**	15 626
Total liabilities		**429 213**	221 384
Total equity and liabilities		**605 764**	541 832

OSLO, 16 MARCH 2017

BELSHIPS ASA

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

Belships ASA cash flow statements

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

Notes to the Belships ASA accounts

NOTE 1
ACCOUNTING POLICIES

Belships is owner and operator of dry bulk ships on long-term charter to reputable customers. Belships ASA is registered in Norway and listed on the Oslo Stock Exchange. The head office is located in Lilleakerveien 4 in Oslo, Norway.

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

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

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

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

A) CLASSIFICATION OF BALANCE SHEET ITEMS

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

B) TAXES ON INCOME

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

Deferred tax assets are included in the balance sheets when it is likely that the company will have sufficient profit for tax purposes in subsequent periods that will enable the company to utilise the tax asset. The company records previously unrecorded deferred tax assets to the extent it has become likely that the company can utilise the deferred tax asset. Similarly, the company will reduce the deferred tax asset to the extent the company no longer regards it as being likely that it can utilize the deferred tax asset.
Deferred tax and deferred tax asset are measured on the basis of expected future tax rates for the companies in the group where temporary differences have occurred.
Deferred tax and deferred tax assets are entered at nominal value and are classified as financial fixed assets (long-term liability) on the balance sheet.
Tax payable and deferred tax are booked directly against equity to the extent the tax items relate to equity transactions.

C) TANGIBLE FIXED ASSETS

Tangible fixed assets are measured at acquisition cost, net of accumulated depreciation and impairments losses. When assets are sold or divested, the carrying amount is deducted and any gains or losses are recognised in the income statement. Acquisition cost for tangible fixed assets is the purchase price, including taxes and charges and expenses directly related to preparing the asset for use. Expenses incurred after the asset has been put to use, are recognised in the income statement, whereas other expenses which are expected to create future financial gains are capitalised.
An estimated docking element is recognised as a separate component of the ship for depreciation purposes on the first occasion a ship is booked in the accounts. The amount corresponds to the estimated docking costs for the period. The docking component is depreciated on a straight-line basis the over the period to the next planned drydocking.
Residual value has been taken into account, and this is estimated based on steel value of the ship at the balance sheet date less estimated cost to demolish the ship.
Book value is compared to market value and value in use to assess the need for any further impairment compared to the ordinary depreciation plan. The depreciation period and method are assessed annually and are based on the management's estimates of the ships' future useful life. The same applies to residual value.
The ships are depreciated as one unit, as the value of any part of the ship with a useful lifetime other than 25 years is considered to be insignificant.

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

D) IMPAIRMENT OF ASSETS

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

anticipated future cash flows from the asset. When it is assumed that the asset's value is lower than its carrying amount, an impairment loss is recognised.
Impairment loss recognised in earlier periods is reversed only in case of changes to the estimates used to determine the recoverable amount. However, the reversal amount may only be so high that book value after reversal at most corresponds to the value at which the asset would have been registered if it had not been impaired earlier. Such reversals are recorded in the income statement.
Financial assets classified as being available for sale are written down when there are objective indications that the asset has declined in value. An accumulated loss (the difference between acquisition cost and current market value, with deduction of impairments previously included in the result and any amortisation amounts) is included in the income statement. If the market value of a debt instrument classified as available for sale increases in a subsequent period, and the increase can objectively be linked to an event that took place after the impairment was included in the income statement, the impairment loss will be reversed over the income statement.
Impairment loss for an investment in an equity instrument classified as held for sale, will not be reversed over the income statement.

E) LEASING

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

F) INVESTMENTS IN OTHER COMPANIES

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

G) ACCOUNTS RECEIVABLE

Accounts receivable are booked at nominal amount less expected loss.

H) CASH FLOW STATEMENT

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

I) EQUITY

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

(ii) Costs related to equity transactions
Transaction costs directly related to equity transactions are charged directly against the equity after tax deductions.

J) EMPLOYEE BENEFITS

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

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

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

K) PROVISIONS

A provision is recorded when the company has a liability (legal or constructive) as a result of a previous event, where it is likely (more likely than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is considerable, the provision is calculated by discounting the expected future cash flow with a discount rate before tax, which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.
Provisions for loss-creating contracts are included when the group's expected income from a contract is lower than the inevitable costs which were incurred in discharging the obligations of the contract.

L) REVENUE RECOGNITION

Gains will be taken to income when it is likely that transactions will generate future financial gains which will be attributable to the company and the sum can be reliably estimated. Interest rate income is taken to income based on effective interest method according to when it is earned.
Dividend received from subsidiaries is accounted for in the same year as dividend has been accrued for in the subsidiary. If such dividend exceeds the prorata share of retained earnings after the acquisition of the shares, such excess portion represents repayment of capital and reduces the acquisition cost accordingly.

M) TRANSACTIONS IN FOREIGN CURRENCY

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

N) CONTINGENT GAINS AND LOSSES

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

O) RELATED PARTY TRANSACTIONS

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

P) EVENTS AFTER THE BALANCE SHEET DATE

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

Q) USE OF ESTIMATES IN PREPARATION OF THE ANNUAL ACCOUNTS

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

R) EARNINGS PER SHARE

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

S) SHARE-BASED REMUNERATION

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

T) FINANCIAL INSTRUMENTS

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

NOTE 2
FIXED ASSETS

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

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

M/S BELISLAND

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

M/S BELFOREST

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

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

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

M/S BELOCEAN

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

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

PREPAYMENT OF TIMECHARTER HIRE

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

OTHER FIXED ASSETS

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

NOTE 3
OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2015, the Board was authorised to issue up to 200 000 share options to employees. The option price was 105% of closing share price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 3.89 was awarded in August 2015. No options have been exercised.
At the AGM in 2016, the Board was authorised to issue up to 200 000 share options to employees. The option price is 105% of closing share price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 3.11 was awarded in August 2016.

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

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

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

The following forms the basis for the calculation:
Share price at the time the option was awarded: The share price is set as equal to the stock exchange share price when the option was awarded.
Exercise price per option: The exercise price was 105 % of the stock exchange market price when the option was awarded.
Volatility: Historic volatility set as indication of future volatility. Expected volatility equals a historic volatility of 39.0%.
Duration of options: It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.
Dividend: Estimated dividend per share is NOK 0 per year.
Risk free interest rate: Interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 0.53% for 2016.
Decrease in the number of employees: Expected reduction is 0.

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

In addition to the above share option plan the CEO has a separate share option plan with the following conditions:
The right to subscribe for up to 2 million shares in Belships ASA at a subscription price of NOK 5.00, of which:

- 500 000 shares may be subscribed for if the company's market value exceeds NOK 300 million (Sub-option A).
- The remaining 1.5 million shares may be subscribed for if the company's market value exceeds NOK 750 million (Sub-option B).

Sub-option B is for 2 million shares if Sub-option A is not exercised within the time allowed for Sub-option A.

The market value is the product of the volume-weighted closing price of the company's shares on the Oslo stock exchange in a 15-day period and the number of outstanding shares less treasury shares and/or shares Belships issues after the option agreement date. Sub-option A expires 30 June 2018, while sub-option B expires 30 June 2020. The calculated cost for this option amounted to 125 in 2016.

NOTE 4
INTERCOMPANY BALANCES

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

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

NOTE 5
BANK DEPOSITS

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

Notes to the Belships ASA accounts

NOTE 6
EQUITY

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

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2016 distributed among 481 shareholders (2015: 451). Each share has one vote.

TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2016. Belships ASA has lent 50 000 of the treasury shares to ABG Sundal Collier Norge ASA (ASC) in connection with ASC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2016 the Board received authorisation to issue up to 4.7 million new shares. The authorisation has not been used and is valid to the next ordinary Annual general meeting.

DIVIDEND

The Board of Directors of Belships ASA will at the general meeting on 25 April 2017 propose no payment of dividend (2016: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2016		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	31 747 492	67.05 %
2	Tidships AS	6 041 336	12.76 %
3	Skandinaviska Enskilda Banken AB	987 419	2.09 %
4	Belships ASA	498 000	1.05 %
5	Carlings AS	400 000	0.84 %
6	Colorado Eiendom AS	355 000	0.75 %
7	Tidinvest II AS	315 414	0.67 %
8	Jenssen & Co A/S	302 816	0.64 %
9	Chrem Capital AS	270 000	0.57 %
10	Jovoko AS	250 000	0.53 %
11	Toru Nagatsuka	250 000	0.53 %
12	Liv Søland	240 000	0.51 %
13	ASL Holding AS	225 000	0.48 %
14	AR Vekst AS	218 995	0.46 %
15	HKG Holding AS	212 779	0.45 %
16	JSL AS	211 000	0.45 %
17	Carl Erik Steen	207 203	0.44 %
18	Bernhard Kielland	200 000	0.42 %
19	Arne Risøy	138 651	0.29 %
20	Torstein Søland	130 000	0.27 %
Total 20 largest shareholders		43 201 105	91.23 %
Other shareholders		4 150 895	8.77 %
Total number of shares		**47 352 000**	**100.00 %**

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Sverre J. Tidemand *	31 747 492	0
Christian Rytter	270 000	0
Carl Erik Steen	207 203	0
Other members	0	0

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

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

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

NOTE 7
PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme, which is in line with the occupational pension scheme for employees in Norway in accordance with the Act on Mandatory occupational pensions. Annual payable cost is reflected in the income statements and the company does not have any future liabilities related to this scheme. Total costs related to this scheme amounted to 1 011 in 2016 (2015: 968).

DEFINED BENEFIT SCHEME

In addition to defined contribution scheme, the company has unfunded pension liabilities which are covered through the daily operations. These relate to early retirement and pension to persons, that have not been included in the defined contribution scheme. There are 7 retired persons included in this scheme.
Pension commitments are calculated by an independent actuary. The basis for the calculation is shown below. The new mortality table (K2013) for Norway is used in the calculations.

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

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

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

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.

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

NOTE 10
SALARIES, NUMBER OF EMPLOYEES

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

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

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

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

There exist no severance pay agreement.

SHARE OPTIONS

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

BOARD REMUNERATION

Board members are not awarded share options. The Board has received 643 in remuneration in 2016 (2015: 643), divided into 161 to the Chairman and 120 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 90 in remuneration in 2016 (2015: 90), divided into 34 to the Chairman and 28 to each of the other members.

GUIDELINES FOR THE REMUNERATION OF THE EXECUTIVE MANAGEMENT OF BELSHIPS ASA

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

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

FEES TO THE AUDITOR (EXCLUDING VAT)	2016	2015
Remuneration for audit services	**220**	220
Other assurance services	**38**	0
Assistance related to tax matters	**41**	51
Other audit related assistance	**0**	111

LOANS TO EMPLOYEES

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

NOTE 11
OTHER GENERAL ADMINISTRATIVE EXPENSES

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

NOTE 12
RECEIVABLES AND LIABILITIES

BAREBOAT COMMITMENT

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

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

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

INTEREST SWAP AGREEMENT

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

LOANS TO EMPLOYEES

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

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

NOTE 13
SUBSEQUENT EVENTS

No material events have taken place after 31 December 2016.

NOTE 14
FINANCIAL MARKET RISK

CURRENCY RISK

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

No hedging agreement towards NOK are concluded.

The company does not use hedge accounting.

INTEREST SWAP AGREEMENT

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

CREDIT RISK

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

NOTE 15
RELATED PARTIES

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

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

All intercompany transactions have been conducted to market terms.

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

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

Notes to the Belships ASA accounts

NOTE 16
TAX

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

In accordance with NGAAP, tax reducing temporary differences and tax increasing temporary differences that are reversed, or can be reversed in the same period are assessed and the amount recorded net.

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

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Belships ASA

Report on the audit of the financial statements

Opinion

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

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

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

In our opinion,

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

Basis for opinion

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

Key audit matters

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

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

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Impairment assessment of ships

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

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

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

Sale and leaseback M/S Belisland

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

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

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

Other information

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

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

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Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other

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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)

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

CORPORATE GOVERNANCE

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

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

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

Operations

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

Share capital and dividends

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

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

Until the coming General Meeting (GM), the Board is entitled to acquire on behalf of the company 200 000 own shares and to issue 4 700 000 new shares under conditions determined by the GM.

Equal rights for shareholders and transactions with related parties

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

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

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

General Meeting

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

Election committee and audit committee

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

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

Board – composition and independence

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

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

The duties of the Board, risk management and internal control

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

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

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

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

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

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

Remuneration of directors

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

Remuneration to officers

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

The company has a share option scheme that applies to all employees in Norway. In addition the Chief Executive Officer has a separate share option agreement with the company. Details concerning the remuneration of the company's officers are provided in a separate note to the accounts.

Information and communication

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

Company takeover

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

Auditor

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

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

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

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

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

Strong commitment to customers and quality creates value

CORPORATE SOCIAL RESPONSIBILITY

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

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

Vision
Strong commitment to customers and quality creates value.

Mission
We are an ambitious global organization with focus on:
– Safety & environment
– Customers
– Quality
– People

Core values
– Respect
– Commitment
– Sincerety & Honesty

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

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

1. Environment

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

Belships recognizes its environmental responsibility and strive to comply with and maintain high standards in order to reduce the environmental impact from its operations. The Company is focusing on reducing bunkers consumption, which is the main source of the shipping sector's emissions of CO_2, NOX and SOX.

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

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

Pollution by invasive species carried with ballast water has become an important issue. M/S Belforest and M/S Belisland have ballast water treatment systems in place. Belships is actively preparing for the expected implementation of regulations on ballast water treatment entering into force. In fact, some of our third party managed ships have already started to use ballast water treatment system.

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

2. Human and Labour rights

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

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

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

Belships' goal is to run the operations of the Company with zero fatal accidents. This goal was achieved in 2016.

Attracting and retaining qualified seafarers remains an area of strategic importance for Belships. The objective is to strengthen Belships' brand and image. To ensure a continued recruitment of dedicated and qualified officers, Belships is engaged in training of seafarers and education of cadets and has 140 cadet positions onboard the Company's vessels. The Company will further develop the crewing strategy and the implementation of crew welfare initiatives in order to meet the Company's ambition of maintaining the officers' retention rate at a high level and maintaining a challenging and motivating work place, thus creating top performing vessels.

Belships faces same challenges as other shipping companies when it comes to piracy. Piracy is still a challenge for the shipping industry and cannot be solved by the Company or the shipping industry alone. It must be dealt with by the international community and relevant authorities of UN working together. To create a secure environment in which our crew feels safe, the company has adopted a best management-practice consistent with the industry standards and under suggestion by Intertanko and Oil Companies International Marine Forum to deter piracy. All of our ships are registered with the EU Naval Force (Maritime security centre) which co-ordinates ship's transit schedules with the appropriate naval ships in the Gulf of Aden and Somali basin. Depending on the present conditions and individual risk factors for the particular ship, preventive measures are evaluated for each transit in accordance with Belships' piracy policy. There were no incidents of attempted hijackings of Belships-vessels in 2016.

3. Anti-corruption

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

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

Appendix

Definition of Non-IFRS financial measures

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

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

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

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

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



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

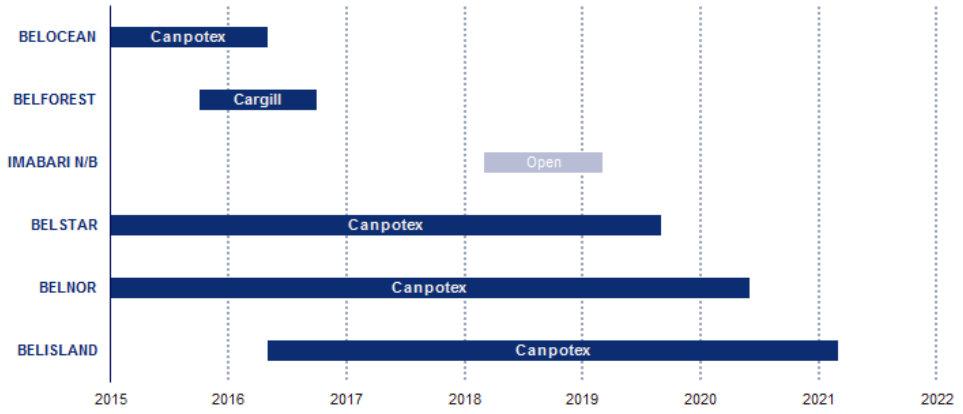
SHIP		OWNER-SHIP	BUILT YEAR	DWT	EMPLOYMENT	T/C-RATE (NET USD/DAY)
Supramax						
M/S Belstar	*1*	100 %	2009	58 018	T/C to 08/19	16 000
M/S Belnor	*1*	100 %	2010	58 018	T/C to 05/20	16 000
M/S Belocean	*1*	100 %	2011	58 018	T/C to 03/16	16 000
Ultramax						
M/S Belforest	*2*	BB	2015	61 320		
M/S Belisland	*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 Belocean 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 Belocean. 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 Belocean for the remaining 5 years of the charterparty with Canpotex, resulting in an impairment on M/S Belocean 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 Belocean for the remaining 5 year period of the c/p with Canpotex, adding USD 1,300/day to net t/c hire. M/S Belocean 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

Christian Ryttер
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 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

OSLO, 18 MARCH 2016
BELSHIPS ASA

Sverre J. Tidemand
Chairman of the Board

Christian Ryther
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	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			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
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

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	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 debitors 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

		Majority interests						
		Paid-in						
USD 1000	Note	Share capital	Treasury shares	Share premium reserves	Other equity	Other equity	Non-controlling interest	Total 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.

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

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

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

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

See section L) regarding treatment of borrowing costs.

F) LEASING

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.
Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

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

G) FINANCIAL INSTRUMENTS

Financial instruments under the scope of IAS 39 are classified in the following categories:
• financial assets at market value through profit or loss (held for trading purposes)
• available for sale
• loans and receivables
• held to maturity investments
• other obligations
Financial assets with fixed or determinable cash flow which are not listed in an active market are classified as loans and receivables. Investments held to maturity, loans and receivables and other liabilities are measured at amortised cost.

H) PROVISIONS

A provision is recognised when the company has a liability (legal or constructive) as a result of a previous event and where it is probable (more probable than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is material, the provision is estimated by discounting the expected future cash flow with a discount rate before tax which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.
A provision is recognised for any unavoidable net loss arising from the contract, the unavoidable cost under a contract reflect the least net cost of exiting from the contract, i.e. the lower of the cost of fulfilling the contract; and any compensation of penalties arising from failure to fulfill the contract.

I) EQUITY

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

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

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.

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	ADMINI-STRATION	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	ADMINI-STRATION	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**

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 Belocean 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 Belocean ended her contract with Canpotex. The ship was replaced by the newbuilding M/S Belisland at a net rate of USD 17,300 per day with effect from time of delivery 15 March 2016 until the expiry of the remaining 5 year period. Cargill, chartered from end of February M/S Belocean 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.

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

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**

SPESIFICATION 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 decling 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 detoriate, 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
WACC increase with 1%:				
Change in market value of the ships (incl. c/p agreements)	-181	-249	0	-2
Market rate increase 5% and ship values increase 2.5%:				
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.

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**

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

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).

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

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.

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 pluss margin of 2.75%, minimum market value of the ships is 110% of the outstanding loan balance, minimum value adjusted equity on a consolidated basis is 25% and the Group shall at all times have available liquidity of at least USD 5 million or 6% of total interest bearing debt.
The ship values 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.

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 %

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.

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.

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

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.

NOTE 19
ENVIRONMENTAL ISSUES

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

NOTE 20
EQUITY

SHARE CAPITAL

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

NOTE 21
CONTINGENCIES

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

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

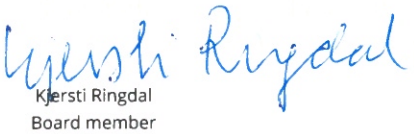
BELSHIPS ASA



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 debitors 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 equivalens		**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.

NOTE 2
FIXED ASSETS

	2015							2014		
		Ship			Other fixed assets			Other fixed assets		
	New-building	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.

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.

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.

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	
	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM RESERVES	OTHER EQUITY	OTHER EQUITY	TOTAL
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' 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 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 3 for more information about separate share option plan.*

NOTE 7
PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees are member of the company's defined contribution scheme. 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.

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

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.

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

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.

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.

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 hegdings 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.

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.

Statsautoriserte revisorer
Ernst & Young AS

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Building a better working world

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.

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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)

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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
– Sincerety & Honesty

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

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

1. Environment

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

Belships recognizes its environmental responsibility and strive to comply with and maintain high standards in order to reduce the environmental impact from its operations. The Company is focusing on reducing bunkers consumption, which is the main source of the shipping sector's emissions of CO_2, NOX and SOX.

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

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

Bilag 7

BELSHIPS CHARTERING AS

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 forurenser 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 rettvisende 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

Beløp i NOK	*Note*	**1.1 - 31.12 2017**	**1.1 - 31.12 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

Beløp i NOK	*Note*	**31.12.2017**	**31.12.2016**
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	**58 977**	**56 950**

Note 3 Fordringer og gjeld

	31.12.2017	**31.12.2016**
Totale 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

Note 5 Egenkapital

	Innskutt	Opptjent	
	Aksje-kapital	Annen egenkapital	Sum
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 èn stemme. Det er kun èn 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:

	2017	2016
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 %

Utsatt skatt pr. 31. desember	**2017**	**2016**
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.

Building a better working world

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Ernst & Young AS

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Medlemmer av Den norske revisorforening

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 rettvisende 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 rettvisende 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.

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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 rettvisende 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

A member firm of Ernst & Young Global Limited

BELSHIPS CHARTERING AS

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 rettvisende 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

Beløp i NOK	*Note*	1.1 - 31.12 2016	1.1 - 31.12 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

Beløp i NOK	*Note*	31.12.2016	31.12.2015
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 fraktinntekter*
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.

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 èn stemme. Det er kun èn 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	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.

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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 rettvisende 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 rettvisende 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.

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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 rettvisende 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

A member firm of Ernst & Young Global Limited

BELSHIPS CHARTERING AS

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 rettvisende 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

Beløp i NOK	*Note*	1.1 - 31.12 2015	1.1 - 31.12 2014
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**

BALANSE

Beløp i NOK	*Note*	31.12.2015	31.12.2014
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

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 fraktinntekter*
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 kontraktsmotparten, blir klassifisert som operasjonelle leieavtaler. Leiebetalinger er klassifisert som en driftskostnad, og resultatføres over kontraktsperioden.

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	**86 780**	**178 120**

Note 4 Andel i DIS-selskap

Selskapet 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.

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

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	5 402 700	355 740	5 758 440

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 èn stemme. Det er kun èn 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 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		2015	2014
Midlertidige forskjeller			
Det er beregnet utsatt skatt av midlertidige forskjeller knyttet til:			
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.

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no
Medlemmer av Den norske revisorforening

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 rettvisende 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 rettvisende 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.

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Building a better working world

Konklusjon

Etter vår mening er årsregnskapet for Belships Charteing AS avgitt i samsvar med lov og forskrifter og gir et rettvisende 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

A member firm of Ernst & Young Global Limited

Bilag 8

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

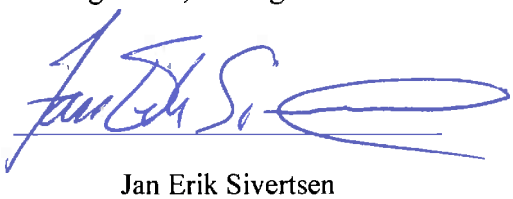
Selskapets revisor er:

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



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

dto@hommessen.no
81.175.32.90

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 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.

dto@thommessen.no 81.175.32.90

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



Jan Erik Sivertsen

for Kontrari AS

dto@thommessen.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

dto@lhommessen.no
81.175.32.90

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 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.

dto@thommessen.no 81.1f5.32.90

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@thommesson.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

dto@thommessen.no
81.175.32.90

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 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.

dto@thommessen.no 81.1f5.32.90

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@thommesson.no
81.175.32.90

Bilag 9

BELSHIPS CHARTERING AS

MELLOMBALANSE PR. 31.08.2018

Beløp i NOK

	Note	
EIENDELER		
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 leder

Ulrich 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 allmennaksjelovens 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 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 Konsernmellomværende

Selskapet har en fordring mot morselskapet Belships ASA på NOK 5 915 817. Fordringen er renteberegnet med rentesats lik normrenten.

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

Building a better working world

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

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Building a better working world

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 rettvisende 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

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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		
Innskutt egenkapital		
Aksjekapital	3	30 000
Annen innskutt egenkapital; stiftelsesutgifter		-5 570
Sum innskutt egenkapital		*24 430*
Sum egenkapital		**24 430**
Gjeld		
Kortsiktig gjeld		
Avsetning stiftelsesutgifter		5 570
Sum kortsiktig gjeld		*5 570*
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
Sum anleggsmidler		**0**
Omløpsmidler		
Bankinnskudd		30 000
Sum omløpsmidler		**30 000**
SUM EIENDELER		**30 000**
GJELD OG EGENKAPITAL		
Egenkapital		
Innskutt egenkapital		
Aksjekapital	3	30 000
Annen innskutt egenkapital; stiftelsesutgifter		-5 570
Sum innskutt egenkapital		*24 430*
Sum egenkapital		**24 430**
Gjeld		
Kortsiktig gjeld		
Avsetning stiftelsesutgifter		5 570
Sum kortsiktig gjeld		*5 570*
Sum gjeld		**5 570**
SUM GJELD OG EGENKAPITAL		**30 000**

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		
Innskutt egenkapital		
Aksjekapital	3	30 000
Annen innskutt egenkapital; stiftelsesutgifter		-5 570
Sum innskutt egenkapital		*24 430*
Sum egenkapital		**24 430**
Gjeld		
Kortsiktig gjeld		
Avsetning stiftelsesutgifter		5 570
Sum kortsiktig gjeld		*5 570*
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 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 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		
Innskutt egenkapital		
Aksjekapital	3	30 000
Annen innskutt egenkapital; stiftelsesutgifter		-5 570
Sum innskutt egenkapital		*24 430*
Sum egenkapital		**24 430**
Gjeld		
Kortsiktig gjeld		
Avsetning stiftelsesutgifter		5 570
Sum kortsiktig gjeld		*5 570*
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.

REPORT 2ND QUARTER 2018

23 August 2018

www.belships.com

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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 Ultramaxes 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 Belocean 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	Note	Q2 2018	Q1 2018	1H 2018	Q2 2017	Q1 2017	1H 2017	2017
Freight revenue		**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	Note	30 Jun 2018	31 Mar 2018	31 Dec 2017
ASSETS				
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 debitors 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						
	Paid-in				Retained		
As at 30 June 2018	**Share capital**	**Treasury shares**	**Share premium reserves**	**Other paid-in equity**	**Other equity**	**Non-controlling interests**	**Total equity**
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				
	Dry cargo	*Technical managm.*	*Admini-stration*	*Group transacts*	*Total*
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.trs.*	*Total*	*Dry cargo*	*Techn. manag.*	*Admin/ Grp.trs.*	*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
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**
Q2								
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
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**
Q3								
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
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**
Q4								
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
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 as 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%
JOMAHO 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%

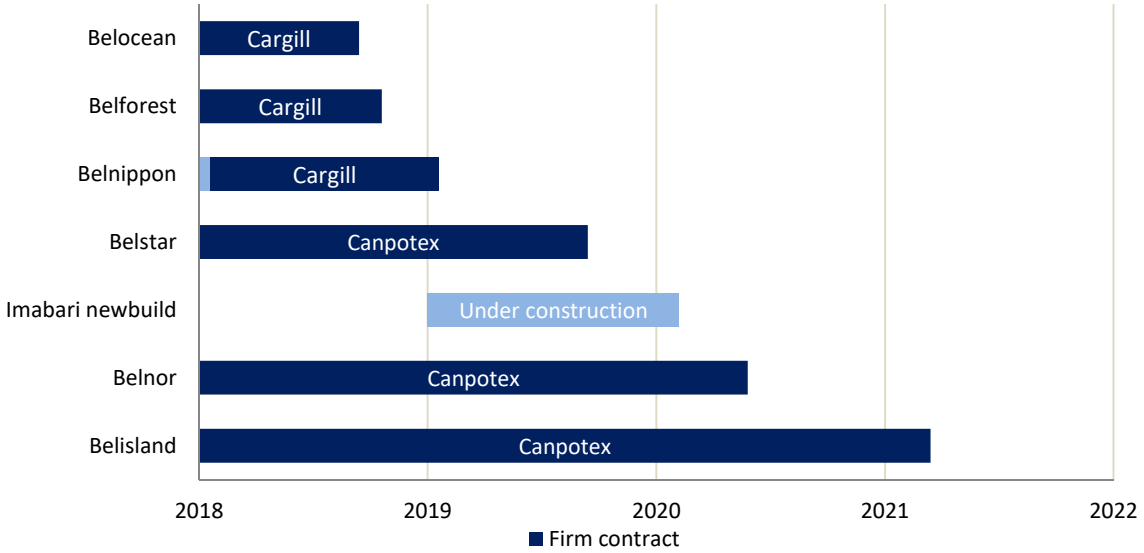
FLEET LIST

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



Canpotex

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.

Cargill

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.

FGH AUDIT

ANSVARLIGE REVISORER:
STATSAUTORISERT REVISOR KAY VIDAR THOMASSEN (REVISORREGISTERNR. 1017234)
STATSAUTORISERT REVISOR STÅLE RAASTAD HANSEN (REVISORREGISTERNR. 1019692)

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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

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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.

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Revisors oppgaver og plikter

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- opparbeider vi oss en forståelse av den interne kontroll 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.
- 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

FGH AUDIT

ANSVARLIGE REVISORER:
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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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Sandefjord, 17. september 2018
FGH Audit AS



Ståle Raastad Hansen
Statsautorisert revisor

FGH AUDIT

ANSVARLIGE REVISORER:
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Til generalforsamlingen i LHS Holdco AS

Uavhengig revisors beretning

Konklusjon

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Sandefjord, 17. september 2018
FGH Audit AS



_____
Ståle Raastad Hansen
Statsautorisert revisor

FGH AUDIT

ANSVARLIGE REVISORER:
STATSAUTORISERT REVISOR KAY VIDAR THOMASSEN (REVISORREGISTERNR. 1017234)
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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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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.

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FLORSGT. 2a, 3211 SANDEFJORD • TELEFON: 33 42 64 20 • E-MAIL: post@fghrevisjon.no
HJEMMESIDE: www.fghrevisjon.no

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:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i balansen, enten det skyldes misligheter eller utilsiktede 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 utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.
- opparbeider vi oss en forståelse av den interne kontroll 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.
- 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

Bilag 11

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.

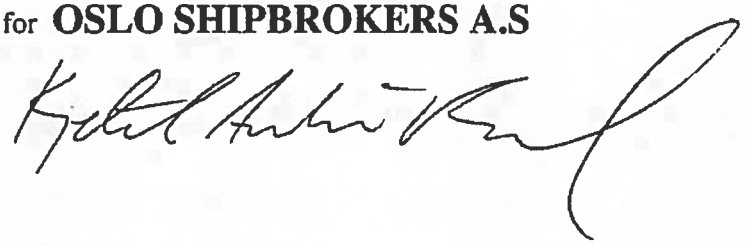
We believe that the above valuation is reasonably accurate, but all statements made above are statements of opinion and are not to be taken as representations of fact. Any person who is contemplating entering a transaction, or other legal process relative to these Vessels or their value, should satisfy 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

Address: Strandveien 50, 1366 Lysaker, Norway
Phone: (+47) 67 100 100, Fax: (+47) 67 100 150, E-mail: osloshlp@osb.no, Web: www.osb.no, Ent. No.: 992 093 609

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

GRIEG SHIPBROKERS

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 Belocean	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.**

GRIEG SHIPBROKERS

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

QUALITY SYSTEM CERTIFICATION DNV·GL ISO 9001

This valuation is subject to our valuation disclaimer

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 accuracyofsuchassumptionsorinformation. Anypersoncontemplatingenteringintoatransactionorotherwiserelyingonthisvaluationshouldsatisfyhimselfbyinspectionofthevesselor 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

FEARNSALE

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

QUALITY SYSTEM CERTIFICATION DNV·GL ISO 9001

This valuation is subject to our valuation disclaimer

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 accuracyofsuchassumptionsorinformation. Anypersoncontemplatingenteringintoatransactionorotherwiserelyingonthisvaluationshouldsatisfyhimselfbyinspectionofthevesselor 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.

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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: 12 June 2018

QUALITY SYSTEM CERTIFICATION DNV·GL ISO 9001

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

APPENDIX B

INDEPENDENT EXPERT STATEMENTS REGARDING THE MERGER

FGH AUDIT

ANSVARLIGE REVISORER:
STATSAUTORISERT REVISOR KAY VIDAR THOMASSEN (REVISORREGISTERNR. 1017234)
STATSAUTORISERT REVISOR STÅLE RAASTAD HANSEN (REVISORREGISTERNR. 1019692)

FGH AUDIT AS • GODKJENT REVISJONSSELSKAP • REVISORREGISTERNR. 818 712 642 • FORETAKSNR. NO 818 712 642 MVA
FLORSGT. 2a, 3211 SANDEFJORD • TELEFON: 33 42 64 20 • E-MAIL: post@fghrevisjon.no
HJEMMESIDE: www.fghrevisjon.no

Til generalforsamlingen i Belships ASA

Redegjørelse for tingsinnskuddet i Belships ASA i forbindelse med fusjon

Det er utarbeidet en felles fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering AS («Belships Chartering») og LHN Holdco 1 AS, LHN Holdco 2 AS, LHS Holdco AS og LHS Holdco II AS («Lighthouse-selskapene») med Belships ASA («Belships» eller «Selskapet») som aksjeutstedende selskap. Fusjonen foretas i overensstemmende med reglene i 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 følge av fusjonen. Som vederlag mottar aksjeeierne i Lighthouse-selskapene aksjer i Belships Charterings morselskap Belships, ved forhøyelse av aksjekapitalen i dette selskapet.

På oppdrag fra styret i Belships avgir vi som uavhengig sakkyndig en redegjørelse i samsvar med allmennaksjeloven § 10-2, jf. § 2-6 i forbindelse med den kapitalforhøyelsen som skal finne sted i Belships som følge av fusjonen.

Styrets ansvar for redegjørelsen
Styret er ansvarlig for informasjonen redegjørelsen bygger på og de verdsettelser som ligger til grunn for vederlaget.

Uavhengig sakkyndiges oppgaver og plikter
Vår oppgave er å utarbeide en redegjørelse og uttale oss om de eiendeler Selskapet skal overta har en verdi som minst svarer til vederlaget.

Den videre redegjørelsen består av to deler. Den første delen er en presentasjon av opplysninger i overensstemmelse med de krav som stilles i allmennaksjeloven § 10-2, jf. § 2-6. Den andre delen er vår uttalelse om at de eiendeler Selskapet skal overta, har en verdi som minst svarer til vederlaget. Redegjørelsen baserer seg på den forutsetning at betingelse for gjennomføring av fusjonen iht. fusjonsplanen punkt 8 (vii) oppfylles.

Del 1: Opplysninger om innskuddet
Som vederlag i fusjonen mottar aksjeeierne i Lighthouse-selskapene aksjer i Belships ved at 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, samt overkurs på NOK 96 493 467. 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. De eiendeler og rettigheter Belships Chartering skal overta og de forpliktelser det skal påta seg, er beskrevet i fusjonsplanen mellom Belships Chartering og Lighthouse-selskapene.

Fordringens skattemessige inngangsverdi vil være lik skattemessig verdi av egenkapitalen som overføres ved fusjonen, i tråd med skatteloven § 11-7.

Del 2: Den uavhengige sakkyndiges uttalelse
Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1" Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at de eiendeler og forpliktelser selskapet skal overta, har en verdi som minst svarer til det avtalte vederlaget. Arbeidet omfatter kontroll av verdsettelsen av innskuddet herunder vurderingsprinsippene og eksistens og tilhørighet. Videre har vi vurdert de verdsettelsesmetoder som er benyttet, og de forutsetninger som ligger til grunn for verdsettelsen.

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

Konklusjon
Etter vår mening er de eiendeler selskapet skal overta ved kapitalforhøyelsen verdsatt pr. 4. oktober 2018 i overensstemmelse med de beskrevne prinsipper og har en verdi som minst svarer til det avtalte vederlaget i aksjer i Belships ASA pålydende NOK 255 531 986 samt overkurs NOK 96 493 467.

Oslo, 4. oktober 2018
FGH Audit AS



_____

Ståle Raastad Hansen
Statsautorisert revisor

FGH AUDIT

ANSVARLIGE REVISORER:
STATSAUTORISERT REVISOR KAY VIDAR THOMASSEN (REVISORREGISTERNR. 1017234)
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Til generalforsamlingen i Belships Chartering AS

Redegjørelse for fusjonsplanen i overtakende selskap i en konsernfusjon – Belships Chartering AS

Det er utarbeidet en felles fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering AS («Belships Chartering») og LHN Holdco 1 AS, LHN Holdco 2 AS, LHS Holdco AS og LHS Holdco II AS («Lighthouse-selskapene») med Belships ASA («Belships») som aksjeutstedende selskap.

På oppdrag fra styret i Belships Chartering avgir vi som uavhengig sakkyndig en redegjørelse for fusjonsplanen datert 4. oktober 2018 mellom Belships Chartering og Lighthouse-selskapene i henhold til allmennaksjeloven § 13-10.

Styrets ansvar for redegjørelsen
Styrene i hvert selskap er ansvarlig for informasjonen redegjørelsen bygger på og de verdsettelser som ligger til grunn for vederlaget.

Uavhengig sakkyndiges oppgaver og plikter
Vår oppgave er å utarbeide en redegjørelse om fusjonsplanen og å uttale oss om de eiendeler Belships Chartering skal overta, har en verdi som minst svarer til vederlaget.

Den videre redegjørelsen består av tre deler. Den første delen er en presentasjon av opplysninger i overensstemmelse med de krav som stilles i allmennaksjeloven § 13-10 annet ledd og § 2-6 første ledd nr. 1 til 4. Den andre delen angir hvilke fremgangsmåter som er brukt ved fastsettelsen av vederlaget til aksjeeierne i de overdragende selskapene. Den tredje delen er vår uttalelse. Redegjørelsen baserer seg på den forutsetning at betingelse for gjennomføring av fusjonen iht. fusjonsplanen punkt 8 (vii) oppfylles.

Del 1: Opplysninger om innskuddet
Belships Chartering overtar alle eiendeler, rettigheter og forpliktelser fra Lighthouse-selskapene. De eiendeler, rettigheter og forpliktelser selskapet skal overta ved fusjonen fremkommer av selskapenes felles fusjonsplan.

Fusjonen gjennomføres som en såkalt trekantfusjon, jf. allmennaksjeloven § 13-2 annet ledd, ved at Belships Chartering overtar Lighthouse-selskapenes eiendeler, gjeld, rettigheter og forpliktelser i sin helhet. Som vederlag mottar aksjeeierne i Lighthouse-selskapene aksjer i Belships Chartering sitt morselskap, Belships, ved forhøyelse av aksjekapitalen i dette selskapet. Lighthouse-selskapene oppløses som følge av fusjonen.

Grunnlaget for Belships sin aksjeutstedelse er den fusjonsfordringen som Belships Chartering (som debitor) utsteder til Belships på det tidspunktet fusjonen gjennomføres. Fordringen tilsvarer netto bokført eiendeler som Belships Chartering tilføres ved fusjonen. Fordringens skattemessige inngangsverdi vil være lik skattemessig verdi av egenkapitalen som overføres ved fusjonen, i tråd med skatteloven § 11-7.

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, samt overkurs på NOK 96 493 467. 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.

Del 2: Fremgangsmåter ved fastsettelsen av vederlaget
Fusjonens bytteforhold fremkommer med basis i verdsettelser for de respektive selskapene på USD 37,66 millioner for Belships og totalt USD 102,82 millioner for Lighthouse-selskapene.

Belships er i all vesentlighet verdsatt ut fra takster på flåten som er innhentet fra tre ulike og uavhengige meglerhus, fratrukket netto rentebærende gjeld for eide skip og gjenstående leasingkostnad for skip leid inn på bareboat. Videre er langsiktige certepartier tillagt en verdi ut fra en DCF-analyse, samt at Belships managementselskap er verdsatt basert på en normalisert EBITDA ganget med en multippel på 5 og deretter justert for netto gjeld. Det er videre foretatt analyser av normalisert arbeidskapital, og administrasjonen i Lighthouse-selskapene har foretatt en due diligence av Belships i samarbeid med eksterne rådgivere.

Tilsvarende er Lighthouse-selskapene i all vesentlighet verdsatt ut fra takster på flåten som er innhentet fra de samme tre meglerhusene som ble benyttet til å verdsette flåten til Belships. Lighthouse Navigation Pte Ltd («Lighthouse Navigation») er verdsatt basert på en gjennomsnittlig (siste fem år) EBITDA ganget med en multippel på 5 og deretter justert for netto gjeld, alt hensyntatt 50,01 % eierskap. Det er videre foretatt analyser av normalisert arbeidskapital, og Belships har engasjert uavhengige eksterne rådgivere for å foreta juridisk og finansiell due diligence av Lighthouse-selskapene.

Særlige vanskeligheter ved fastsettelse av vederlaget:

- Omsetningen og resultatene i henholdsvis Belships' managementselskap og Lighthouse Navigation har de senere årene vært varierende. Dette har til en viss grad gjort det noe utfordrende å finne et normalisert resultat og en normalisert EBITDA. Verdien av disse selskapene utgjør imidlertid en relativt liten del av totalverdien av de fusjonerte selskapene.

- Det ble i forkant av fusjonen inngått avtale om salg av 14 285 714 aksjer (tilsvarende 30,2 % av utstedte aksjer) fra Belships' hovedaksjonær Sonata AS til en av hovedaksjonærene i Lighthouse-selskapene, Kontrazi AS til en pris på NOK 7 per aksje. Det har i denne transaksjonen blitt benyttet en noe annen pris enn hva som har blitt lagt til grunn i bytteforholdet i fusjonen. Prisen i fusjonen støttes av forhandlinger og verdsettelser uavhengig av prisingen i denne transaksjonen.

Belships gjennomførte en strategisk prosess med ABG Sundal Collier som tilrettelegger og overnevnte aksjesalg og fusjon er et resultat av denne prosessen hvor selskapet mottok flere tilbud fra ulike interessenter. Bytteforholdet har blitt fastsatt etter grundige forhandlinger mellom partene og støttes av megleranslag, anerkjente verdsettelsesmetoder og due diligence utført internt og av eksterne rådgivere. Verdsettelsens fremgangsmåte anses som hensiktsmessig.

Del 3: Den uavhengige sakkyndiges uttalelse
Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1" Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at de eiendeler og forpliktelser selskapet skal overta, har en verdi som minst svarer til det avtalte vederlaget, og for å kunne uttale oss om vederlaget til aksjeeierne i Lighthouse-selskapene. Arbeidet omfatter kontroll av verdsettelsen av innskuddet og av vederlaget, herunder vurderingsprinsippene og eksistens og tilhørighet. Videre har vi

vurdert de verdsettelsesmetoder som er benyttet og de forutsetninger som ligger til grunn for verdsettelsen.

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

Konklusjon
Etter vår mening har de eiendeler selskapet skal overta ved fusjonen en verdi som minst svarer til det avtalte vederlaget i aksjer i Belships ASA pålydende NOK 255 531 986 samt overkurs NOK 96 493 467 og etter vår mening er begrunnelsen for vederlaget til aksjeeierne i Lighthouse-selskapene på 0,88056758195458 aksjer i Belships ASA for hver aksje i LHN Holdco 1 AS, 0,87487425707125 aksjer i Belships ASA for hver aksje i LHN Holdco 2 AS, 0,15260054759455 aksjer i Belships ASA for hver aksje i LHS Holdco AS og 0,15591911416226 aksjer i Belships ASA for hver aksje i LHS Holdco II AS rimelig og saklig basert på verdsettelsen pr. 4. oktober 2018 av selskapene som beskrevet ovenfor.

Oslo, 4. oktober 2018
FGH Audit AS



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Ståle Raastad Hansen
Statsautorisert revisor

FGH AUDIT

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Til generalforsamlingen i LHS Holdco AS

Redegjørelse for fusjonsplanen i overdragende selskap i en konsernfusjon - LHS Holdco AS

Det er utarbeidet en felles fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering AS («Belships Chartering») og LHN Holdco 1 AS, LHN Holdco 2 AS, LHS Holdco AS og LHS Holdco II AS («Lighthouse-selskapene») med Belships ASA («Belships») som aksjeutstedende selskap.

På oppdrag fra styret i LHS Holdco AS avgir vi som uavhengig sakkyndig en redegjørelse for fusjonsplanen datert 4. oktober 2018 mellom Belships Chartering og Lighthouse-selskapene i henhold til allmennaksjeloven § 13-10.

Styrets ansvar for redegjørelsen
Styret i hvert selskap er ansvarlig for informasjonen og de verdsettelser som ligger til grunn for vederlaget.

Uavhengig sakkyndiges oppgaver og plikter
Vår oppgave er å utarbeide en redegjørelse om fastsettelse av vederlaget.

Den videre redegjørelsen består av to deler. Den første delen angir hvilke fremgangsmåter som er brukt ved fastsettelsen av vederlaget til aksjeeierne i det overdragende selskapet. Den andre delen er vår uttalelse om vederlaget. Redegjørelsen baserer seg på den forutsetning at betingelse for gjennomføring av fusjonen iht. fusjonsplanen punkt 8 (vii) oppfylles.

Del 1: Redegjørelse om fastsettelse av vederlaget
Fusjonens bytteforhold på 0,15260054759455 aksjer i Belships for hver aksje eiet i LHS Holdco AS, fremkommer med basis i verdsettelser for de respektive selskapene på USD 37,66 millioner for Belships og USD 61,30 millioner for LHS Holdco AS.

Belships er i all vesentlighet verdsatt ut fra takster på flåten som er innhentet fra tre ulike og uavhengige meglerhus, fratrukket netto rentebærende gjeld for eide skip og gjenstående leasingkostnad for skip leid inn på bareboat. Videre er langsiktige certepartier tillagt en verdi ut fra en DCF-analyse, samt at Belships' managementselskap er verdsatt basert på en normalisert EBITDA ganget med en multippel på 5 og deretter justert for netto gjeld. Det er videre foretatt analyser av normalisert arbeidskapital, og administrasjonen i Lighthouse-selskapene har foretatt en due diligence av Belships i samarbeid med eksterne rådgivere.

LHS Holdco AS er verdsatt med utgangspunkt i sin eierandel på 100 prosent i Lighthouse Shipholding AS («Lighthouse Shipholding»). Lighthouse Shipholding er i all vesentlighet verdsatt ut fra takster på flåten som er innhentet fra tre ulike og uavhengige meglerhus. Det er her blitt benyttet de samme meglerhus og prinsipper som har blitt benyttet på flåten til Belships, og Belships har engasjert uavhengige eksterne rådgivere for å foreta due diligence.

Særlige vanskeligheter ved fastsettelse av vederlaget:

- Omsetningen og resultatene i Belships' managementselskap har de senere årene vært varierende. Dette har til en viss grad gjort det noe utfordrende å finne et normalisert resultat og en normalisert EBITDA.

- Det ble i forkant av fusjonen inngått avtale om salg av 14 285 714 aksjer (tilsvarende 30,2 % av utstedte aksjer) fra Belships' hovedaksjonær Sonata AS til en av hovedaksjonærene i Lighthouse-selskapene, Kontrazi AS til en pris på NOK 7 per aksje. Det har i denne transaksjonen blitt benyttet en noe annen pris enn hva som har blitt lagt til grunn i bytteforholdet i fusjonen. Prisen i fusjonen støttes av forhandlinger og verdsettelser uavhengig av prisingen i denne transaksjonen.

Belships gjennomførte en strategisk prosess med ABG Sundal Collier som tilrettelegger og ovennevnte aksjesalg og fusjon er et resultat av denne prosessen hvor selskapet mottok flere tilbud fra ulike interessenter. Bytteforholdet har blitt fastsatt etter grundige forhandlinger mellom partene og støttes av megleranslag, anerkjente verdsettelsesmetoder og due diligence utført internt og av eksterne rådgivere. Verdsettelsens fremgangsmåte anses som hensiktsmessig.

Del 2: Den uavhengige sakkyndiges uttalelse
Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1 "Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at vederlaget til aksjeeierne i LHS Holdco AS er rimelig og saklig begrunnet. Arbeidet omfatter kontroll av verdsettelse av vederlaget. Videre har vi vurdert de verdsettelsesmetoder som er benyttet og av forutsetninger som ligger til grunn for verdsettelsen.

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

Konklusjon
Etter vår mening er begrunnelsen for vederlaget til aksjeeierne i LHS Holdco AS på 0,15260054759455 aksjer i Belships for hver aksje i LHS Holdco AS rimelig og saklig basert på verdsettelsen pr. 4. oktober 2018 av selskapene som beskrevet ovenfor.

Oslo, 4. oktober 2018
FGH Audit AS



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Ståle Raastad Hansen
Statsautorisert revisor

FGH AUDIT

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Til generalforsamlingen i LHS Holdco II AS

Redegjørelse for fusjonsplanen i overdragende selskap i en konsernfusjon - LHS Holdco II AS

Det er utarbeidet en felles fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering AS («Belships Chartering») og LHN Holdco 1 AS, LHN Holdco 2 AS, LHS Holdco AS og LHS Holdco II AS («Lighthouse-selskapene») med Belships ASA («Belships») som aksjeutstedende selskap.

På oppdrag fra styret i LHS Holdco II AS avgir vi som uavhengig sakkyndig en redegjørelse for fusjonsplanen datert 4. oktober 2018 mellom Belships Chartering og Lighthouse-selskapene i henhold til allmennaksjeloven § 13-10.

Styrets ansvar for redegjørelsen
Styret i hvert selskap er ansvarlig for informasjonen og de verdsettelser som ligger til grunn for vederlaget.

Uavhengig sakkyndiges oppgaver og plikter
Vår oppgave er å utarbeide en redegjørelse om fastsettelse av vederlaget.

Den videre redegjørelsen består av to deler. Den første delen angir hvilke fremgangsmåter som er brukt ved fastsettelsen av vederlaget til aksjeeierne i det overdragende selskapet. Den andre delen er vår uttalelse om vederlaget. Redegjørelsen baserer seg på den forutsetning at betingelse for gjennomføring av fusjonen iht. fusjonsplanen punkt 8 (vii) oppfylles.

Del 1: Redegjørelse om fastsettelse av vederlaget
Fusjonens bytteforhold på 0,15591911416226 aksjer i Belships for hver aksje eiet i LHS Holdco II AS, fremkommer med basis i verdsettelser for de respektive selskapene på USD 37,66 millioner for Belships og USD 29,27 millioner for LHS Holdco II AS.

Belships er i all vesentlighet verdsatt ut fra takster på flåten som er innhentet fra tre ulike og uavhengige meglerhus, fratrukket netto rentebærende gjeld for eide skip og gjenstående leasingkostnad for skip leid inn på bareboat. Videre er langsiktige certepartier tillagt en verdi ut fra en DCF-analyse, samt at Belships' managementselskap er verdsatt basert på en normalisert EBITDA ganget med en multippel på 5 og deretter justert for netto gjeld. Det er videre foretatt analyser av normalisert arbeidskapital, og administrasjonen i Lighthouse-selskapene har foretatt en due diligence av Belships i samarbeid med eksterne rådgivere.

LHS Holdco II AS er verdsatt med utgangspunkt i sin eierandel på 100 prosent i Lighthouse Shipholding II AS («Lighthouse Shipholding II»). Lighthouse Shipholding II er i all vesentlighet verdsatt ut fra takster på flåten som er innhentet fra tre ulike og uavhengige meglerhus. Det er her blitt benyttet de samme meglerhus og prinsipper som har blitt benyttet på flåten til Belships, og Belships har engasjert uavhengige eksterne rådgivere for å foreta due diligence.

Særlige vanskeligheter ved fastsettelse av vederlaget:

- Omsetningen og resultatene i Belships' managementselskap har de senere årene vært varierende. Dette har til en viss grad gjort det noe utfordrende å finne et normalisert resultat og en normalisert EBITDA.

- Det ble i forkant av fusjonen inngått avtale om salg av 14 285 714 aksjer (tilsvarende 30,2 % av utstedte aksjer) fra Belships' hovedaksjonær Sonata AS til hovedaksjonæren i Lighthouse-selskapene, Kontrazi AS til en pris på NOK 7 per aksje. Det har i denne transaksjonen blitt benyttet en noe annen pris enn hva som har blitt lagt til grunn i bytteforholdet i fusjonen. Prisen i fusjonen støttes av forhandlinger og verdsettelser uavhengig av prisingen i denne transaksjonen.

Belships gjennomførte en strategisk prosess med ABG Sundal Collier som tilrettelegger og ovennevnte aksjesalg og fusjon er et resultat av denne prosessen hvor selskapet mottok flere tilbud fra ulike interessenter. Bytteforholdet har blitt fastsatt etter grundige forhandlinger mellom partene og støttes av megleranslag, anerkjente verdsettelsesmetoder og due diligence utført internt og av eksterne rådgivere. Verdsettelsens fremgangsmåte anses som hensiktsmessig.

Del 2: Den uavhengige sakkyndiges uttalelse
Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1 "Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at vederlaget til aksjeeierne i LHS Holdco II AS er rimelig og saklig begrunnet. Arbeidet omfatter kontroll av verdsettelse av vederlaget. Videre har vi vurdert de verdsettelsesmetoder som er benyttet og av forutsetninger som ligger til grunn for verdsettelsen.

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

Konklusjon
Etter vår mening er begrunnelsen for vederlaget til aksjeeierne i LHS Holdco II AS på 0,15591911416226 aksjer i Belships ASA for hver aksje i LHS Holdco II AS rimelig og saklig basert på verdsettelsen pr. 4. oktober 2018 av selskapene som beskrevet ovenfor.

Oslo, 4. oktober 2018
FGH Audit AS



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Ståle Raastad Hansen
Statsautorisert revisor

FGH AUDIT

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Til generalforsamlingen i LHN Holdco 1 AS

Redegjørelse for fusjonsplanen i overdragende selskap i en konsernfusjon - LHN Holdco 1 AS

Det er utarbeidet en felles fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering AS («Belships Chartering») og LHN Holdco 1 AS, LHN Holdco 2 AS, LHS Holdco AS og LHS Holdco II AS («Lighthouse-selskapene») med Belships ASA («Belships») som aksjeutstedende selskap.

På oppdrag fra styret i LHN Holdco 1 AS avgir vi som uavhengig sakkyndig en redegjørelse for fusjonsplanen datert 4. oktober 2018 mellom Belships Chartering og Lighthouse-selskapene i henhold til allmennaksjeloven § 13-10.

Styrets ansvar for redegjørelsen
Styret i hvert selskap er ansvarlig for informasjonen og de verdsettelser som ligger til grunn for vederlaget.

Uavhengig sakkyndiges oppgaver og plikter
Vår oppgave er å utarbeide en redegjørelse om fastsettelse av vederlaget.

Den videre redegjørelsen består av to deler. Den første delen angir hvilke fremgangsmåter som er brukt ved fastsettelsen av vederlaget til aksjeeier i det overdragende selskapet. Den andre delen er vår uttalelse om vederlaget. Redegjørelsen baserer seg på den forutsetning at betingelse for gjennomføring av fusjonen iht. fusjonsplanen punkt 8 (vii) oppfylles.

Del 1: Redegjørelse om fastsettelse av vederlaget
Fusjonens bytteforhold på 0,88056758195458 aksjer i Belships for hver aksje eiet i LHN Holdco 1 AS, fremkommer med basis i verdsettelser for de respektive selskapene på USD 37,66 millioner for Belships og USD 9,80 millioner for LHN Holdco 1 AS.

Belships er i all vesentlighet verdsatt ut fra takster på flåten som er innhentet fra tre ulike og uavhengige meglerhus, fratrukket netto rentebærende gjeld for eide skip og gjenstående leasingkostnad for skip leid inn på bareboat. Videre er langsiktige certepartier tillagt en verdi ut fra en DCF-analyse, samt at Belships' managementselskap er verdsatt basert på en normalisert EBITDA ganget med en multippel på 5 og deretter justert for netto gjeld. Det er videre foretatt analyser av normalisert arbeidskapital, og administrasjonen i Lighthouse-selskapene har foretatt en due diligence av Belships i samarbeid med eksterne rådgivere.

LHN Holdco 1 AS er verdsatt med utgangspunkt i sin eierandel på 40 prosent i Lighthouse Navigation Pte Ltd («Lighthouse Navigation»). Lighthouse Navigation er verdsatt basert på en gjennomsnittlig (siste fem år) EBITDA ganget med en multippel på 5 og deretter justert for netto gjeld. Det er videre foretatt analyser av normalisert arbeidskapital, og Belships har engasjert uavhengige eksterne rådgivere for å foreta juridisk og finansiell due diligence av Lighthouse-selskapene.

Særlige vanskeligheter ved fastsettelse av vederlaget:

- Omsetningen og resultatene i henholdsvis Belships' managementselskap og Lighthouse Navigation har de senere årene vært varierende. Dette har til en viss grad gjort det noe utfordrende å finne et normalisert resultat og en normalisert EBITDA.

- Det ble i forkant av fusjonen inngått avtale om salg av 14 285 714 aksjer (tilsvarende 30,2 % av utstedte aksjer) fra Belships' hovedaksjonær Sonata AS til en av hovedaksjonærene i Lighthouse-selskapene, Kontrazi AS til en pris på NOK 7 per aksje. Det har i denne transaksjonen blitt benyttet en noe annen pris enn hva som har blitt lagt til grunn i bytteforholdet i fusjonen. Prisen i fusjonen støttes av forhandlinger og verdsettelser uavhengig av prisingen i denne transaksjonen.

Belships gjennomførte en strategisk prosess med ABG Sundal Collier som tilrettelegger og ovennevnte aksjesalg og fusjon er et resultat av denne prosessen hvor selskapet mottok flere tilbud fra ulike interessenter. Bytteforholdet har blitt fastsatt etter grundige forhandlinger mellom partene og støttes av megleranslag, anerkjente verdsettelsesmetoder og due diligence utført internt og av eksterne rådgivere. Verdsettelsens fremgangsmåte anses som hensiktsmessig.

Del 2: Den uavhengige sakkyndiges uttalelse
Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1 "Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at vederlaget til aksjeeier i LHN Holdco 1 AS er rimelig og saklig begrunnet. Arbeidet omfatter kontroll av verdsettelse av vederlaget. Videre har vi vurdert de verdsettelsesmetoder som er benyttet og av forutsetninger som ligger til grunn for verdsettelsen.

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

Konklusjon
Etter vår mening er begrunnelsen for vederlaget til aksjeeier i LHN Holdco 1 AS på 0,88056758195458 aksjer i Belships for hver aksje i LHN Holdco 1 AS rimelig og saklig basert på verdsettelsen pr. 4. oktober 2018 av selskapene som beskrevet ovenfor.

Oslo, 4. oktober 2018
FGH Audit AS



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Ståle Raastad Hansen
Statsautorisert revisor

FGH AUDIT

ANSVARLIGE REVISORER:
STATSAUTORISERT REVISOR KAY VIDAR THOMASSEN (REVISORREGISTERNR. 1017234)
STATSAUTORISERT REVISOR STÅLE RAASTAD HANSEN (REVISORREGISTERNR. 1019692)

FGH AUDIT AS • GODKJENT REVISJONSSELSKAP • REVISORREGISTERNR. 818 712 642 • FORETAKSNR. NO 818 712 642 MVA
FLORSGT. 2a, 3211 SANDEFJORD • TELEFON: 33 42 64 20 • E-MAIL: post@fghrevisjon.no
HJEMMESIDE: www.fghrevisjon.no

Til generalforsamlingen i LHN Holdco 2 AS

Redegjørelse for fusjonsplanen i overdragende selskap i en konsernfusjon - LHN Holdco 2 AS

Det er utarbeidet en felles fusjonsplan datert 4. oktober 2018 for fusjon av Belships Chartering AS («Belships Chartering») og LHN Holdco 1 AS, LHN Holdco 2 AS, LHS Holdco AS og LHS Holdco II AS («Lighthouse-selskapene») med Belships ASA («Belships») som aksjeutstedende selskap.

På oppdrag fra styret i LHN Holdco 2 AS avgir vi som uavhengig sakkyndig en redegjørelse for fusjonsplanen datert 4. oktober 2018 mellom Belships Chartering og Lighthouse-selskapene i henhold til allmennaksjeloven § 13-10.

Styrets ansvar for redegjørelsen
Styret i hvert selskap er ansvarlig for informasjonen og de verdsettelser som ligger til grunn for vederlaget.

Uavhengig sakkyndiges oppgaver og plikter
Vår oppgave er å utarbeide en redegjørelse om fastsettelse av vederlaget.

Den videre redegjørelsen består av to deler. Den første delen angir hvilke fremgangsmåter som er brukt ved fastsettelsen av vederlaget til aksjeeier i det overdragende selskapet. Den andre delen er vår uttalelse om vederlaget. Redegjørelsen baserer seg på den forutsetning at betingelse for gjennomføring av fusjonen iht. fusjonsplanen punkt 8 (vii) oppfylles.

Del 1: Redegjørelse om fastsettelse av vederlaget
Fusjonens bytteforhold på 0,87487425707125 aksjer i Belships for hver aksje eiet i LHN Holdco 2 AS, fremkommer med basis i verdsettelser for de respektive selskapene på USD 37,66 millioner for Belships og USD 2,45 millioner for LHN Holdco 2 AS.

Belships er i all vesentlighet verdsatt ut fra takster på flåten som er innhentet fra tre ulike og uavhengige meglerhus, fratrukket netto rentebærende gjeld for eide skip og gjenstående leasingkostnad for skip leid inn på bareboat. Videre er langsiktige certepartier tillagt en verdi ut fra en DCF-analyse, samt at Belships' managementselskap er verdsatt basert på en normalisert EBITDA ganget med en multippel på 5 og deretter justert for netto gjeld. Det er videre foretatt analyser av normalisert arbeidskapital, og administrasjonen i Lighthouse-selskapene har foretatt en due diligence av Belships i samarbeid med eksterne rådgivere.

LHN Holdco 2 AS er verdsatt med utgangspunkt i sin eierandel på 10,01 prosent i Lighthouse Navigation Pte Ltd («Lighthouse Navigation»). Lighthouse Navigation er verdsatt basert på en gjennomsnittlig (siste fem år) EBITDA ganget med en multippel på 5 og deretter justert for netto gjeld. Det er videre foretatt analyser av normalisert arbeidskapital, og Belships har engasjert uavhengige eksterne rådgivere for å foreta juridisk og finansiell due diligence av Lighthouse-selskapene.

Særlige vanskeligheter ved fastsettelse av vederlaget:

- Omsetningen og resultatene i henholdsvis Belships' managementselskap og Lighthouse Navigation har de senere årene vært varierende. Dette har til en viss grad gjort det noe utfordrende å finne et normalisert resultat og en normalisert EBITDA.

- Det ble i forkant av fusjonen inngått avtale om salg av 14 285 714 aksjer (tilsvarende 30,2 % av utstedte aksjer) fra Belships' hovedaksjonær Sonata AS til en av hovedaksjonærene i Lighthouse-selskapene, Kontrazi AS til en pris på NOK 7 per aksje. Det har i denne transaksjonen blitt benyttet en noe annen pris enn hva som har blitt lagt til grunn i bytteforholdet i fusjonen. Prisen i fusjonen støttes av forhandlinger og verdsettelser uavhengig av prisingen i denne transaksjonen.

Belships gjennomførte en strategisk prosess med ABG Sundal Collier som tilrettelegger og ovennevnte aksjesalg og fusjon er et resultat av denne prosessen hvor selskapet mottok flere tilbud fra ulike interessenter. Bytteforholdet har blitt fastsatt etter grundige forhandlinger mellom partene og støttes av megleranslag, anerkjente verdsettelsesmetoder og due diligence utført internt og av eksterne rådgivere. Verdsettelsens fremgangsmåte anses som hensiktsmessig.

Del 2: Den uavhengige sakkyndiges uttalelse
Vi har utført vår kontroll og avgir vår uttalelse i samsvar med standard for attestasjonsoppdrag SA 3802-1 "Revisors uttalelser og redegjørelser etter aksjelovgivningen". Standarden krever at vi planlegger og utfører kontroller for å oppnå betryggende sikkerhet for at vederlaget til aksjeeier i LHN Holdco 2 AS er rimelig og saklig begrunnet. Arbeidet omfatter kontroll av verdsettelse av vederlaget. Videre har vi vurdert de verdsettelsesmetoder som er benyttet og av forutsetninger som ligger til grunn for verdsettelsen.

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

Konklusjon
Etter vår mening er begrunnelsen for vederlaget til aksjeeier i LHN Holdco 2 AS på 0,87487425707125 aksjer i Belships for hver aksje i LHN Holdco 2 AS rimelig og saklig basert på verdsettelsen pr. 4. oktober 2018 av selskapene som beskrevet ovenfor.

Oslo, 4. oktober 2018
FGH Audit AS



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Ståle Raastad Hansen
Statsautorisert revisor

APPENDIX C

INDEPENDENT ASSURANCE REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

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Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
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www.ey.no
Medlemmer av Den norske revisorforening

To the Board of Directors of Belships ASA

Independent Practitioners' Assurance Report on the compilation of the unaudited pro forma financial information included in an Information Memorandum

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Belships ASA (the "Company") by the Board of Directors and Management of the Company. The pro forma condensed financial information consists of the unaudited condensed pro forma balance sheet as at 31 December 2017, the unaudited condensed pro forma statement of comprehensive income for the year ended 31 December 2017, and related notes as set out in section 9 of the information memorandum dated 22 October 2018 issued by the Company (the "Information Memorandum").

The pro forma condensed financial information has been compiled to comply with the requirements in section 3.5.2.6 of the "Continuing Obligations of Stock Exchange Listed Companies" issued by Oslo Børs (Oslo Stock Exchange). The applicable criteria on the basis of which the Board of Directors and Management have compiled the pro forma financial information are specified in Commission Regulation (EC) no. 809/2004 as incorporated in the Securities Trading Act section 7-13 and described in section 9 of the Information Memorandum (the "applicable criteria").

The pro forma financial information has been compiled by the Board of Directors and Management to illustrate the impact of the transaction set out in section 9 of the Information Memorandum on the Company's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the year ended 31 December 2017 as if the transaction had taken place at 31 December 2017 and 1 January 2017 respectively. As part of this process, information about the Company's consolidated financial position and financial performance and the consolidated financial position and financial performance of Lighthouse Shipholding AS, Lighthouse Shipholding II AS and Lighthouse Navigation Pte. Ltd., (the "Lighthouse Companies") has been extracted by the Board of Directors and Management from the Company's consolidated financial statements and the Lighthouse Companies' consolidated financial statements for the year ended 31 December 2017. The auditor's report on the Company's consolidated financial statements for the year ended 31 December 2017 has been incorporated by reference in section 10 of the Information Memorandum. The auditor's reports on the Lighthouse Companies' consolidated

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financial statements for the year ended 31 December 2017 have been included appendix D to the Information Memorandum.

The Board of Directors' and Management's Responsibility for the Pro Forma Financial Information

The Board of Directors and Management are responsible for compiling the pro forma financial information on the basis of the applicable criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to express an opinion, as required by Annex II item 7 of EU Regulation No 809/2004 about whether the pro forma financial information has been compiled by the Board of Directors and Management on the basis of the applicable criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner plans and performs procedures to obtain reasonable assurance about whether the Board of Directors and Management have compiled the pro forma financial information on the basis of the applicable criteria and whether this basis is consistent with the accounting policies of the Company. Our work primarily consisted of comparing the unadjusted financial information with the source documents as described in section 9.4 of the Information Memorandum, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with Management of the Company.

The aforementioned opinion does not require an audit of historical unadjusted financial information, the adjustments to conform the accounting policies of the Lighthouse Companies to the accounting policies of the Company, or the assumptions summarized in section 9 of the Information Memorandum. For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information. The historical financial information of the Lighthouse Companies for the year ended 31 December 2017 used in the compilation of the Pro Forma Financial Information was audited by other auditors and

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accordingly we do not accept any responsibility for any historical financial information reported on by other auditors.

The purpose of pro forma financial information included in an information memorandum is solely to illustrate the impact of the transaction on unadjusted financial information of the Company as if the transaction occurred or had been undertaken at an earlier date selected for purposes of the illustration. Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or performance. Accordingly, we do not provide any assurance that the actual outcome of the transaction at 31 December 2017 or for the year ended 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled on the basis stated involves performing procedures to assess whether the applicable criteria used by the Board of Directors and Management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria;
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information; and
- The pro forma financial information has been compiled on a basis consistent with the accounting policies of the Company.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated in section 9 of the Information Memorandum; and
b) that basis is consistent with the accounting policies of the Company

This report is issued for the sole purpose of the merger between Belships Chartering AS and the Lighthouse Companies against consideration shares in the Company, as set out in the Information Memorandum reviewed by Oslo Stock Exchange. Our work has not been carried out in accordance with auditing, assurance or other standards and practices generally accepted in the United States and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the transaction described above.

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We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the transaction, as set out in the Information Memorandum reviewed by Oslo Stock Exchange.

Oslo, 22 October 2018
ERNST & YOUNG AS

Jon-Michael Grefsrød
State Authorized Public Accountant (Norway)

APPENDIX D

FINANCIAL STATEMENTS FOR LIGHTHOUSE

Lighthouse Shipholding AS
(organisational number 911 703 033)
Annual report for 2017

Business of the company
Lighthouse Shipholding AS was founded on 6 March 2013. The objective of the company is to conduct shipping business and connected activities, including through participation in other companies. The company took during 2015 and 2016 delivery of five 64,000 dwt bulk carriers from Jiangsu Hantong Ship Heavy Industry. The vessels have mainly been employed in the market for trip timecharters. Technical management and manning is outsourced to Fleet Ship Management Ltd.

After transferring the ships to fully owned special purpose companies, Lighthouse Shipholding AS is a pure holding company providing funding and administration services to its subsidiaries. The company is conducting its business from its premises in Nedre Bekkegate 1 in Eigersund municipal in Norway.

Profit and loss statement and balance sheet
In 2017 the company had a profit of USD 12,302,874. The profit is proposed to be allocated against Loss brought forward.

With reference to Norwegian Companies Act section 3-4 and 3-5, the Board of Directors finds the capitalization of the company satisfactory. The shareholders have on pro-rata basis provided a fully subordinated and interest free loan of USD 35,575,000. This subordinated loan is added to equity when calculating the consolidated book equity ratio required by the group's senior lenders. The company has accordingly a book equity ratio close to 100% and a consolidated book equity ratio of 45%.
The annual accounts for 2017 are premised on the going concern assumption, and the Board of Directors confirms that such assumption is appropriate, cf. the Norwegian Accounting Act section 4-5.

In 2017 the group on consolidated basis had a profit of USD 11,536,584. The difference between Operating profit and Net cash flow from operations is mainly caused by depreciation and impairment of fixed assets.

Risk assessment

The dry bulk shipping market was in recovery in 2017 where the Baltic index for handysize ships improved about 46% and for supramaxes 52%. The group is fully exposed to this market with its vessels operated on short charterparties and has good access to capital expected sufficient to cover all liabilities. With no concentration of debtors, the credit risk is manageable. All the group income is nominated in USD, so is debt service and most of the voyage and operating expenses. The currency risk for the group is accordingly very limited.

The holding company has no external debtors, and credit risk is accordingly very low. Most of costs are nominated in NOK whilst service fee invoiced to the subsidiaries for administration services is nominated in USD. If any shortfall the fees will be adjusted accordingly, and the currency risk is accordingly very limited.

In 2016 the company completed its newbuilding program and now focuses on operating the total fleet of five vessels.

Working environment
As per 31 December 2017 the company has still one employee only. There are no plans to increase the staff, and accordingly the Board of Directors has not considered it necessary to carry out specific measures yet with regards to the working environment and equal opportunities.

There are no employees in the ship owning subsidiaries.

Environment
The group's ships are new and energy efficient, however operating on marine fuels there are emissions to the air. Additional investments are made to reduce fuel consumption and emissions. The ships are equipped with ballast water treatment systems preventing the transfer of marine species. The Board of Directors emphasizes that the company and the group shall operate its business in accordance with applicable national and international regulations.

Research and development
The company and group have not conducted research and development activities in 2017.

30 June 2018

The Board of Directors in Lighthouse Shipholding AS

Peter Frolich Chairman of the board	Jan Erik Sivertsen Director	Frode Teigen Director
Anders Sodergren Director	Kai Einhauser Director	Frode Bjørklund CEO

Lighthouse Shipholding AS

ALL NUMBERS IN USD

INCOME STATEMENT 01.01-31.12

PARENT					GROUP	
2016	**2017**	**Note**		**Note**	**2017**	**2016**
			Operating income and operating expenses			
233 333	252 976		Revenue		21 049 658	11 155 229
233 333	**252 976**		**Operating Income**		**21 049 658**	**11 155 229**
228 271	181 881	**7**	Payroll expenses	**7**	181 881	228 271
11 041	11 570	**2**	Depreciation and amortisation expense	**2**	4 726 149	4 624 877
0	0	**2**	Write down on tangible and intangible assets	**2**	-9 474 340	5 937 252
0	0		Loss on tangible and intangible assets		0	0
242 404	195 033	**7,9**	Other operating expenses	**7,10**	11 062 658	8 495 559
481 716	**388 484**		**Operating expenses**		**6 496 348**	**19 285 959**
-248 383	**-135 508**		**Operating profit**		**14 553 310**	**-8 130 730**
			Financial income and expenses			
0	0		Other interest income		207	132
1 365 651	507 931		Interest income from group companies		0	0
10 487	2 030		Other financial income		5 623	13 953
18 834 980	-12 000 000		Impairment of other financial fixed assets		0	0
0	0		Interest expense to other group companies		0	0
1 155	74		Other Interest expenses		2 949 069	2 564 404
43 019	7 593		Other financial expenses		9 575	57 714
-17 503 016	**12 502 294**		**Net financial income and expenses**		**-2 952 814**	**-2 608 033**
-17 751 399	**12 366 786**		**Operating result before tax**		**11 600 496**	**-10 738 763**
0	63 912	**6**	Tax cost	**6**	63 912	0
-17 751 399	**12 302 874**		**Operating result after tax**		**11 536 584**	**-10 738 763**
			Brought forward			
-2 282 000			From Share premium			
-15 469 399	-12 302 874		Loss brought forward			
-17 751 399	**-12 302 874**	**4**	**Total brought forward**			

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT					GROUP	
2016	**2017**	**Note**	**ASSETS**	**Note**	**2017**	**2016**
			Fixed assets			
			Tangible fixed assets			
0	0	**11**	Ships	**11**	115 304 538	110 500 000
0	0	**11**	Ships under construction	**11**	0	0
35 940	24 370		Equipment and other movables		24 370	35 940
35 940	**24 370**	**2**	**Total tangible fixed assets**	**2**	**115 328 908**	**110 535 940**
			Financial fixed assets			
33 000 000	45 000 000	**5,11**	Investments in subsidiaries		0	0
12 322 251	10 530 036	**9**	Loans to group companies		0	0
45 322 251	**55 530 036**		**Total financial fixed assets**		**0**	**0**
45 358 191	**55 554 406**		**Total fixed assets**		**115 328 908**	**110 535 940**
			Current assets			
0	0		Inventories	**11**	0	0
0	0	**11**	Accounts receivables	**11**	261 036	310 639
7 529	7 788		Other receivables		1 559 255	1 792 228
7 529	**7 788**		**Total debtors**		**1 820 291**	**2 102 867**
5 168 876	2 337 777	**8**	Cash and bank deposits	**8**	5 642 724	8 267 287
5 176 405	**2 345 565**		**Total current assets**		**7 463 015**	**10 370 154**
50 534 596	**57 899 971**		**Total assets**		**122 791 923**	**120 906 094**

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT 2016	PARENT 2017	Note	EQUITY AND LIABILITIES	Note	GROUP 2017	GROUP 2016
			Restricted equity			
27 598 000	27 598 000	3	Share capital	3	27 598 000	27 598 000
0	0		Share premium		0	0
27 598 000	**27 598 000**		**Total restricted equity**		**27 598 000**	**27 598 000**
0	0		Other equity		0	0
-17 711 704	-5 408 829		Loss brought forward		-7 766 467	-19 303 050
-17 711 704	**-5 408 829**		**Total retained earnings**		**-7 766 467**	**-19 303 050**
9 886 296	**22 189 171**	4	**Total equity**	4	**19 831 533**	**8 294 950**
			Liabilities			
			Other long term liabilities			
0	0		Liabilities to financial institutions	11	66 000 000	71 000 000
40 574 994	35 574 994	9	Other long term loans	9	35 574 994	40 574 994
0	0	9	Liabilities to group companies	9	0	0
40 574 994	**35 574 994**		**Total of other long term liabilities**		**101 574 994**	**111 574 994**
			Current liabilities			
11 382	18 567		Trade creditors		172 758	172 106
0	63 912		Tax payable		63 912	0
42 384	32 872		Public duties payable		32 872	42 384
19 540	20 455		Other short term liabilities		1 115 854	821 660
73 306	**135 806**		**Total short term liabilities**		**1 385 396**	**1 036 150**
40 648 300	**35 710 800**		**Total liabilities**		**102 960 390**	**112 611 144**
50 534 596	**57 899 971**		**Total equity and liabilities**		**122 791 923**	**120 906 094**

Egersund 30.06.2018

Jan Erik Sivertsen
Styremedlem

Peter Frølich
Styrets leder

Frode Teigen
Styremedlem

Anders Södergren
Styremedlem

Frode Bjørklund
Daglig leder

Kai Einheuser
Styremedlem

Lighthouse Shipholding AS

ALL NUMBERS IN USD

CASH FLOW STATEMENT 01.01-31.12.

PARENT					GROUP	
2016	**2017**	**Note**		**Note**	**2017**	**2016**
			Cash flow from operations			
-17 751 399	12 366 786		Profit before income taxes		11 600 496	-10 738 763
-305 131	0		Paid tax		0	-305 131
11 041	11 570		Depreciation		4 726 149	4 624 877
0	0		Impairment of fixed assets		-9 474 340	5 937 252
18 834 980	-12 000 000		Impairment of financial assets		0	0
0	0		Change in inventory		0	223 485
0	0		Change in trade debtors		49 603	-310 360
-10 835	7 185		Change in trade creditors		652	13 017
31 058	-8 854		Change in other provisions		517 657	817 120
809 714	**376 687**		**Net cash flow from operations**		**7 420 217**	**261 497**
			Cash flow from investments			
-440 905	0		Cash effect of merger		0	0
0	0		Proceeds from sale of fixed assets		0	0
-3 523	0		Purchase of fixed assets		-44 778	-54 305 663
-51 800 000	0		Purchase of shares and investments in other companies		0	0
36 317 867	1 792 215		Long term loans to group companies		0	0
-15 926 561	**1 792 215**		**Net cash flow from investments**		**-44 778**	**-54 305 663**
			Cash flow from financing			
4 000 000	0		Capital increase		0	4 000 000
120 000	-5 000 000		Proceeds from long term loans		-10 000 000	39 620 000
4 120 000	**-5 000 000**		**Net cash flow from financing**		**-10 000 000**	**43 620 000**
			Exchange gains / (losses) on cash and cash equivalents			
-10 996 847	-2 831 098		Net change in cash and cash equivalents		-2 624 561	-10 424 166
16 165 724	5 168 876		Cash and cash equivalents at the beginning of the period		8 267 287	18 691 455
5 168 876	**2 337 777**		**Cash and cash equivalents at the end of the period**		**5 642 724**	**8 267 287**

Note 1 Accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Investments in other companies

The cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Merger

Lighthouse Shipholding AS was the acquiring company in a merger in 2016. Lighthouse Shipholding AS owned 100% of the shares in LHS6 - Pacific Light AS 01.01.2016. In terms of accounting, the merger was effective from and including 01.01.2016. At this point, LHS 6 - Pacific Light AS was a wholly owned subsidiary of Lighthouse Shipholding AS and the merger was performed based on the concept of consistency with no compensation. As a general rule, a merger in itself does not qualify for a revision of the basis of comparison. Hence, the prior year result and balance-sheet figures including also the cash flow statement are Lighthouse Shipholding AS' figures for the prior year.

Consolidation

The consolidated financial statements include all subsidiaries. Subsidiaries are all units over which the group has control. Control over a unit arises when the group experiences variation in the return from the unit and has the ability to influence this return because of its power over the unit. Subsidiaries are consolidated from the day control arises and deconsolidated when control ceases.
The following fully owned subsidiaries of Lighthouse Shipholding AS are included in the consolidated accounts 31.12.17:
LHS1 - Northern Light AS
LHS2 - Southern Light AS
LHS3 - Indian Light AS
LHS4 - Baltic Light AS
LHS5 - Atlantic Light AS

The acquisition method is used for acquisitions of business. The remuneration paid is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. The fair value of all assets or liabilities according to the agreement on conditional consideration are also included in the remuneration. Identifiable assets, liabilities and contingent liabilities are recognized at their fair value on the acquisition date.

Intra-group transactions, intra-company balances and unrealized profit between group companies are eliminated. Unrealized losses are also eliminated

Revenues

Income from sale of goods and services are recognised at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may influence the customer's acceptance of the product. Services are recognised in proportion to the work performed.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Purchase costs
The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets purchase cost also includes direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Interest expense incurred in connection with the production of fixed assets is recognised in the balance sheet.

Fixed assets
Land is not depreciated. Other fixed assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

Asset impairments
Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.
Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Debtors
Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Currency
The company's functional currency is USD. All figures are presented in this currency.

Inventories
Inventories are valued at the lower of purchase cost (according to the FIFO principle) and fair value. Recoverable amount has been used as approximation to net realisable value for raw mateials and work in progress. Fair value is estimated sales costs less expenses for completion and sale.

Foreign currencies
Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Liabilities
Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes

The company is subject to the Norwegian shipping corporate taxation. According to this legislation, net income from the shipping operation is not taxable. Instead, the company pays a tonnage tax which is based on the size of the ships. This tax is taken into the accounts as other operating expenses. Finance income is taxable by the regular income tax act; however only a portion of the finance expenses and foreign curency exchange rate gain/loss is deductable.

The tax charge is matched with the net pre-tax income. Tax related to equity transactions, such as group contribution, is booked against equity.

The tax charge in the income statement includes both payable taxes for the period and changes in defered taxes. The tax charge is split on ordinary net income and the effect of principle changes and corrections of incorrect tax basis. Deferred tax liabilities and deferred tax assets which may be shown in the balance-sheet, are presented net.

Cash flow statement
The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

Note 2 Fixed assets

Parent

Fixed assets	Equipment and other movables	Total fixed assets
Purchase cost pr. 31.12.2016	57 846	57 846
Additions	0	0
Disposals	0	0
Purchase cost pr. 31.12.2017	57 846	57 846
Accumulated impairment 31.12.2017	0	0
Accumulated depreciation 31.12.2017	-33 476	-33 476
Net book value 31.12.2017	**24 370**	**24 370**
		0
Depreciation in the year	11 570	**11 570**
Impairment in the year	0	**0**

Group

Fixed assets	Ships	Equipment and other movables	Total fixed assets
Purchase cost pr. 31.12.2016	126 007 360	57 846	126 065 206
Transfers	0	0	0
Additions	44 778	0	44 778
Disposals	0	0	0
Purchase cost pr. 31.12.2017	126 052 138	57 846	126 109 984
Accumulated impairment 31.12.2017	-422 912	0	-422 912
Accumulated depreciation 31.12.2017	-10 324 688	-33 476	-10 358 164
Net book value 31.12.2017	**115 304 538**	**24 370**	**115 328 908**
			0
Depreciation in the year	4 714 579	11 570	**4 726 149**
Impairment in the year	-9 474 340	0	**-9 474 340**

Due to the prior years challenging conditions in the dry-bulk shipping marked, the company had accumulated write-downs of 9.987.252 USD as of 1.1.17. The management has performed an impairment test of all the ships included in the group as of 31.12.17. The calculated Value in Use vs.the Net Book Value of each ship resultet in a total reversal of impairment of 9.474.340 USD for the group in 2017. The Value in Use of the asset was calculated as the Net Present Value of the cash flows net of tax deriving from the utilization of the assets along their useful lives, discounted using a post-tax rate (WACC) of 9%.The impairment is reversed to the caclulated net booked amount of the ships as of 31.12.17 without write offs prior years.

Note 3 Share capital and shareholder information

The share capital of USD 27 598 000 consists of 148 000 shares with nominal value of USD 186,47 each.

List of shareholders 31.12.2017	Number of shares	Ownership
Kontrari AS*	74 000	50,0 %
Kontrazi AS*	40 700	27,5 %
Lighthouse Navigation Pte. Ltd.**	7 400	5,0 %
Nepa Shipholding BV.***	19 980	13,5 %
Ted van Wees	2 960	2,0 %
Hans Spliethof	2 960	2,0 %
Total	**148 000**	**100,0 %**

* Represented by Frode Teigen and Jan Erik Sivertsen in the board.

** Represented by Anders Sødergren in the board.

*** Represented by Kai Einheuser in the board.

Note 4 Equity

Parent

	Share capital	Share premium	Uncovered loss	Total
Equity 01.01.2017	27 598 000	0	-17 711 704	**9 886 296**
Profit for the year	0	0	12 302 874	12 302 874
Equity 31.12.2017	**27 598 000**	**0**	**-5 408 829**	**22 189 171**

Group

	Share capital	Share premium	Uncovered loss	Total
Equity 01.01.2017	27 598 000	0	-19 303 050	**8 294 950**
Profit for the year	0	0	11 536 584	11 536 584
Equity 31.12.2017	**27 598 000**	**0**	**-7 766 467**	**19 831 533**

Note 5 Subsidiaries

Parent

Investments in subsidiaries are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Acquisition cost	Equity 2017	Profit/loss 2017	Balance sheet value
LHS1 - Northern Light AS	Egersund	100 %	10 706 996	9 332 652	2 453 969	10 000 000
LHS2 - Southern Light AS	Egersund	100 %	10 906 996	8 630 544	1 948 623	9 000 000
LHS3 - Indian Light AS	Egersund	100 %	10 706 996	8 702 129	2 078 306	9 000 000
LHS4 - Baltic Light AS	Egersund	100 %	10 606 996	8 757 851	2 351 892	9 000 000
LHS5 - Atlantic Light AS	Egersund	100 %	8 906 996	7 219 186	2 400 920	8 000 000
Balance sheet value 31.12.2017						**45 000 000**

Note 6 Taxes

Parent/Group

Tax expense:	**2017**	**2016**
Payable tax	63 912	0
Change in deferred tax	0	0
Tax expense	**63 912**	**0**

Payable tax in the balance-sheet:	**2017**	**2016**
Payable tax on this year's result	63 912	0
Adjustments in respect to priors	0	0
Total payable tax in the balance-sheet	**63 912**	**0**

The company is subject to the Norwegian shipping company tax system.

Note 7 Payroll expenses, number of employees, remunerations, loans to employees, etc.

Parent/Group

Payroll expenses	**2017**	**2016**
Salaries/wages	147 337	162 147
Social security fees	6 293	45 620
Pension expenses	17 850	8 422
Other remuneration	10 401	12 082
Total	**181 881**	**228 271**

Number of employees in the accounting year:	1	1

The company's pensjon schemes meet the requirements of the Norwegian Mandatory Occupational Pension Scheme Act

Remuneration to executives	**General manager**	**Board**
Salaries/board fee	146 385	0
Pension expenses	17 818	0
Other remuneration	16 741	0

No loans/secureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee	**Parent**		**Group**	
	2017	**2016**	**2017**	**2016**
Statutory audit (incl. technical assistance)	28 743	29 930	44 294	79 484
Other assistance (to be specified)	7 668	0	7 668	0
Total audit fees	**36 411**	**29 930**	**51 962**	**79 484**

VAT is not included in the audit fee.

Note 8 Restricted bank deposits

Parent/Group

	2017	**2016**
Withheld employee taxes	21 932	15 249

Note 9 Related parties balances

Parent

	Long term debt	
	2017	**2016**
Shareholders	35 574 994	40 574 994
Total	35 574 994	40 574 994

Lighthouse Shipholding AS has entered into three long term loan agreements with its shareholders; Kontrari AS, Kontrazi AS, Lighthouse Navigation P.T.E Ltd, Nepa Shipholding B.V., Hans Spethoff and Ted Van Wees;

Loan agreement of 10.825.000 USD May 26th 2014
Loan agreement of 17 750.000 USD April 1st 2015
Loan agreement of 12.000.000 USD December 1st 2015

An agreement of duration or fixed part payments is not set. The loans are not carrying any interest.

			Long term receivables	
Company	**Relationship**	**Country**	**2017**	**2016**
LHS1 - Northern Light AS	Subsidiary	Norway	1 492 198	2 500 903
LHS2 - Southern Light AS	Subsidiary	Norway	1 973 778	1 993 278
LHS3 - Indian Light AS	Subsidiary	Norway	1 782 687	2 191 845
LHS4 - Baltic Light AS	Subsidiary	Norway	1 604 582	2 134 520
LHS5 - Atlantic Light AS	Subsidiary	Norway	3 676 790	3 501 705
Total			10 530 035	12 322 251

Note 10 Related-party transactions

Remuneration to executives is disclosed in note 7, and balance with group companies is disclosed in note 9.

Parent

Company	**Relationship**	**Country**	**Description**	**2017**	**2016**
LHS1 - Northern Light AS	Subsidiary	Norway	Sale ship under construction	0	0
LHS2 - Southern Light AS	Subsidiary	Norway	Sale ship under construction	0	0
LHS3 - Indian Light AS	Subsidiary	Norway	Sale ship under construction	0	0
LHS4 - Baltic Light AS	Subsidiary	Norway	Sale ship under construction	0	0
LHS5 - Atlantic Light AS	Subsidiary	Norway	Sale ship under construction	0	0
Total				**0**	**0**

Lighthouse Shipholding AS transferred all six shipbuilding contracts to its subsidiaries on March 23rd 2015 along with the relating liabilities.

Company	**Relationship**	**Country**	**Description**	**2017**	**2016**
LHS1 - Northern Light AS	Subsidiary	Norway	Interest income	91 295	288 057
LHS2 - Southern Light AS	Subsidiary	Norway	Interest income	80 500	276 605
LHS3 - Indian Light AS	Subsidiary	Norway	Interest income	90 842	271 688
LHS4 - Baltic Light AS	Subsidiary	Norway	Interest income	70 062	262 934
LHS5 - Atlantic Light AS	Subsidiary	Norway	Interest income	175 085	266 065
Total				**507 784**	**1 365 349**

Group

Transaction description	**Company**	**Relationship**	**2017**	**2016**
Service fee cost	Kontrari AS	Owner	10 023	150 000

Note 11 Debtors and liabilities

Debtors which fall due later than one year	**Parent/Group**	
	2017	**2016**
Other long term debtors	0	0
Total	**0**	**0**

Long term liabilities which fall due later than 5 years

	Parent		Group	
	2017	**2016**	**2017**	**2016**
Liabilities to credit institution	0	0	41 000 000	46 000 000
Total	**0**	**0**	**41 000 000**	**46 000 000**

Liabilities secured by mortgage

	Parent		Group	
	2017	**2016**	**2017**	**2016**
Liabilities to financial institutions secured by mortgage	0	0	66 000 000	71 000 000
Total	**0**	**0**	**66 000 000**	**71 000 000**

	Parent		Group	
Balance sheet value of assets placed as security:	**2017**	**2016**	**2017**	**2016**
Investments in subsidiaries	45 000 000	33 000 000	0	0
Fixed assets	0	0	115 304 538	110 500 000
Inventory	0	0	0	0
Trade debtors	0	0	261 036	310 639
Total	**45 000 000**	**33 000 000**	**115 565 574**	**110 810 639**

The total group loan from DnB to Lighthouse Shipholding AS' subsidiaries amounts to 66.000.000 USD.
The guarantee liability of Lighthouse Shipholding AS for the loans in its subsidiaries is limited to 125.000.000 USD plus any interest.

To the General Meeting of Lighthouse Shipholding AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Shipholding AS showing a profit of USD 12 302 874 in the financial statements of the parent company and profit of USD 11 536 584 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement 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 accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and 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 accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and 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.

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 and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

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 the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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 laws, regulations, and auditing standards and practices generally accepted 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. We 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 and the Group'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 or the Group'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 or the Group 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 the Board of Directors 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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, the going concern assumption, and the proposal for the allocation of the profit 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 produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 30 June 2018
PricewaterhouseCoopers AS

Per Trygve Årstad
State Authorised Public Accountant

Lighthouse Shipholding AS
(organisational number 911 703 033)
Annual report for 2016

Business of the company
Lighthouse Shipholding AS was founded on 6 March 2013. The objective of the company is to conduct shipping business and connected activities, including through participation in other companies. The company took during 2015 and 2016 delivery of five 64,000 dwt bulk carriers from Jiangsu Hantong Ship Heavy Industry. The vessels have mainly been employed in the market for trip timecharters. Technical management and manning is outsourced to Fleet Ship Management Ltd.

After transferring the ships to fully owned special purpose companies, Lighthouse Shipholding AS is a pure holding company providing administration services to its subsidiaries. The company is conducting its business from its premises in Nedre Bekkegate 1 in Eigersund municipal in Norway.

Profit and loss statement and balance sheet
In 2016, the company had a deficit of USD 17,751,399. The deficit is proposed to be covered with USD 2,282,000 from the Share premium and USD 15,469,399 as Loss brought forward.

The total company equity as per 31.12.2016 was less than half of the Share capital. With reference to Norwegian Companies Act section 3-4 and 3-5, the Board of Directors finds the capitalization of the company satisfactory. The shareholders have on pro-rata basis provided a fully subordinated and interest free loan of USD 40,575,000. This subordinated loan is added to equity when calculating the consolidated book equity ratio required by the group's senior lenders. The company has accordingly a book equity ratio close to 100% and a consolidated book equity ratio of 40%.
The annual accounts for 2016 are premised on the going concern assumption, and the Board of Directors confirms that such assumption is appropriate, cf. the Norwegian Accounting Act section 4-5.

In 2016 the group on consolidated basis had a deficit of USD 10,738,763. The difference between Operating profit and Net cash flow from operations is mainly caused by depreciation and impairment of fixed assets.

Risk assessment

The dry bulk shipping market was in 2016 very soft with recovery expected only from 2018. The group is fully exposed to this market with its vessels mainly operated on short charterparties. The group has however a healthy cash position and good access to capital expected sufficient to cover all liabilities. With no concentration of debtors, the credit risk is manageable. All the group income is nominated in USD, so is debt service and most of the voyage and operating expenses. The currency risk for the group is accordingly very limited.

The holding company has no external debtors, and credit risk is accordingly very low. Most of costs are nominated in NOK whilst service fee invoiced to the subsidiaries for administration services is nominated in USD. If any shortfall the fees will be adjusted accordingly, and the currency risk is accordingly very limited.

In 2016 the company completed its newbuilding program and now focuses on operating the total fleet of five vessels.

Working environment
As per 31 December 2016 the company has still one employee only. There are no plans to increase the staff, and accordingly the Board of Directors has not considered it necessary to carry out specific measures yet with regards to the working environment and equal opportunities.

There are no employees in the ship owning subsidiaries.

Environment
The group's ships are new and energy efficient, however operating on marine fuels there are emissions to the air. Additional investments are made to reduce fuel consumption and emissions. The ships are equipped with ballast water treatment systems preventing the transfer of marine species. The Board of Directors emphasizes that the company and the group shall operate its business in accordance with applicable national and international regulations.

Research and development
The company and group have not conducted research and development activities in 2016.

12 June 2017

The Board of Directors in Lighthouse Shipholding AS

Peter Frølich Chairman of the board	Jan Erik Sivertsen Director	Frode Teigen Director
Anders Sødergren Director	Kai Einhauser Director	Frode Bjørklund CEO

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12 June 2017

The Board of Directors in Lighthouse Shipholding AS

Peter Frølich
Chairman of the board

Jan Erik Sivertsen
Director

Frode Teigen
Director

Anders Sødergren
Director

Kai Einhauser
Director

Frode Bjørklund
CEO

Lighthouse Shipholding AS

ALL NUMBERS IN USD

INCOME STATEMENT 01.01-31.12

PARENT					GROUP	
2015	**2016**	**Note**		**Note**	**2016**	**2015**
			Operating income and operating expenses			
215 206	233 333		Revenue		11 155 229	3 361 932
215 206	**233 333**		**Operating Income**		**11 155 229**	**3 361 932**
162 549	228 271	**7**	Payroll expenses	**7**	228 271	162 549
10 865	11 041	**2**	Depreciation and amortisation expense	**2**	4 624 877	1 007 138
0	0	**2**	Write down on tangible and intangible assets	**2**	5 937 252	3 960 000
0	0		Loss on tangible and intangible assets		0	2 552 563
3 055 836	242 404	**7,9**	Other operating expenses	**7,10**	8 495 559	3 513 105
3 229 250	**481 716**		**Operating expenses**		**19 285 959**	**11 195 355**
-3 014 044	**-248 383**		**Operating profit**		**-8 130 730**	**-7 833 423**
			Financial income and expenses			
0	0		Other interest income		132	1 166
1 564 355	1 365 651		Interest income from group companies		0	0
11 938	10 487		Other financial income		13 953	13 708
6 996	18 834 980		Impairment of other financial fixed assets		0	0
0	0		Interest expense to other group companies		0	0
34	1 155		Other Interest expenses		2 564 404	2 633 880
138 125	43 019		Other financial expenses		57 714	163 391
1 431 138	**-17 503 016**		**Net financial income and expenses**		**-2 608 033**	**-2 782 397**
-1 582 906	**-17 751 399**		**Operating result before tax**		**-10 738 763**	**-10 615 820**
305 131	0	**6**	Tax cost	**6**	0	305 131
-1 888 037	**-17 751 399**		**Operating result after tax**		**-10 738 763**	**-10 920 951**
			Brought forward			
-86 637	-2 282 000		From Share premium			
-1 801 400	-15 469 399		Loss brought forward			
-1 888 037	**-17 751 399**	**4**	**Total brought forward**			

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT				GROUP		
2015	**2016**	**Note**	**ASSETS**	**Note**	**2016**	**2015**
			Fixed assets			
			Tangible fixed assets			
0	0	**11**	Ships	**11**	110 500 000	49 046 395
0	0	**11**	Ships under construction	**11**	0	17 708 107
43 458	35 940		Equipment and other movables		35 940	43 458
43 458	**35 940**	**2**	**Total tangible fixed assets**	**2**	**110 535 940**	**66 797 960**
			Financial fixed assets			
34 980	33 000 000	**5,11**	Investments in subsidiaries		0	0
48 640 118	12 322 251	**9**	Loans to group companies		0	0
48 675 098	**45 322 251**		**Total financial fixed assets**		**0**	**0**
48 718 556	**45 358 191**		**Total fixed assets**		**110 535 940**	**66 797 960**
			Current assets			
0	0		Inventories	**11**	0	223 485
0	0	**11**	Accounts receivables	**11**	310 639	279
8 423	7 529		Other receivables		1 792 228	2 875 819
8 423	**7 529**		**Total debtors**		**2 102 867**	**2 876 098**
16 165 724	5 168 876	**8**	Cash and bank deposits	**8**	8 267 287	18 691 455
16 174 147	**5 176 405**		**Total current assets**		**10 370 154**	**21 791 038**
64 892 703	**50 534 596**		**Total assets**		**120 906 094**	**88 588 998**

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT					GROUP	
2015	**2016**	**Note**	**EQUITY AND LIABILITIES**	**Note**	**2016**	**2015**
			Restricted equity			
25 880 000	27 598 000	**3**	Share capital	**3**	27 598 000	25 880 000
0	0		Share premium		0	0
25 880 000	**27 598 000**		**Total restricted equity**		**27 598 000**	**25 880 000**
0	0		Other equity		0	0
-1 801 400	-17 711 704		Loss brought forward		-19 303 050	-10 846 293
-1 801 400	**-17 711 704**		**Total retained earnings**		**-19 303 050**	**-10 846 293**
24 078 600	**9 886 296**	**4**	**Total equity**	**4**	**8 294 950**	**15 033 707**
			Liabilities			
			Other long term liabilities			
0	0		Liabilities to financial institutions	**11**	71 000 000	31 500 000
40 454 994	40 574 994	**9**	Other long term loans	**9**	40 574 994	40 454 994
0	0	**9**	Liabilities to group companies	**9**	0	0
40 454 994	**40 574 994**		**Total of other long term liabilities**		**111 574 994**	**71 954 994**
			Current liabilities			
22 217	11 382		Trade creditors		172 106	159 089
305 131	0		Tax payable		0	305 131
12 193	42 384		Public duties payable		42 384	12 193
19 569	19 540		Other short term liabilities		821 660	1 123 884
359 110	**73 306**		**Total short term liabilities**		**1 036 150**	**1 600 297**
40 814 104	**40 648 300**		**Total liabilities**		**112 611 144**	**73 555 291**
64 892 703	**50 534 596**		**Total equity and liabilities**		**120 906 094**	**88 588 998**

Egersund 12.06.2017

Jan Erik Sivertsen Styremedlem	Peter Frølich Styrets leder	Frode Teigen Styremedlem
Anders Sødergren Styremedlem	Frode Bjørklund Daglig leder	Kai Einheuser Styremedlem

Lighthouse Shipholding AS

ALL NUMBERS IN USD

CASH FLOW STATEMENT 01.01-31.12.

PARENT				GROUP	
2015	**2016**	**Note**		**2016**	**2015**
			Cash flow from operations		
-1 582 906	-17 751 399		Profit before income taxes	-10 738 763	-10 615 820
0	-305 131		Paid tax	-305 131	0
10 865	11 041		Depreciation	4 624 877	1 007 138
0	0		Impairment of fixed assets	5 937 252	3 960 000
0	18 834 980		Impairment of financial assets	0	0
0	0		Change in inventory	223 485	-223 485
0	0		Change in trade debtors	-310 360	-279
-1 133	-10 835		Change in trade creditors	13 017	135 739
-23 404	31 058		Change in other provisions	817 120	-1 798 462
-1 596 578	**809 714**		**Net cash flow from operations**	**261 497**	**-7 535 169**
			Cash flow from investments		
0	-440 905		Cash effect of merger	0	0
29 359 289	0		Proceeds from sale of fixed assets	0	0
-54 323	-3 523		Purchase of fixed assets	-54 305 663	-42 405 809
-34 980	-51 800 000		Purchase of shares and investments in other companies	0	0
-48 640 118	36 317 867		Long term loans to group companies	0	0
-19 370 132	**-15 926 561**		**Net cash flow from investments**	**-54 305 663**	**-42 405 809**
			Cash flow from financing		
0	4 000 000		Capital increase	4 000 000	0
29 629 994	120 000		Proceeds from long term loans	39 620 000	61 129 994
29 629 994	**4 120 000**		**Net cash flow from financing**	**43 620 000**	**61 129 994**
			Exchange gains / (losses) on cash and cash equivalents		
8 663 284	-10 996 847		Net change in cash and cash equivalents	-10 424 166	11 189 016
7 502 441	16 165 724		Cash and cash equivalents at the beginning of the period	18 691 455	7 502 441
16 165 724	**5 168 876**		**Cash and cash equivalents at the end of the period**	**8 267 287**	**18 691 455**

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT 2015	PARENT 2016	Note	EQUITY AND LIABILITIES	Note	GROUP 2016	GROUP 2015
			Restricted equity			
25 880 000	27 598 000	3	Share capital	3	27 598 000	25 880 000
0	0		Share premium		0	0
25 880 000	**27 598 000**		**Total restricted equity**		**27 598 000**	**25 880 000**
0	0		Other equity		0	0
-1 801 400	-17 711 704		Loss brought forward		-19 303 050	-10 846 293
-1 801 400	**-17 711 704**		**Total retained earnings**		**-19 303 050**	**-10 846 293**
24 078 600	**9 886 296**	4	**Total equity**	4	**8 294 950**	**15 033 707**
			Liabilities			
			Other long term liabilities			
0	0		Liabilities to financial institutions	11	71 000 000	31 500 000
40 454 994	40 574 994	9	Other long term loans	9	40 574 994	40 454 994
0	0	9	Liabilities to group companies	9	0	0
40 454 994	**40 574 994**		**Total of other long term liabilities**		**111 574 994**	**71 954 994**
			Current liabilities			
22 217	11 382		Trade creditors		172 106	159 089
305 131	0		Tax payable		0	305 131
12 193	42 384		Public duties payable		42 384	12 193
19 569	19 540		Other short term liabilities		821 660	1 123 884
359 110	**73 306**		**Total short term liabilities**		**1 036 150**	**1 600 297**
40 814 104	**40 648 300**		**Total liabilities**		**112 611 144**	**73 555 291**
64 892 703	**50 534 596**		**Total equity and liabilities**		**120 906 094**	**88 588 998**

Egersund 12.06.2017

Jan Erik Sivertsen
Styremedlem

Peter Frølich
Styrets leder

Frode Teigen
Styremedlem

Anders Sødergren
Styremedlem

Frode Bjørklund
Daglig leder

Kai Einheuser
Styremedlem

Note 1 Accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Investments in other companies

The cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Merger
Lighthouse Shipholding AS was the acquiring company in a merger in 2016. Lighthouse Shipholding AS owned 100% of the shares in LHS6 - Pacific Light AS 01.01.2016. In terms of accounting, the merger was effecitve from and including 01.01.2016. At this point, LHS 6 - Pacific Light AS was a wholly owned subsidiary of Lighthouse Shipholding AS and the merger was performed based on the concept of consistency with no compensation. As a general rule, a merger in itself does not qualify for a revision of the basis of comparison. Hence, the prior year result and balance-sheet figures including also the cash flow statement are Lighthouse Shipholding AS' figures for the prior year.

Consolidation
The consolidated financial statements include all subsidiaries. Subsidiaries are all units over which the group has control. Control over a unit arises when the group experiences variation in the return from the unit and has the ability to influence this return because of its power over the unit. Subsidiaries are consolidated from the day control arises and deconsolidated when control ceases.

The following fully owned subsidiaries of Lighthouse Shipholding AS are included in the consolidated accounts 31.12.16:
LHS1 - Northern Light AS
LHS2 - Southern Light AS
LHS3 - Indian Light AS
LHS4 - Baltic Light AS
LHS5 - Atlantic Light AS

The acquisition method is used for acquisitions of business. The remuneration paid is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. The fair value of all assets or liabilities according to the agreement on conditional consideration are also included in the remuneration. Identifiable assets, liabilities and contingent liabilities are recognized at their fair value on the acquisition date.

Intra-group transactions, intra-company balances and unrealized profit between group companies are eliminated. Unrealized losses are also eliminated

Revenues
Income from sale of goods and services are recognised at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may influence the customer's acceptance of the product. Services are recognised in proportion to the work performed.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Purchase costs

The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets purchase cost also includes direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Interest expense incurred in connection with the production of fixed assets is recognised in the balance sheet.

Fixed assets

Land is not depreciated. Other fixed assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

Asset impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.
Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Debtors

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Currency

The company's functional currency is USD. All figures are presented in this currency.

Inventories

Inventories are valued at the lower of purchase cost (according to the FIFO principle) and fair value. Recoverable amount has been used as approximation to net realisable value for raw mateials and work in progress. Fair value is estimated sales costs less expenses for completion and sale.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Liabilities
Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes

The company is subject to the Norwegian shipping corporate taxation. According to this legislation, net income from the shipping operation is not taxable. Instead, the company pays a tonnage tax which is based on the size of the ships. This tax is taken into the accounts as other operating expenses. Finance income is taxable by the regular income tax act; however only a portion of the finance expenses and foreign curency exchange rate gain/loss is deductable.

The tax charge is matched with the net pre-tax income. Tax related to equity transactions, such as group contribution, is booked against equity.

The tax charge in the income statement includes both payable taxes for the period and changes in defered taxes. The tax charge is split on ordinary net income and the effect of principle changes and corrections of incorrect tax basis. Deferred tax liabilities and deferred tax assets which may be shown in the balance-sheet, are presented net.

Cash flow statement
The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

Note 2 Fixed assets

Parent

Fixed assets	Equipment and other movables	Total fixed assets
Purchase cost pr. 31.12.	54 323	54 323
Additions	3 523	3 523
Disposals	0	0
Purchase cost pr. 31.12.	57 846	57 846
Accumulated impairment 31.12.	0	0
Accumulated depreciation 31.12.	-21 906	-21 906
Net book value 31.12.	**35 940**	**35 940**
		0
Depreciation in the year	11 041	**11 041**
Impairment in the year	0	**0**

Group

Fixed assets	Ships	Equipment and other movables	Total fixed assets
Purchase cost pr. 31.12.2015	71 705 220	54 323	71 759 543
Transfers	0	0	0
Additions	54 302 140	3 523	54 305 663
Disposals	0	0	0
Purchase cost pr. 31.12.2016	126 007 360	57 846	126 065 206
Accumulated impairment 31.12.2016	-9 897 252	0	-9 897 252
Accumulated depreciation 31.12.2016	-5 610 108	-21 906	-5 632 014
Net book value 31.12.2016	**110 500 000**	**35 940**	**110 535 940**
			0
Depreciation in the year	4 613 836	11 041	**4 624 877**
Impairment in the year	5 937 252	0	**5 937 252**

Due to the challenging conditions in the dry-bulk shipping marked, the management has performed an impairment test of all the ships included in the group. The calculated Value in Use vs. the Net Book Value of each ship resultet in a total impairment of 5.937.252 USD for the group in 2016. The Value in Use of the asset was calculated as the Net Present Value of the cash flows net of tax deriving from the utilization of the assets along their useful lives, discounted using a post-tax rate (WACC) of 9%.

Note 3 Share capital and shareholder information

The share capital of USD 27 598 000 consists of 148 000 shares with nominal value of USD 186,47 each.

List of shareholders 31.12.2016	Number of shares	Ownership
Kontrari AS*	74 000	50,0 %
Kontrazi AS*	40 700	27,5 %
Lighthouse Navigation Pte. Ltd.**	7 400	5,0 %
Nepa Shipholding BV.***	19 980	13,5 %
Ted van Wees	2 960	2,0 %
Hans Spliethof	2 960	2,0 %
Total	**148 000**	**100,0 %**

* Represented by Frode Teigen and Jan Erik Sivertsen in the board.
** Represented by Anders Sødergren in the board.
*** Represented by Kai Einheuser in the board.

Note 4 Equity

Parent

	Share capital	Share premium	Uncovered loss	Total
Equity 01.01.2016	25 880 000	0	-1 801 400	**24 078 600**
Increase of capital	1 718 000	2 282 000	0	4 000 000
Profit for the year	0	-2 282 000	-15 469 399	-17 751 399
Effect of merger	0	0	-440 905	-440 905
Equity 31.12.2016	**27 598 000**	**0**	**-17 711 704**	**9 886 296**

Group

	Share capital	Share premium	Uncovered loss	Total
Equity 01.01.2016	25 880 000	0	-10 846 293	**15 033 707**
Increase of capital	1 718 000	2 282 000	0	4 000 000
Profit for the year	0	-2 282 000	-8 456 763	-10 738 763
Other changes	0	0	0	0
Equity 31.12.2016	**27 598 000**	**0**	**-19 303 050**	**8 294 950**

Note 5 Subsidiaries

Parent

Investments in subsidiaries are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Acquisition cost	Equity 2016	Profit/loss 2016	Balance sheet value
LHS1 - Northern Light AS	Egersund	100 %	10 706 996	6 878 683	-2 491 456	7 000 000
LHS2 - Southern Light AS	Egersund	100 %	10 906 996	6 681 921	-2 534 500	7 000 000
LHS3 - Indian Light AS	Egersund	100 %	10 706 996	6 623 823	-2 205 780	7 000 000
LHS4 - Baltic Light AS	Egersund	100 %	10 606 996	6 405 959	-2 345 577	7 000 000
LHS5 - Atlantic Light AS	Egersund	100 %	8 906 996	4 818 268	-2 245 031	5 000 000
Balance sheet value 31.12.2016						**33 000 000**

Note 6 Taxes

Parent/Group

Tax expense:	**2016**	**2015**
Payable tax	0	305 131
Change in deferred tax	0	0
Tax expense	**0**	**305 131**

Payable tax in the balance-sheet:	**2016**	**2015**
Payable tax on this year's result	0	305 131
Adjustments in respect to priors	0	0
Total payable tax in the balance-sheet	**0**	**305 131**

The company is subject to the Norwegian shipping company tax system.

Note 7 Payroll expenses, number of employees, remunerations, loans to employees, etc.

Parent/Group

Payroll expenses	**2016**	**2015**
Salaries/wages	162 147	117 301
Social security fees	45 620	19 105
Pension expenses	8 422	8 578
Other remuneration	12 082	17 565
Total	**228 271**	**162 549**

Number of employees in the accounting year:	1	1

The company's pensjon schemes meet the requirements of the Norwegian Mandatory Occupational Pension Scheme Act

Remuneration to executives	**General manager**	**Board**
Salaries/board fee	162 506	0
Pension expenses	8 426	0
Other remuneration	15 494	0

No loans/secureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee	**Parent**		**Group**	
	2016	**2015**	**2016**	**2015**
Statutory audit (incl. technical assistance)	29 930	11 280	79 484	11 280
Other assistance (to be specified)	0	0	0	0
Total audit fees	**29 930**	**11 280**	**79 484**	**11 280**

VAT is not included in the audit fee.

Note 8 Restricted bank deposits

Parent/Group

	2016	**2015**
Withheld employee taxes	-14 944	-6 906

Note 9 Related parties balances

Parent

	Long term debt	
	2016	**2015**
Shareholders	40 574 994	40 454 994
Total	40 574 994	40 454 994

Lighthouse Shipholding AS has entered into three long term loan agreements with its shareholders; Kontrari AS, Kontrazi AS, Lighthouse Navigation P.T.E Ltd, Nepa Shipholding B.V., Hans Spethoff and Ted Van Wees;

Loan agreement of 10.825.000 USD May 26th 2014
Loan agreement of 17 750.000 USD April 1st 2015
Loan agreement of 12.000.000 USD December 1st 2015

An agreement of duration or fixed part payments is not set. The loans are not carrying any interest.

			Long term receivables	
Company	**Relationship**	**Country**	**2016**	**2015**
LHS1 - Northern Light AS	Subsidiary	Norway	2 500 903	10 778 231
LHS2 - Southern Light AS	Subsidiary	Norway	1 993 278	10 654 947
LHS3 - Indian Light AS	Subsidiary	Norway	2 191 845	9 188 518
LHS4 - Baltic Light AS	Subsidiary	Norway	2 134 520	8 791 941
LHS5 - Atlantic Light AS	Subsidiary	Norway	3 501 705	6 360 210
LHS6 - Pacific Light AS	Subsidiary	Norway	0	2 866 271
Total			12 322 251	48 640 118

Note 10 Related-party transactions

Remuneration to executives is disclosed in note 7, and balance with group companies is disclosed in note 9.

Parent

Company	**Relationship**	**Country**	**Description**	**2016**	**2015**
LHS1 - Northern Light AS	Subsidiary	Norway	Sale ship under construction	0	7 709 409
LHS2 - Southern Light AS	Subsidiary	Norway	Sale ship under construction	0	5 277 966
LHS3 - Indian Light AS	Subsidiary	Norway	Sale ship under construction	0	5 147 961
LHS4 - Baltic Light AS	Subsidiary	Norway	Sale ship under construction	0	5 124 703
LHS5 - Atlantic Light AS	Subsidiary	Norway	Sale ship under construction	0	5 094 690
LHS6 - Pacific Light AS	Subsidiary	Norway	Sale ship under construction	0	5 049 788
Total				**0**	**33 404 517**

Lighthouse Shipholding AS transferred all six shipbuilding contracts to its subsidiaries on March 23rd 2015 along with the relating liabilities.

Company	**Relationship**	**Country**	**Description**	**2016**	**2015**
LHS1 - Northern Light AS	Subsidiary	Norway	Interest income	288 057	410 122
LHS2 - Southern Light AS	Subsidiary	Norway	Interest income	276 605	301 324
LHS3 - Indian Light AS	Subsidiary	Norway	Interest income	271 688	234 659
LHS4 - Baltic Light AS	Subsidiary	Norway	Interest income	262 934	214 941
LHS5 - Atlantic Light AS	Subsidiary	Norway	Interest income	266 065	203 178
LHS6 - Pacific Light AS	Subsidiary	Norway	Interest income	0	200 131
Total				**1 365 349**	**1 564 355**

Group

Transaction description	**Company**	**Relationship**	**2016**	**2015**
Service fee cost	Kontrari AS	Owner	150 000	116 569

Note 11 Debtors and liabilities

Debtors which fall due later than one year	**Parent/Group**	
	2016	**2015**
Other long term debtors	0	0
Total	**0**	**0**

Long term liabilities which fall due later than 5 years

	Parent		Group	
	2016	2015	2016	2015
Liabilities to credit institution	0	0	46 000 000	21 500 000
Total	**0**	**0**	**46 000 000**	**21 500 000**

Liabilities secured by mortgage

	Parent		Group	
	2016	2015	2016	2015
Liabilities to financial institutions secured by mortgage	0	0	71 000 000	31 500 000
Total	**0**	**0**	**71 000 000**	**31 500 000**

	Parent		Group	
Balance sheet value of assets placed as security:	**2016**	**2015**	**2016**	**2015**
Investments in subsidiaries	33 000 000	34 980	0	0
Fixed assets	0	0	110 500 000	66 754 502
Inventory	0	0	0	223 485
Trade debtors	0	0	310 639	279
Total	**33 000 000**	**34 980**	**110 810 639**	**66 978 266**

DnB has provided payment guaranties in favour of the crew of both the Northic Light, Southern Light, Indian Light, Baltic Light and Atlantic Light of NOK 500.000 per ship, total of 2.500.000 NOK.
The total group loan from DnB to Lighthouse Shipholding AS' subsidiaries amounts to 71.000.000 USD.
The guarantee liability of Lighthouse Shipholding AS for the loans in its subsidiaries is limited to 125.000.000 USD plus any interest.

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To the General Meeting of Lighthouse Shipholding AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Shipholding AS showing a loss of USD 17 751 399 in the financial statements of the parent company and loss of USD 10 738 763 in the financial statements of the group. The financial statements comprise:

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

- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement 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 accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and 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 accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and 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.

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 and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

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 the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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. We 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 or the Group'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 the Board of Directors 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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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, the going concern assumption 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 produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

pwc

Egersund, 12 June 2017
PricewaterhouseCoopers AS

Per Trygve Årstad
State Authorised Public Accountant

Til generalforsamlingen i Lighthouse Shipholding AS

Uavhengig revisors beretning

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Lighthouse Shipholding AS' årsregnskap som viser et underskudd i selskapsregnskapet på USD 17 751 399 og et underskudd i konsernregnskapet på USD 10 738 763. Årsregnskapet består av:

- selskapsregnskapet, som består av balanse per 31. desember 2016, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper, og
- konsernregnskapet, som består av balanse per 31. desember 2016, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening:

- er årsregnskapet avgitt i samsvar med lov og forskrifter
- gir det medfølgende selskapsregnskapet et rettvisende bilde av den finansielle stillingen til Lighthouse Shipholding AS per 31. desember 2016 og av selskapets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.
- gir det medfølgende konsernregnskapet et rettvisende bilde av den finansielle stillingen til konsernet Lighthouse Shipholding AS per 31. desember 2016 og av konsernets resultater og kontantstrømmer for regnskapsåret som ble 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 International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet og konsernet slik det kreves i lov og forskrift, og har 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

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon består av årsberetningen, men inkluderer ikke årsregnskapet og revisjonsberetningen.

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, 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.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende 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 er ledelsen ansvarlig for å ta standpunkt til selskapets og konsernets evne til fortsatt drift, og på tilbørlig måte å opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet 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 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 økonomiske beslutninger som brukerne foretar basert på 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 regnskapet, enten det skyldes misligheter eller utilsiktede 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 utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.

- opparbeider vi oss en forståelse av den interne kontroll 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 og konsernets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets og konsernets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet og konsernet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

- innhenter vi tilstrekkelig og hensiktsmessig revisjonsbevis vedrørende den finansielle informasjonen til enhetene eller forretningsområdene i konsernet for å kunne gi uttrykk for en mening om det konsoliderte regnskapet. Vi er ansvarlige for å lede, følge opp og gjennomføre konsernrevisjonen. Vi alene er ansvarlige for vår revisjonskonklusjon.

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.

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 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 ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets og konsernets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Egersund 12. juni 2017
PricewaterhouseCoopers AS

Per Trygve Årstad
Statsautorisert revisor

Lighthouse Shipholding AS
(organisational number 911 703 033)
Annual report for 2015

Business of the company
Lighthouse Shipholding AS was founded on 6 March 2013. The objective of the company is to conduct shipping business and connected activities, including through participation in other companies. The company took delivery of the 64,000 dwt bulk carriers MV "Northern Light" in May 2015 and MV "Southern Light" in September 2015 from Jiangsu Hantong Ship Heavy Industry. The vessels have been fully employed in the market for trip timecharters. Technical management and manning is outsourced to Fleet Ship Management Ltd. Three sister vessels were by the end of 2015 in final stages of construction at the same yard, and one shipbuilding contract was terminated.

The company is conducting its business from its premises in Nedre Bekkegate 1 in Eigersund municipal in Norway.

Profit and loss statement and balance sheet
In 2015, the company had a deficit of USD 1,888,037. The deficit is proposed to be covered with USD 86,637 from the Share premium and USD 1,801,400 as Loss brought forward. The annual accounts for 2015 are premised on the going concern assumption, and the board of directors confirms that such assumption is appropriate, cf. the Norwegian Accounting Act section 4-5.

In 2015, the group on consolidated basis had a deficit of USD 10,615,820.

Risk assessment

The dry bulk shipping market is very soft with recovery expected only from 2018. The group is fully exposed to this market with its vessels operated on short charterparties. The group has however a healthy cash position and good access to capital expected sufficient to complete capital expenditures and cover all other liabilities. With no concentration of debtors, the credit risk is manageable. In 2016 the company will take delivery of the remaining three newbuildings and focus on operating the total fleet of five vessels.

Working environment
As per 31 December 2015 the company has entered its operational phase with one employee only. There are no plans to increase the staff, and accordingly the Board of Directors has not considered it necessary to carry out specific measures yet with regards to the working environment and equal opportunities.

Environment
The company's ships are new and energy efficient, however operating on marine fuels there are emissions to the air. Additional investments are made to reduce fuel consumption and emissions. The ships are equipped with ballast water treatment systems preventing the transfer of marine species. The Board of Directors emphasizes that the company shall operate its business in accordance with applicable national and international regulations.

30 June 2016

The Board of Directors in Lighthouse Shipholding AS

Peter Frølich Chairman of the board	Jan Erik Sivertsen Director	Frode Teigen Director
Anders Sødergren Director	Kai Einhauser Director	Frode Bjørklund CEO

Lighthouse Shipholding AS

ALL NUMBERS IN USD

INCOME STATEMENT 01.01-31.12

PARENT					GROUP	
2014	**2015**	**Note**		**Note**	**2015**	**2014**
			Operating income and operating expenses			
0	215 206		Revenue		3 361 932	0
0	**215 206**		**Operating Income**		**3 361 932**	**0**
290 476	162 549	**7**	Payroll expenses	**7**	162 549	290 476
0	10 865	**2**	Depreciation and amortisation expense	**2**	1 007 138	0
0	0	**2**	Write down on tangible and intangible assets	**2**	3 960 000	0
0	0		Loss on tangible and intangible assets		2 552 563	0
288 223	3 055 836	**7,9**	Other operating expenses	**7,10**	3 513 105	288 223
578 699	**3 229 250**		**Operating expenses**		**11 195 355**	**578 699**
-578 699	**-3 014 044**		**Operating profit**		**-7 833 423**	**-578 699**
			Financial income and expenses			
454	0		Other interest income		1 166	454
0	1 564 355		Interest income from group companies		0	0
5 932	11 938		Other financial income		13 708	5 932
0	6 996		Depreciation of other financial fixed assets		0	0
0	0		Interest expense to other group companies		0	0
2 400	34		Other Interest expenses		2 633 880	2 400
127 882	138 125		Other financial expenses		163 391	127 882
-123 896	**1 431 138**		**Net financial income and expenses**		**-2 782 397**	**-123 896**
-702 596	**-1 582 906**		**Operating result before tax**		**-10 615 820**	**-702 596**
0	305 131	**6**	Tax cost	**6**	305 131	0
-702 596	**-1 888 037**		**Operating result after tax**		**-10 920 951**	**-702 596**
			Brought forward			
-702 596	-86 637		From Share premium		-86 637	-702 596
0	-1 801 400		Loss brought forward		-10 529 183	0
-702 596	**-1 888 037**	**4**	**Total brought forward**	**4**	**-10 615 820**	**-702 596**

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT					GROUP	
2014	**2015**	**Note**	**ASSETS**	**Note**	**2015**	**2014**
			Fixed assets			
			Tangible fixed assets			
29 359 289	0	**11**	Ships	**11**	49 046 395	29 359 289
0	0	**11**	Ships under construction	**11**	17 708 107	0
0	43 458		Equipment and other movables		43 458	0
29 359 289	**43 458**	**2**	**Total tangible fixed assets**	**2**	**66 797 960**	**29 359 289**
			Financial fixed assets			
0	34 980	**5,11**	Investments in subsidiaries		0	0
0	48 640 118	**9**	Loans to group companies		0	0
0	**48 675 098**		**Total financial fixed assets**		**0**	**0**
29 359 289	**48 718 556**		**Total fixed assets**		**66 797 960**	**29 359 289**
			Current assets			
0	0		Inventories	**11**	223 485	0
0	0	**11**	Accounts receivables	**11**	279	0
11 047	8 423		Other receivables		2 875 819	11 047
11 047	**8 423**		**Total debtors**		**2 876 098**	**11 047**
7 502 441	16 165 724	**8**	Cash and bank deposits	**8**	18 691 455	7 502 441
7 513 488	**16 174 147**		**Total current assets**		**21 791 038**	**7 513 488**
36 872 777	**64 892 703**		**Total assets**		**88 588 998**	**36 872 777**

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT					GROUP	
2014	**2015**	**Note**	**EQUITY AND LIABILITIES**	**Note**	**2015**	**2014**
			Restricted equity			
25 880 000	25 880 000	3	Share capital	3	25 880 000	25 880 000
86 637	0		Share premium		0	86 637
25 966 637	**25 880 000**		**Total restricted equity**		**25 880 000**	**25 966 637**
0	0		Other equity		0	0
0	-1 801 400		Loss brought forward		-10 846 293	0
0	**-1 801 400**		**Total retained earnings**		**-10 846 293**	**0**
25 966 637	**24 078 600**	4	**Total equity**	4	**15 033 707**	**25 966 637**
			Liabilities			
			Other long term liabilities			
0	0		Liabilities to financial institutions	11	31 500 000	0
2 435 625	40 454 994	9	Other long term loans	9	40 454 994	2 435 625
8 389 375	0	9	Liabilities to group companies	9	0	8 389 375
10 825 000	**40 454 994**		**Total of other long term liabilities**		**71 954 994**	**10 825 000**
			Current liabilities			
23 350	22 217		Trade creditors		159 089	23 350
0	305 131		Tax payable		305 131	0
21 337	12 193		Public duties payable		12 193	21 337
36 453	19 569		Other short term liabilities		1 123 884	36 453
81 140	**359 110**		**Total short term liabilities**		**1 600 297**	**81 140**
10 906 140	**40 814 104**		**Total liabilities**		**73 555 291**	**10 906 140**
36 872 777	**64 892 703**		**Total equity and liabilities**		**88 588 998**	**36 872 777**

Egersund 30.06.2016

Jan Erik Sivertsen Styremedlem	Peter Frølich Styrets leder	Frode Teigen Styremedlem
Anders Sødergren Styremedlem	Frode Bjørklund Daglig leder	Kai Einheuser Styremedlem

Lighthouse Shipholding AS

ALL NUMBERS IN USD

CASH FLOW STATEMENT 01.01-31.12.

PARENT					GROUP	
2014	**2015**	**Note**		**Note**	**2015**	**2014**
			Cash flow from operations			
-702 596	-1 582 906		Profit before income taxes		-10 615 820	-702 596
0	10 865		Depreciation		1 007 138	0
0	0		Impairment of fixed assets		3 960 000	0
0	0		Change in inventory		-223 485	0
0	0		Change in trade debtors		-279	0
23 350	-1 133		Change in trade creditors		135 739	23 350
104 971	-23 404		Change in other provisions		-1 798 462	104 971
-574 275	**-1 596 578**		**Net cash flow from operations**		**-7 535 169**	**-574 275**
			Cash flow from investments			
0	29 359 289		Proceeds from sale of fixed assets		0	0
-21 638 855	-54 323		Purchase of fixed assets		-42 405 809	-21 638 855
0	-34 980		Purchase of shares and investments in other companies		0	0
0	-48 640 118		Long term loans to group companies		0	0
-21 638 855	**-19 370 132**		**Net cash flow from investments**		**-42 405 809**	**-21 638 855**
			Cash flow from financing			
10 825 000	29 629 994		Proceeds from long term loans		61 129 994	10 825 000
10 825 000	**29 629 994**		**Net cash flow from financing**		**61 129 994**	**10 825 000**
			Exchange gains / (losses) on cash and cash equivalents			
-11 388 130	8 663 284		Net change in cash and cash equivalents		11 189 016	-11 388 130
18 890 570	7 502 441		Cash and cash equivalents at the beginning of the period		7 502 441	18 890 570
7 502 441	**16 165 724**		**Cash and cash equivalents at the end of the period**		**18 691 455**	**7 502 441**

Note 1 Accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Investments in other companies

The cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Consolidation

The consolidated financial statements include all subsidiaries. Subsidiaries are all units over which the group has control. Control over a unit arises when the group experiences variation in the return from the unit and has the ability to influence this return because of its power over the unit. Subsidiaries are consolidated from the day control arises and deconsolidated when control ceases.

The following fully owned subsidiaries of Lighthouse Shipholding AS are included in the consolidated accounts 31.12.15:
LHS1 - Northern Light AS
LHS2 - Southern Light AS
LHS3 - Indian Light AS
LHS4 - Baltic Light AS
LHS5 - Atlantic Light AS
LHS6 - Pacific Light AS

The acquisition method is used for acquisitions of business. The remuneration paid is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. The fair value of all assets or liabilities according to the agreement on conditional consideration are also included in the remuneration. Identifiable assets, liabilities and contingent liabilities are recognized at their fair value on the acquisition date.

Intra-group transactions, intra-company balances and unrealized profit between group companies are eliminated. Unrealized losses are also eliminated

Revenues

Income from sale of goods and services are recognised at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may influence the customer's acceptance of the product. Services are recognised in proportion to the work performed.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Purchase costs

The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets purchase cost also includes direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Interest expense incurred in connection with the production of fixed assets is recognised in the balance sheet.

Fixed assets
Land is not depreciated. Other fixed assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

Asset impairments
Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.
Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Debtors
Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Currency
The company's functional currency is USD. All figures are presented in this currency.

Inventories
Inventories are valued at the lower of purchase cost (according to the FIFO principle) and fair value. Recoverable amount has been used as approximation to net realisable value for raw mateials and work in progress. Fair value is estimated sales costs less expenses for completion and sale.

Foreign currencies
Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Liabilities
Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes

The company is subject to the Norwegian shipping corporate taxation. According to this legislation, net income from the shipping operation is not taxable. Instead, the company pays a tonnage tax which is based on the size of the ships. This tax is taken into the accounts as other operating expenses. Finance income is taxable by the regular income tax act; however only a portion of the finance expenses and foreign curency exchange rate gain/loss is deductable.

The tax charge is matched with the net pre-tax income. Tax related to equity transactions, such as group contribution, is booked against equity.

The tax charge in the income statement includes both payable taxes for the period and changes in defered taxes. The tax charge is split on ordinary net income and the effect of principle changes and corrections of incorrect tax basis. Deferred tax liabilities and deferred tax assets which may be shown in the balance-sheet, are presented net.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

Note 2 Fixed assets

Parent

Fixed assets	Ships under construction	Equipment and other movables	Total fixed assets
Purchase cost pr. 31.12.	29 359 289	0	29 359 289
Additions	4 045 228	54 323	4 099 551
Disposals	-33 404 517	0	-33 404 517
Purchase cost pr. 31.12.	0	54 323	54 323
Accumulated impairment 31.12.	0	0	0
Accumulated depreciation 31.12.	0	-10 865	-10 865
Net book value 31.12.	**0**	**43 458**	**43 458**
			0
Depreciation in the year	0	10 865	**10 865**
Impairment in the year	0	0	**0**

Group

Fixed assets	Ships	Ships under construction	Equipment and other movables	Total fixed assets
Purchase cost pr. 31.12.2014	0	29 359 289	0	29 359 289
Transfers	11 368 962	-11 368 962	0	0
Additions	39 063 706	3 287 780	54 323	42 405 809
Disposals	0	0	0	0
Purchase cost pr. 31.12.2015	50 432 668	21 278 107	54 323	71 765 098
Accumulated impairment 31.12.2015	-390 000	-3 570 000	0	-3 960 000
Accumulated depreciation 31.12.2015	-996 273	0	-10 865	-1 007 138
Net book value 31.12.2015	**49 046 395**	**17 708 107**	**43 458**	**66 797 960**
				0
Depreciation in the year	996 273	0	10 865	**1 007 138**
Impairment in the year	390 000	3 570 000	0	**3 960 000**

Due to the challenging conditions in the dry-bulk shipping marked, the management has performed an impairment test of both the delivered ships and the ships under constructions. The calculated fair value (based on estimated future cash flows) vs. book value/value of each shipbuild contrac resultet in a total impairment of 3.960.000 USD for the group in 2015.

Note 3 Share capital and shareholder information

The share capital of USD 25 880 000 consists of 148 000 shares with nominal value of USD 174,86 each.

List of shareholders 31.12.2015	Number of shares	Ownership
Kontrari AS*	74 000	50,0 %
Kontrazi AS*	40 700	27,5 %
Lighthouse Navigation Pte. Ltd.**	7 400	5,0 %
Nepa Shipholding BV.***	19 980	13,5 %
Ted van Wees***	2 960	2,0 %
Hans Spliethof***	2 960	2,0 %
Total	**148 000**	**100,0 %**

* Represented by Frode Teigen and Jan Erik Sivertsen in the board.
** Represented by Anders Sødergren in the board.
*** Represented by Kai Einheuser in the board.

Note 4 Equity

Parent

	Share capital	Share premium	Uncovered loss	Total
Equity 01.01.2015	25 880 000	86 637	0	**25 966 637**
Increase of capital	0	0	0	0
Profit for the year	0	-86 637	-1 801 400	**-1 888 037**
Other changes	0	0	0	0
Equity 31.12.2015	**25 880 000**	**0**	**-1 801 400**	**24 078 600**

Group

	Share capital	Share premium	Uncovered loss	Total
Equity 01.01.2015	25 880 000	86 637	0	**25 966 637**
Increase of capital	0	0	0	0
Profit for the year	0	-86 637	-10 834 314	**-10 920 951**
Other changes	0	0	-11 979	-11 979
Equity 31.12.2015	**25 880 000**	**0**	**-10 846 293**	**15 033 707**

Note 5 Subsidiaries

Parent

Investments in subsidiaries are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Equity 2015	Result 2015	Balance sheet value
LHS1 - Northern Light AS	Egersund	100 %	-1 329 861	-1 334 861	6 996
LHS2 - Southern Light AS	Egersund	100 %	-1 683 579	-1 688 579	6 996
LHS3 - Indian Light AS	Egersund	100 %	-1 870 397	-1 875 397	6 996
LHS4 - Baltic Light AS	Egersund	100 %	-1 848 464	-1 853 464	6 996
LHS5 - Atlantic Light AS	Egersund	100 %	-1 836 701	-1 841 701	6 996
LHS6 - Pacific Light AS	Egersund	100 %	-3 192 856	-3 197 856	0
Balance sheet value 31.12.2015					**34 980**

Note 6 Taxes

Parent/Group

Tax expense:	**2015**	**2014**
Payable tax	305 131	0
Change in deferred tax	0	0
Tax expense	**305 131**	**0**

Payable tax in the balance-sheet:	**2015**	**2014**
Payable tax on this year's result	305 131	0
Adjustments in respect to priors	0	0
Total payable tax in the balance-sheet	**305 131**	**0**

The company is subject to the Norwegian shipping company tax system.

Note 7 Payroll expenses, number of employees, remunerations, loans to employees, etc.

Parent/Group

Payroll expenses	2015	2014
Salaries/wages	117 301	244 233
Social security fees	19 105	34 538
Pension expenses	8 578	0
Other remuneration	17 565	11 705
Total	**162 549**	**290 476**

Number of employees in the accounting year:	1	1

The company's pensjon schemes meet the requirements of the Norwegian Mandatory Occupational Pension Scheme Act

Remuneration to executives	General manager	Board
Salaries/board fee	105 724	0
Pension expenses	0	0
Other remuneration	14 688	0

No loans/secureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee

	2015	2014
Statutory audit (incl. technical assistance with financial statements)	11 280	19 542
Other assistance (to be specified)	0	2 174
Total audit fees	**11 280**	**21 716**

VAT is not included in the audit fee.

Note 8 Restricted bank deposits

Parent/Group

	2015	2014
Withheld employee taxes	-6 906	12 440

Note 9 Related parties balances

Parent

	Long term debt	
	2015	2014
Shareholders	40 454 994	10 825 000
Total	40 454 994	10 825 000

Lighthouse Shipholding AS has entered into three long term loan agreements with its shareholders; Kontrari AS, Kontrazi AS, Lighthouse Navigation P.T.E Ltd, Nepa Shipholding B.V., Hans Spethoff and Ted Van Wees;

Loan agreement of 10.825.000 USD May 26th 2014
Loan agreement of 17 750.000 USD April 1st 2015
Loan agreement of 12.000.000 USD December 1st 2015

An agreement of duration or fixed part payments is not set. The loans are not carrying any interest.

			Long term receivables	
Company	**Relationship**	**Country**	**2015**	**2014**
LHS1 - Northern Light AS	Subsidiary	Norway	10 778 231	0
LHS2 - Southern Light AS	Subsidiary	Norway	10 654 947	0
LHS3 - Indian Light AS	Subsidiary	Norway	9 188 518	0
LHS4 - Baltic Light AS	Subsidiary	Norway	8 791 941	0
LHS5 - Atlantic Light AS	Subsidiary	Norway	6 360 210	0
LHS6 - Pacific Light AS	Subsidiary	Norway	2 866 271	0
Total			48 640 118	0

The nominal value of the balance against LHS6 - Pacific Light AS per 31.12.15 is 5 618 216 USD.
An unrealized loss of 2.751.945 USD has been recognized in the 2015 books and is included in other operating expenses.

Note 10 Related-party transactions

Remuneration to executives is disclosed in note 7, and balance with group companies is disclosed in note 9.

Parent

Company	**Relationship**	**Country**	**Description**	**2015**	**2014**
LHS1 - Northern Light AS	Subsidiary	Norway	Sale ship under construction	7 709 409	0
LHS2 - Southern Light AS	Subsidiary	Norway	Sale ship under construction	5 277 966	0
LHS3 - Indian Light AS	Subsidiary	Norway	Sale ship under construction	5 147 961	0
LHS4 - Baltic Light AS	Subsidiary	Norway	Sale ship under construction	5 124 703	0
LHS5 - Atlantic Light AS	Subsidiary	Norway	Sale ship under construction	5 094 690	0
LHS6 - Pacific Light AS	Subsidiary	Norway	Sale ship under construction	5 049 788	0
Total				**33 404 517**	**0**

Lighthouse Shipholding AS transferred all six shipbuilding contracts to its subsidiaries on March 23rd 2015 along with the relating liabilities.

Group

Transaction description	**Company**	**Relationship**	**2015**	**2014**
Service fee cost	Kontrari AS	Owner	116 569	0

Note 11 Debtors and liabilities

Debtors which fall due later than one year	Parent/Group 2015	2014
Other long term debtors	0	0
Total	**0**	**0**

Long term liabilities which fall due later than 5 years

	Parent 2015	2014	Group 2015	2014
Liabilities to credit institution	0	0	21 500 000	0
Total	**0**	**0**	**21 500 000**	**0**

	Parent 2015	2014	Group 2015	2014
Liabilities to financial institutions secured by mortgage	0	0	31 500 000	0
Total	**0**	**0**	**31 500 000**	**0**

	Parent		Group	
Balance sheet value of assets placed as security:	**2015**	**2014**	**2015**	**2014**
Investments in subsidiaries	34 980	0	0	0
Fixed assets	0	0	66 754 502	0
Inventory	0	0	223 485	0
Trade debtors	0	0	279	0
Total	**34 980**	**0**	**66 978 266**	**0**

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To the Annual Shareholders' Meeting of Lighthouse Shipholding AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Lighthouse Shipholding AS, which comprise the financial statements of the parent company, showing a loss of USD 1 888 037, and the financial statements of the group, showing a loss of USD 10 615 820. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2015, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director 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.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the parent company and the group Lighthouse Shipholding AS as at 31 December 2015, and 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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 the going concern assumption 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 produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Egersund, 30 June 2016
PricewaterhouseCoopers AS

Per Trygve Årstad
State Authorised Public Accountant (Norway)

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

INCOME STATEMENT 01.01-31.12 (05.08-31.12)

PARENT					GROUP	
2016	**2017**	**Note**		**Note**	**2017**	**2016**
			Operating income and operating expenses			
6 667	40 000	**1**	Revenue		7 949 268	277 120
6 667	**40 000**		**Operating Income**		**7 949 268**	**277 120**
0	0		Depreciation and amortisation expense	**2**	596 910	30 773
32 760	173 843	**7,10**	Other operating expenses	**7,10**	6 807 985	467 773
32 760	**173 843**		**Operating expenses**		**7 404 895**	**498 546**
-26 093	**-133 843**		**Operating profit**		**544 373**	**-221 426**
			Financial income and expenses			
0	0		Other interest income		57	20
43 789	590 479	**10**	Interest income from group companies		0	0
151	476		Other financial income		2 962	608
1 160	560		Other financial expenses		1 058	1 325
42 780	**590 390**		**Net financial income and expenses**		**1 956**	**-697**
16 687	**456 547**		**Operating result before tax**		**546 329**	**-222 123**
37 113	18 322	**6**	Tax cost	**6**	18 322	37 113
-20 426	**438 225**		**Operating result after tax**		**528 007**	**-259 236**
			Brought forward			
-20 426	0		From share premium			
0	438 225		To other equity			
-20 426	**438 225**	**4**	**Total brought forward**			

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT					GROUP	
2016	**2017**	**Note**	**ASSETS**	**Note**	**2017**	**2016**
			Fixed assets			
			Tangible fixed assets			
0	0		Ships	**2**	10 426 514	4 292 234
0	**0**		**Total tangible fixed assets**		**10 426 514**	**4 292 234**
			Financial fixed assets			
8 000	2 408 000	**5**	Investments in subsidiaries		0	0
3 780 000	7 740 000	**9,11**	Loans to group companies		0	0
3 788 000	**10 148 000**		**Total financial fixed assets**		**0**	**0**
3 788 000	**10 148 000**		**Total fixed assets**		**10 426 514**	**4 292 234**
			Current assets			
8 334	0		Accounts receivables		548 892	8 334
1 444 406	2 334 711	**9**	Group receivables		0	0
3 247	2 010 289		Other receivables		2 506 158	713 701
1 455 987	**4 345 000**		**Total debtors**		**3 055 050**	**722 035**
268 981	1 029 509	**8**	Cash and bank deposits	**8**	2 472 347	448 051
1 724 968	**5 374 509**		**Total current assets**		**5 527 397**	**1 170 086**
5 512 968	**15 522 509**		**Total assets**		**15 953 911**	**5 462 320**

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12

PARENT 2016	PARENT 2017	Note	EQUITY AND LIABILITIES	Note	GROUP 2017	GROUP 2016
			Restricted equity			
5 000 000	6 000 000	3	Share capital	3	6 000 000	5 000 000
475 574	4 975 574		Share premium		4 975 574	475 574
5 475 574	**10 975 574**		**Total restricted equity**		**10 975 574**	**5 475 574**
0	438 225		Other equity		290 094	0
0	0		Loss brought forward		0	-237 911
0	**438 225**		**Total retained earnings**		**290 094**	**-237 911**
5 475 574	**11 413 799**	4	**Total equity**	4	**11 265 668**	**5 237 663**
			Liabilities			
			Non-current liabilities			
37 113	0	6	Deferred tax	6	0	37 113
0	4 000 000	12	Other long term loans	12	4 000 000	0
37 113	**4 000 000**		**Total non-current liabilities**		**4 000 000**	**37 113**
			Current liabilities			
280	53 275		Trade creditors		309 356	170 643
0	55 435	6	Tax payable	6	55 435	0
0	0		Other short term liabilities		323 451	16 900
280	**108 710**		**Total current liabilities**		**688 242**	**187 543**
37 393	**4 108 710**		**Total liabilities**		**4 688 242**	**224 656**
5 512 968	**15 522 509**		**Total equity and liabilities**		**15 953 911**	**5 462 320**

Egersund 27.06.2018

Jan Erik Sivertsen
Styremedlem

Peter Frølich
Styrets leder

Frode Teigen
Styremedlem

Frode Bjørklund
Daglig leder

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

CASH FLOW STATEMENT 01.01-31.12 (05.08-31.12)

PARENT					GROUP	
2016	**2017**	**Note**		**Note**	**2017**	**2016**
			Cash flow from operations			
16 687	456 547		Profit before income taxes		546 329	-222 123
0	0		Depreciation	**2**	596 910	30 773
-8 334	8 334		Change in trade debtors		-540 558	-8 334
280	52 995		Change in trade creditors		138 713	170 643
-3 245	-2 007 042		Change in other provisions		-1 485 908	-695 901
5 388	**-1 489 166**		**Net cash flow from operations**		**-744 514**	**-724 942**
			Cash flow from investments			
0	0		Purchase of fixed assets	**2**	-6 731 190	-4 323 007
-8 000	-2 400 000		Purchase of shares and investments in other companies		0	0
-1 444 406	-890 305		Short term loans to group companies	**9**	0	0
-3 780 000	-3 960 000		Long term loans to group companies		0	0
-5 232 406	**-7 250 305**		**Net cash flow from investments**		**-6 731 190**	**-4 323 007**
			Cash flow from financing			
0	5 500 000	**4**	Capital increase	**4**	5 500 000	0
0	4 000 000	**12**	Proceeds from long term loans	**12**	4 000 000	0
0	**9 500 000**		**Net cash flow from financing**		**9 500 000**	**0**
			Exchange gains / (losses) on cash and cash equivalents			
-5 227 018	760 529		Net change in cash and cash equivalents		2 024 296	-5 047 949
5 496 000	268 981		Cash and cash equivalents at the beginning of the period		448 051	5 496 000
268 981	**1 029 509**		**Cash and cash equivalents at the end of the period**		**2 472 347**	**448 051**

Note 2 Fixed assets

Group

Fixed assets	Ships	Total fixed assets
Purchase cost pr. 31.12.2016	4 323 007	4 323 007
Additions	6 731 190	6 731 190
Disposals	0	0
Purchase cost pr. 31.12.2017	11 054 197	11 054 197
Accumulated depreciation 31.12.2017	-627 683	-627 683
Net book value 31.12.2017	**10 426 514**	**10 426 514**
Depreciation in the year	596 910	**596 910**
Impairment in the year	0	**0**

Note 3 Share capital and shareholder information

The share capital of USD 6.000.000 consists of 500.000 shares with nominal value of USD 12 each.

List of shareholders 31.12.2017	Number of shares	Ownership
Kontrari AS*	162 500	32,5 %
Kontrazi AS*	162 500	32,5 %
Lighthouse Navigation Pte. Ltd.**	175 000	35,0 %
Total	**500 000**	**100,0 %**

* Represented by Frode Teigen and Jan Erik Sivertsen in the board.
** Represented by Peter Frølich in the board.

Note 4 Equity

Parent

	Share capital	Share premium	Other Equity	Total
Equity 31.12.2016	5 000 000	475 574	0	**5 475 574**
Capital Increase	1 000 000	4 500 000	0	**5 500 000**
Profit for the year	0	0	438 225	**438 225**
Equity 31.12.2017	**6 000 000**	**4 975 574**	**438 225**	**11 413 799**

Group

	Share capital	Share premium	Uncovered loss	Other Equity	Total
Equity 31.12.2016	5 000 000	475 574	-237 911	0	**5 237 663**
Capital Increase	1 000 000	4 500 000	0	0	**5 500 000**
Profit for the year	0	0	237 911	290 094	**528 007**
Other changes	0	0	0	0	**0**
Equity 31.12.2017	**6 000 000**	**4 975 574**	**0**	**290 094**	**11 265 668**

Note 5 Subsidiaries

Parent

Investments in subsidiaries are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Acquisition Cost	Equity 2017	Result 2017	Balance sheet value
LHS6 - Eastern Light AS	Egersund	100 %	1 204 000	1 300 715	335 100	1 204 000
LHS7 - Pacific Light AS	Egersund	100 %	1 204 000	959 154	-245 319	1 204 000
Balance sheet value 31.12.2017						**2 408 000**

Note 6 Taxes

Parent/Group

Tax expense:	**2017**	**2016**
Payable tax	55 435	0
Change in deferred tax	-38 990	38 089
Exchange rate difference - conversion USD to NOK	1 877	-977
Tax expense	**18 322**	**37 113**

Payable tax in the balance-sheet:	**2017**	**2016**
Payable tax on this year's result	55 435	0
Adjustments in respect to priors	0	0
Total payable tax in the balance-sheet	**55 435**	**0**

The company will try to enter the Norwegian shipping tax regulations with effect from 01.01.17, and the tax calculation is prepared in accordance to this. However, there is uncertainty regarding the legal permission to enter this tax regulation. If the company will be assessed to not qualify for the Norwegian shipping tax systems they will be subject for ordinary tax rules. The company has also prepared a tax calculation in accordance to ordinary tax rules, and the difference between the two calculations is assessed to not be material. In addition the subsidiary, LHS7 - Pacific Light AS, are trying to enter the Norwegian shipping tax regulation from 01.01.17. For the subsidiary, there will not be any effect in tax expense whether or not they qualify for the Norwegian shipping tax systems.

Note 7 Payroll expenses, number of employees, remunerations, loans to employees, etc.

Parent/Group

The company (both parent and group) has no employees and are not required to implement any pension schemes according to the Norwegian Mandatory Occupational Pension Scheme Act.

The company's general manager is employed and remunerated by the associated company, Lighthouse Shipholding AS.

Remuneration to executives	General manager	Board
Salaries/board fee	0	0
Pension expenses	0	0
Other remuneration	0	0

No loans/secureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee	Parent 2017	Parent 2016	Group 2017	Group 2016
Statutory audit (incl. technical assistance)	6 656	1 769	10 408	3 538
Other assistance (to be specified)	3 812	0	9 500	0
Total audit fees	**10 468**	**1 769**	**19 908**	**3 538**

VAT is not included in the audit fee.

Note 8 Restricted bank deposits

Parent/Group

	2017	2016
Withheld employee taxes	0	0

Note 9 Related parties balances

Parent

Short term receivables	2017	2016
LHS6 - Eastern Light AS	1 201 588	944 406
LHS7 - Pacific Light AS	1 133 123	500 000
Total	**2 334 711**	**1 444 406**

Long term receivables	2017	2016
LHS6 - Eastern Light AS	3 780 000	3 780 000
LHS7 - Pacific Light AS	3 960 000	0
Total	**7 740 000**	**3 780 000**

Note 10 Related-party transactions

Remuneration to executives is disclosed in note 7, and balance with group companies is disclosed in note 9.

Parent

Company	Relationship	Country	Description	2017	2016
LHS6 - Eastern Light AS	Subsidiary	Norway	Interest income	316 354	43 789
LHS7 - Pacific Light AS	Subsidiary	Norway	Interest income	274 091	0
Total				**590 445**	**43 789**

Group

Company	Relationship	Country	Description	2017	2016
Kontrari AS	Shareholder	Norway	Service fee cost	40 000	13 333
Total				**40 000**	**13 333**

Note 11 Debtors and liabilities

Debtors which fall due later than one year	Group	
	2017	2016
Other long term debtors	3 780 000	1 890 000
Total	**3 780 000**	**1 890 000**

The compbany (both parent and group) has no long term liabilities which fall due later than 5 years

Note 12 Related parties balances

Parent

	Long term debt	
	2017	2016
Shareholders	4 000 000	0
Total	**4 000 000**	**0**

Lighthouse Shipholding II AS has entered into three long term loan agreements with its shareholders; Kontrazi AS, Lighthouse Navigation P.T.E Ltd, KontrariAS;

Loan agreement of 1.300.000 USD December 15th 2017
Loan agreement of 1.300.000 USD December 15th 2017
Loan agreement of 1.400.000 USD December 15th 2017

An agreement of duration or fixed part payments is not set. The loans are not carrying any interest.

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To the General Meeting of Lighthouse Shipholding II AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Shipholding II AS showing a profit of USD 438 225 in the financial statements of the parent company and profit of USD 528 007 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement 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 accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and 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 accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and 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.

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 and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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 laws, regulations, and auditing standards and practices generally accepted 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. We 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 and the Group'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 or the Group'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 or the Group 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 the Board of Directors 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.

Report on Other Legal and Regulatory Requirements

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 produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Egersund, 27 June 2018
PricewaterhouseCoopers AS

Per Trygve Årstad
State Authorised Public Accountant

Lighthouse Shipholding II AS
(organisational number 917 593 019)
Annual report for 2016

Business of the company
Lighthouse Shipholding II AS was founded on 5 August 2016. The objective of the company is to conduct shipping business and connected activities, including through participation in other companies. A subsidiary of the company took in November 2016 delivery of one 50,000 dwt bulk carrier built in 2006 and the company signed in December 2016 a Memorandum of Agreement to purchase a sister vessel with delivery in 2017. The ship delivered has been employed in the market for trip timecharters. Technical management and manning is outsourced to Sunship Schiffahrtskontor KG.

The company is conducting its business from its premises in Nedre Bekkegate 1 in Eigersund municipal in Norway.

Profit and loss statement and balance sheet
In 2016, the company had a deficit of USD 20,426. The deficit is proposed to be covered from the Share premium. The annual accounts for 2016 are premised on the going concern assumption, and the board of directors confirms that such assumption is appropriate, cf. the Norwegian Accounting Act section 4-5.

In 2016, the group on consolidated basis had a deficit of USD 259,236. The difference between Operating profit and Net cash flow from operations is mainly caused by a change in provisions.

Risk assessment

The dry bulk shipping market was in 2016 very soft with recovery expected only from 2018. The group is fully exposed to this market with its vessels operated on short charterparties. The group has however good access to capital expected sufficient to cover all liabilities. With no concentration of debtors, the credit risk is manageable.

All the group income is nominated in USD, so are most of the voyage and operating expenses. The currency risk for the group is accordingly very limited.

The holding company has no external debtors, and credit risk is accordingly very low. Most of costs are nominated in USD and so is the service fee invoiced to the subsidiaries for administration services. The currency risk is accordingly very limited.

Working environment
As per 31 December 2016 the company has no employees. There are no plans to increase the staff, and accordingly the Board of Directors has not considered it necessary to carry out specific measures yet with regards to the working environment and equal opportunities.

There are no employees in the ship owning subsidiaries

Environment
Operating on marine fuels there are emissions to the air, however additional investments are planned to reduce fuel consumption and emissions. The Board of Directors emphasizes that the company shall operate its business in accordance with applicable national and international regulations.

Research and development
The company and group have not conducted research and development activities in 2016.

29 June 2017

The Board of Directors in Lighthouse Shipholding II AS

Peter Frølich Chairman of the board	Jan Erik Sivertsen Director	Frode Teigen Director

Frode Bjørklund
CEO

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

INCOME STATEMENT 05.08-31.12

PARENT				GROUP	
2016	**Note**			**Note**	**2016**
		Operating income and operating expenses			
6 667		Revenue			277 120
6 667		**Operating Income**			**277 120**
0		Depreciation and amortisation expense		**2**	30 773
32 760	**7,10**	Other operating expenses		**7,10**	467 773
32 760		**Operating expenses**			**498 546**
-26 093		**Operating profit**			**-221 426**
		Financial income and expenses			
0		Other interest income			20
43 789	**10**	Interest income from group companies			0
151		Other financial income			608
1 160		Other financial expenses			1 325
42 780		**Net financial income and expenses**			**-697**
16 687		**Operating result before tax**			**-222 123**
37 113	**6**	Tax cost		**6**	37 113
-20 426		**Operating result after tax**			**-259 236**
		Brought forward			
-20 426		From share premium			
-20 426	**4**	**Total brought forward**			

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT			GROUP	
2016	**Note**	**ASSETS**	**Note**	**2016**
		Fixed assets		
		Tangible fixed assets		
0		Ships	**2**	4 292 234
0		**Total tangible fixed assets**		**4 292 234**
		Financial fixed assets		
8 000	**5**	Investments in subsidiaries		0
3 780 000	**9,11**	Loans to group companies		0
3 788 000		**Total financial fixed assets**		**0**
3 788 000		**Total fixed assets**		**4 292 234**
		Current assets		
8 334		Accounts receivables		8 334
1 444 406	**9**	Group receivables		0
3 247		Other receivables		713 701
1 455 987		**Total debtors**		**722 035**
268 981	**8**	Cash and bank deposits	**8**	448 051
1 724 968		**Total current assets**		**1 170 086**
5 512 968		**Total assets**		**5 462 320**

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

BALANCE SHEET 05.08-31.12

PARENT 2016	Note	EQUITY AND LIABILITIES	Note	GROUP 2016
		Restricted equity		
5 000 000	3	Share capital	3	5 000 000
475 574		Share premium		475 574
5 475 574		**Total restricted equity**		**5 475 574**
0		Other equity		0
0		Loss brought forward		-237 911
0		**Total retained earnings**		**-237 911**
5 475 574	4	**Total equity**	4	**5 237 663**
		Liabilities		
		Non-current liabilities		
37 113	6	Deferred tax	6	37 113
37 113		**Total non-current liabilities**		**37 113**
		Current liabilities		
280		Trade creditors		170 643
0		Tax payable		0
0		Other short term liabilities		16 900
280		**Total current liabilities**		**187 543**
37 393		**Total liabilities**		**224 656**
5 512 968		**Total equity and liabilities**		**5 462 320**

Egersund 29.06.2017

Jan Erik Sivertsen
Styremedlem

Peter Frølich
Styrets leder

Frode Teigen
Styremedlem

Frode Bjørklund
Daglig leder

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

CASH FLOW STATEMENT 01.01-31.12.

PARENT			GROUP	
2016	**Note**		**Note**	**2016**
		Cash flow from operations		
16 687		Profit before income taxes		-222 123
0		Depreciation		30 773
-8 334		Change in trade debtors		-8 334
280		Change in trade creditors		170 643
-3 245		Change in other provisions		-695 901
5 388		**Net cash flow from operations**		**-724 942**
		Cash flow from investments		
0		Proceeds from sale of fixed assets		0
0		Purchase of fixed assets		-4 323 007
-8 000		Purchase of shares and investments in other companies		0
-1 444 406		Short term loans to group companies		0
-3 780 000		Long term loans to group companies		0
-5 232 406		**Net cash flow from investments**		**-4 323 007**
		Cash flow from financing		
0		Proceeds from long term loans		0
0		**Net cash flow from financing**		**0**
		Exchange gains / (losses) on cash and cash equivalents		
-5 227 018		Net change in cash and cash equivalents		-5 047 949
5 496 000		Cash and cash equivalents at the beginning of the period		5 496 000
268 981		**Cash and cash equivalents at the end of the period**		**448 051**

Note 2 Fixed assets

Group

Fixed assets	Ships	Total fixed assets
Purchase cost pr. 05.08.2016	0	0
Additions	4 323 007	4 323 007
Disposals	0	0
Purchase cost pr. 31.12.2016	4 323 007	4 323 007
Accumulated depreciation 31.12.2016	-30 773	-30 773
Net book value 31.12.2016	**4 292 234**	**4 292 234**
Depreciation in the year	30 773	**30 773**

Note 3 Share capital and shareholder information

The share capital of USD 5.000.000 consists of 500.000 shares with nominal value of USD 10 each.

List of shareholders 31.12.2016	Number of shares	Ownership
Kontrari AS*	162 500	32,5 %
Kontrazi AS*	162 500	32,5 %
Lighthouse Navigation Pte. Ltd.**	175 000	35,0 %
Total	**500 000**	**100,0 %**

* Represented by Frode Teigen and Jan Erik Sivertsen in the board.
** Represented by Peter Frølich in the board in the board.

Note 4 Equity

Parent

	Share capital	Share premium	Other Equity	Total
Equity 05.08.2016	5 000 000	496 000	0	**5 496 000**
Profit for the year	0	-20 426	0	**-20 426**
Equity 31.12.2016	**5 000 000**	**475 574**	**0**	**5 475 574**

Group

	Share capital	Share premium	Uncovered loss	Total
Equity 05.08.2016	5 000 000	496 000	0	**5 496 000**
Profit for the year	0	-20 426	-238 810	**-259 236**
Other changes	0	0	899	**899**
Equity 31.12.2016	**5 000 000**	**475 574**	**-237 911**	**5 237 663**

Note 5 Subsidiaries

Parent

Investments in subsidiaries are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Equity 2016	Result 2016	Balance sheet value
LHS6 - Eastern Light AS	Egersund	100 %	-234 385	-238 828	4 000
LHS7 - Pacific Light AS	Egersund	100 %	4 474	19	4 000
Balance sheet value 31.12.2016					**8 000**

Note 6 Taxes

Parent/Group

Tax expense:	**2016**
Payable tax	0
Change in deferred tax	38 089
Exchange rate difference - conversion USD to NOK	-977
Tax expense	**37 113**

Payable tax in the balance-sheet:	**2016**
Payable tax on this year's result	0
Adjustments in respect to priors	0
Total payable tax in the balance-sheet	**0**

	2016	
Basis for income tax expense, changes in deferred tax and tax payable	**Parent**	**Group**
Result before taxes	16 687	16 706
Exchange rate difference - conversion USD to NOK*	140 331	140 448
Permanent differences	-2 381	-4 167
Basis for the tax expense for the year	**154 637**	**152 987**
Change in temporary differences**	-190 096	-190 096
Basis for payable taxes	**-35 459**	**-37 110**
Calculated payable tax (25%)	**0**	**0**

	2016	
Temporary differences 2016	**Parent**	**Group**
Exhange rate difference long term receivables	190 096	190 096
Net temporary differences	**190 096**	**190 096**
Tax losses carried forward	-35 460	-37 110
Basis for deferred tax	**154 636**	**152 986**
Calculated deferred tax (24%)	37 113	36 717
Deferred tax recognised in balance sheet	**37 113**	**37 113**

Note 7 Payroll expenses, number of employees, remunerations, loans to employees, etc.

Parent/Group

The company (both parent and group) has no employees and are not required to implement any pension schemes according to the Norwegian Mandatory Occupational Pension Scheme Act.

The company's general manager is employed and remunerated by the associated company, Lighthouse Shipholding AS.

Remuneration to executives	General manager	Board
Salaries/board fee	0	0
Pension expenses	0	0
Other remuneration	0	0

No loans/secureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee	Parent 2016	Group 2016
Statutory audit (incl. technical assistance with financial statements)	1 769	3 538
Other assistance (to be specified)	0	0
Total audit fees	**1 769**	**3 538**

VAT is not included in the audit fee.

Note 8 Restricted bank deposits

Parent/Group

	2016
Withheld employee taxes	0

Note 9 Related parties balances

Parent

Short term receivables	2016
LHS6 - Eastern Light AS	944 406
LHS7 - Pacific Light AS	500 000
Total	**1 444 406**

Long term receivables	2016
LHS6 - Eastern Light AS*	3 780 000
Total	**3 780 000**

Note 10 Related-party transactions

Remuneration to executives is disclosed in note 7, and balance with group companies is disclosed in note 9.

Parent

Company	Relationship	Country	Description	2016
LHS6 - Eastern Light AS	Subsidiary	Norway	Interest income	43 789
Total				**43 789**

Group

Company	Relationship	Country	Description	2016
Kontrari AS	Shareholder	Norway	Service fee cost	13 333
Total				**13 333**

Note 11 Debtors and liabilities

Debtors which fall due later than one year	Group 2016
Other long term debtors	1 890 000
Total	**1 890 000**

The compbany (both parent and group) has no long term liabilities which fall due later than 5 years
DnB has provided a payment guarantee in favour of the crew of the Eastern Light of NOK 500.000.

pwc

To the General Meeting of Lighthouse Shipholding II AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Shipholding II AS showing a loss of USD 20 426 in the financial statements of the parent company and loss of USD 259 236 in the financial statements of the group. The financial statements comprise:

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

- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement 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 accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and 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 accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and 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.

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 and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

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 the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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. We 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 or the Group'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 the Board of Directors 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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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, the going concern assumption 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 produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Egersund, 29 June 2017
PricewaterhouseCoopers AS

Per Trygve Årstad
State Authorised Public Accountant

Company Registration No: 200901318K

TAX

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS

31 DECEMBER 2017

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

31 DECEMBER 2017

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LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors present their statement to the members together with the audited consolidated financial statements of Lighthouse Navigation Pte. Ltd. (the "Company") and its subsidiary (collectively the "Group") for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 7 to 42 together with the notes thereto, are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are:

Anders Soedergren
Helge Bruns
Franciscus Andreas Nicolaas Teeuwen
Frode Bjorklund
Tan Boon Aun Rudy

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Directors' Interests in Shares or Debentures

The directors holding office at the end of the financial year and their interests in the share capital or debentures of the Company or its related corporations as recorded in the register of directors' shareholdings were as follows:

Name of director	*Shareholding registered in the name of directors*	
	At the beginning of financial year	At the end of financial year
	No. of ordinary shares	
Anders Soedergren	10,900	10,900
Helge Bruns	10,900	10,900
Franciscus Andreas Nicolaas Teeuwen	5,500	5,500

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

4 Options Granted

During the financial year, no option to take up unissued shares of the Company or its subsidiary has been granted.

5 Options Exercised

During the financial year, there were no shares of the Company or its subsidiary issued by virtue of the exercise of options to take up unissued shares.

6 **Options Outstanding**

At the end of the financial year, there were no unissued shares of the Company or its subsidiary under option.

7 **Independent Auditors**

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

.....
ANDERS SOEDERGREN

.....
FRANCISCUS ANDREAS NICOLAAS TEEUWEN

Singapore

22 JUN 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Navigation Pte. Ltd. (the Company) and its subsidiary (the Group), as set out on pages 7 to 42, which comprise the statement of financial position of the Group and the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). 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 Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises information included in the directors' statement set out on pages 1 to 3.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

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 SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 Group'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 Group 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 the directors 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
22 June 2018

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 US$	Group 2016 US$
Revenue	4	96,021,303	35,075,971
Direct costs		(93,045,332)	(35,449,852)
Gross profit/(loss)		2,975,971	(373,881)
Other income	5	732,850	536,857
Administrative expenses		(2,968,675)	(2,511,446)
Other expense		(324,586)	(1,000,000)
Share of profit of associated companies	10	657,930	481,553
Share of profit of joint ventures	11	2,214,711	1,984,908
Profit/(Loss) before income tax	6	3,288,201	(882,009)
Income tax	7	-	(44,840)
Net profit/(loss) for the year		3,288,201	(926,849)
Other comprehensive income: Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive income/(loss) for the year		3,288,201	(926,849)

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	2017	2016
		US$	US$	US$	US$
ASSETS					
Non-Current Assets					
Intangible asset	8	7,395	14,056	7,395	14,056
Investment in a subsidiary	9	-	-	20	20
Investment in associated companies	10	5,038,835	2,778,817	5,038,835	2,778,817
Investment in joint ventures	11	2,149,033	2,749,322	1,369,693	1,253,670
Available-for-sale financial assets	12	494,000	494,000	494,000	494,000
		7,689,263	6,036,195	6,909,943	4,540,563
Current Assets					
Inventories	13	2,043,309	957,676	2,043,309	957,676
Trade and other receivables	14	8,369,326	6,369,825	8,369,326	6,274,731
Due from related parties	16	4,102,666	2,361,675	3,238,613	2,067,068
Loans receivable	17	310,515	232,619	-	-
Cash and cash equivalents	18	4,364,990	4,483,279	3,381,462	3,976,300
		19,190,806	14,405,074	17,032,710	13,275,775
TOTAL ASSETS		26,880,069	20,441,269	23,942,653	17,816,338
EQUITY AND LIABILITIES					
Equity					
Share capital	19	6,000,000	6,000,000	6,000,000	6,000,000
Merger reserve	20	(610,767)	(610,767)	-	-
Retained earnings		11,285,740	7,997,539	4,610,902	1,641,870
		16,674,973	13,386,772	10,610,902	7,641,870
Current Liabilities					
Trade and other payables	21	9,934,940	6,398,239	9,923,891	6,380,506
Due to a subsidiary	15	-	-	3,137,704	3,137,704
Due to an associated company	22	240,000	361,400	240,000	361,400
Due to related parties	16	30,156	-	30,156	-
Due to a joint venture	23	-	250,018	-	250,018
Provision of income tax		-	44,840	-	44,840
		10,205,096	7,054,497	13,331,751	10,174,468
TOTAL EQUITY AND LIABILITIES		26,880,069	20,441,269	23,942,653	17,816,338

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share Capital US$	Merger Reserve US$	Retained Earnings US$	Total Equity US$
At 1 January 2017	6,000,000	(610,767)	7,997,539	13,386,772
Profit for the year	-	-	3,288,201	3,288,201
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	3,288,201	3,288,201
At 31 December 2017	6,000,000	(610,767)	11,285,740	16,674,973
At 1 January 2016	6,000,000	(610,767)	10,124,388	15,513,621
Loss for the year	-	-	(926,849)	(926,849)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(926,849)	(926,849)
Dividends (Note 24)	-	-	(1,200,000)	(1,200,000)
At 31 December 2016	6,000,000	(610,767)	7,997,539	13,386,772

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 US$	2016 US$
Cash Flows from Operating Activities		
Profit/(Loss) before income tax	3,288,201	(882,009)
Adjustments for:		
Amortisation of intangible asset	6,661	11,487
Impairment loss on available-for-sale financial assets	-	1,000,000
Share of profit of associated companies	(657,930)	(481,553)
Share of profit of joint ventures	(2,214,711)	(1,984,908)
Operating cash flow before working capital changes	422,221	(2,336,983)
Changes in working capital:		
Increase in inventories	(1,085,633)	(637,306)
Increase in trade and other receivables	(1,999,501)	(5,015,817)
Increase in trade and other payables	3,536,701	4,089,815
Cash generated from/(used in) operating activities	873,788	(3,900,291)
Income tax paid	(44,840)	(205,816)
Net cash generated from/(used in) operating activities	828,948	(4,106,107)
Cash Flows from Investing Activities		
Purchase of available-for-sale financial assets	-	(200,000)
Increase in amount due from related parties	(1,710,835)	(106,315)
(Increase)/Decrease in loan to third parties and related parties	(77,896)	90,466
Investment in an associated company	(1,925,000)	(1,925,000)
Dividends received from joint ventures	2,815,000	3,250,000
Dividends received from associated companies	322,912	302,866
Net cash (used in)/generated from investing activities	(575,819)	1,412,017
Cash Flows from Financing Activities		
Decrease in amount due to a joint venture	(250,018)	(11,654)
(Decrease)/Increase in amount due to an associated company	(121,400)	248,900
Dividends paid to owners of the Company	-	(1,200,000)
Net cash used in financing activities	(371,418)	(962,754)
Net decrease in cash and cash equivalents	(118,289)	(3,656,844)
Cash and cash equivalents at the beginning of the financial year	4,483,279	8,140,123
Cash and cash equivalents at the end of the financial year (Note 18)	4,364,990	4,483,279

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General

Lighthouse Navigation Pte. Ltd. (the "Company") is a private limited company incorporated and domiciled in Singapore. The Company's registered office address is at 4 Robinson Road #05-01 House of Eden Singapore 048543 and principal place of business is at 87/2 All Seasons Place, Unit 4403 CRC Tower 44th Fl. Wireless Rd., Lumpinee, Pathumwan Bangkok 10330.

The principal activity of the Company is ship chartering. There has been no significant change in the nature of this activity during the financial year. The principal activities of the subsidiary are set out in Note 9.

These financial statements were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

The ultimate controlling shareholders of the Company comprise certain members of the Teigen family.

2 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company, which are expressed in United States dollar ("US$"), have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Adoption of New/Revised FRS which are effective

The Group and Company have adopted all the new and revised standards which are relevant to the Group and the Company and are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any material effect on the financial statements.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

New or Revised FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not applied the following relevant new or revised FRS that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 116	*Leases*	1 January 2019
Amendments to FRS 28	*Long-term Interests in Associates and Joint Ventures*	1 January 2019

With the exception of FRS 109, FRS 115 and FRS 116 which the Group and the Company are currently evaluating, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 changes the revenue recognition model under SFRS. The core principle of SFRS 15 is to recognise the revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

FRS 116 *Leases*

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

2 **Significant Accounting Policies** (cont'd)

(b) Consolidation

In 2013, the Company acquired the entire issued share capital of Lighthouse Maritime Limited, for a total consideration of US$20. This business combination has been accounted for in a manner similar to pooling of interests.

On this basis, the Company has been treated as the holding company of Lighthouse Maritime Limited from the date of the combination. The results of the combined entities have been brought into the financial statements for the financial period presented as from the date of combination. The assets and liabilities have been brought into the financial statements at their existing carrying amounts. The difference between the consideration and the nominal value of the shares acquired has been recorded as a merger reserve.

All intercompany balances and transactions are eliminated on consolidation.

(c) Investment in Subsidiary

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2 **Significant Accounting Policies** (cont'd)

(c) Investment in Subsidiary (cont'd)

Investment in a subsidiary is stated at cost less any impairment losses. An assessment of the investment in a subsidiary is performed when there is an indication that the investment may have been impaired.

On disposal of the investment in a subsidiary, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(d) Investment in Associated Companies

Associates are entities over which the Company has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investment in associates is accounted for in the financial statements using the equity method of accounting. Investment in associates is assessed for impairment as part of the investment.

Investment in associates is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Company does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associate have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Company determines at each statement of financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

2 **Significant Accounting Policies** (cont'd)

(d) Investment in Associated Companies (cont'd)

The financial statements of the associate are prepared as at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Dilution gains and losses arising from investment in an associate are recognised in profit or loss.

Investment in an associate is derecognised when the Company loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Investment in an associated company is carried at cost less accumulated impairment losses in the Company's statement of financial position.

(e) Investment in Joint Ventures

The Company's joint ventures are entities over which the Company has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Company's interest in joint ventures is accounted for in the financial statements using the equity method of accounting.

Investments in joint ventures are carried at cost less accumulated impairment losses in the Group's statement of financial position.

(i) Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States Dollar ("US$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

2 Significant Accounting Policies (cont'd)

(f) Functional and Foreign Currencies

(ii) Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in equity and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(iii) Translation of group entities' financial statements

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income or expense for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting currency translation differences are recognised in other comprehensive income.

2 **Significant Accounting Policies** (cont'd)

(f) Functional and Foreign Currencies (cont'd)

(iii) Translation of group entities' financial statements (cont'd)

On the disposal of a foreign operation, all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(g) Intangible Assets

Intangible assets acquired separately are measured initially at cost. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives of software licences are 5 years.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation year or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

2 **Significant Accounting Policies** (cont'd)

(h) Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised immediately in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset is recognised immediately in profit or loss.

(i) Inventories

Any bunkers remaining on board the vessel are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out basis.

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for obsolete, slow-moving and defective inventories.

(j) Financial Assets

Classification

The Company classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Classification (cont'd)

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially measured at fair value less transaction costs. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. These are presented as current assets, except for those maturing later than 12 months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as trade and receivables (excluding advances to agents), due from a subsidiary and related parties, loan receivable and cash and cash equivalents on the statement of financial position.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the statement of financial position date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in profit or loss.

Available-for-sale financial assets are included in non-current assets unless the carrying value is expected to be recovered principally through sale rather than continuing use, in which case they are included within current assets.

Initial recognition

Financial assets are initially recognised at fair value plus transaction costs.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Subsequent measurement

i. Loans and receivables

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

ii. Available-for-sale financial assets

Available-for-sale financial assets are subsequently carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in other comprehensive income. Gains or losses on available-for-sale financial assets are recognised in other comprehensive income until the investment is sold, collected or otherwise disposed of, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost less impairment.

Impairment

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Any impairment losses on equity investments classified as available-for-sale financial assets are recognised in profit and loss.

2 **Significant Accounting Policies** (cont'd)

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank which is subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(l) Financial Liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provision of the financial instrument. A financial liability is derecognised when the obligation under the liability is extinguished.

Trade and other payables, including amount due to an associated company, are initially recognised at fair value, and subsequently measured at amortised cost, using the effective interest method.

(m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(n) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(o) Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income.

As lessor

Leases of vessels where substantially all risk and rewards incidental to ownership are retained by the owner are classified as operating leases. Rental income from operating leases is recognised in profit and loss on a straight line basis over the lease terms.

As lessee

Leases of vessel where substantially all risk and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight line basis over the period of the lease.

2 **Significant Accounting Policies** (cont'd)

(p) Revenue Recognition

Revenue of the Group is recognised as follows:

Time Charter Income

Time charter income is recognised on a time-apportioned basis. Provision is made for all hire receivable at the statement of financial position date in respect of time charter voyages in progress.

Voyage Freight Income

Voyage freight forwarding and demurrage income are recognised when the service is rendered.

Commission Income

Commission income is recognised upon the rendering of services to customers.

(q) Income Tax

Current income tax for current and prior year is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by the statement of financial position date.

Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

2 Significant Accounting Policies (cont'd)

(q) Income Tax (cont'd)

Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the statement of financial position date.

3 Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial periods. Although, these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

(a) Critical Judgements in Applying Accounting Policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

Write down of inventories

The Group and the Company write down the cost of inventories whenever the net realisable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. No allowance for inventories has been made for the financial years ended 31 December 2017 and 31 December 2016.

The carrying amount of inventories of the Group and the Company as at 31 December 2017 was US$2,043,309 (2016: US$957,676) (Note 13).

3 Critical Accounting Estimates, Assumptions and Judgements

(b) Key Sources of Estimation Uncertainty

The following are the key sources of estimation and assumptions at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of available-for-sale financial assets

The Group reviews its available-for-sale investments at each balance sheet date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

For the financial year ended 31 December 2017, no impairment loss was recognised for available-for-sale financial assets (2016: US$1,000,000). The carrying amount of financial assets, available-for-sale as at 31 December 2017 was US$494,000 (2016: US$494,000). Further details are given in Note 12 to the financial statements.

4 Revenue

	Group	
	2017	2016
	US$	US$
Voyage freight income	70,109,335	27,556,239
Time charter income	21,702,608	5,900,181
Commission income	2,319,723	1,372,501
Demurrage income	1,889,637	247,050
	96,021,303	35,075,971

5 Other Income

	Group	
	2017	2016
	US$	US$
Consultancy fee income	375,000	313,500
Administrative services	345,419	223,357
Others	12,431	-
	732,850	536,857

6 Profit /(Loss) before Income Tax

	Group	
	2017	2016
	US$	US$
This was arrived after charging:		
Direct costs:		
Hire expenses	51,949,456	17,778,700
Bunker costs	19,308,222	7,299,178
Port expenses	9,541,033	2,451,713
Administrative expenses:		
Consultants fee expense	2,739,871	2,134,826
Amortisation of intangible asset	6,661	11,488
Other expense:		
Impairment loss on available-for-sale financial assets	-	1,000,000
Pre-operating costs of joint venture	324,586	-

7 Income Tax

	Group	
	2017	2016
	US$	US$
Current tax		
- Current year	-	-
- Under provision in prior years	-	44,840
	-	44,840

The income tax expense on the profit/(loss) before income tax varies from the amount of income tax expense determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following differences:

	Group	
	2017	2016
	US$	US$
Profit/(Loss) before income tax	3,288,203	(882,009)
Income tax expense calculated at applicable tax rate	557,398	(153,844)
Effect of expenses that are not deductible	69,528	190,717
Share of profits of associates and joint ventures	(484,681)	(414,827)
Deferred tax asset not recognised	-	377,954
Utilisation of previously unrecognized deferred tax asset	(142,245)	-
Under/(over) provision in prior years	-	44,840
	-	44,840

7 Income Tax (cont'd)

The corporate income tax rate applicable to the Company is 17% (2016: 17%).

The corporate income tax rate applicable to the subsidiary is 16.5% (2016: 16.5%).

At the statement of financial position date, no deferred tax liability (2016: Nil) has been recognised for taxes that would be payable on the undistributed earnings of the Group's associate and joint ventures as:

- The Group has determined that undistributed earnings of its associate will not be distributed in the foreseeable future as the Group does not have control over the entity.

- The joint ventures of the Group cannot distribute their earnings until they obtain the consent of both the venturers. At the statement of financial position date, the Group does not foresee giving such consent.

Such temporary differences for which no deferred tax liability has been recognised aggregate to US$6,230,597 (2016: US$1,089,155). The deferred tax liability is estimated to be US$1,059,201 (2016: US$185,155).

As at 31 December 2017, the Group has estimated unutilised tax losses of approximately US$1,386,000 (2016: US$2,223,000) that are available for set-off against future taxable profits, subject to the agreement of the tax authorities and compliance with the relevant provisions of the Income Tax Act.

8 Intangible Asset

	Group and Company	
	2017	2016
	US$	US$
Computer Software		
Cost		
At the beginning and end of the financial year	121,000	121,000
Accumulated amortization		
At the beginning of the financial year	106,944	95,457
Amortisation expense	6,661	11,487
At the end of the financial year	113,605	106,944
Net book value	7,395	14,056

9 Investment in a Subsidiary

	Company	
	2017	2016
	US$	US$
Unquoted equity shares, at cost:		
At the beginning and end of the financial year	20	20

The details of the subsidiary of the Company as at the statement of financial position date are as follows:

Name of company and country of incorporation	Principal activities	Equity held by the Group		Cost of investment	
		2017	2016	2017	2016
		%	%	US$	US$
Held by the Company					
Lighthouse Maritime Limited Hong Kong [1]	Provision of dry bulk ocean shipping services and investment holding	100	100	20	20

[1] Audited by Moore Stephens, Certified Public Accountants, Hong Kong

10 Investment in Associated Companies

	Group and Company	
	2017	2016
	US$	US$
At the beginning of the financial year	2,778,817	675,130
Addition	1,925,000	1,925,000
Share of profit of associated companies	657,930	481,553
Dividends received	(322,912)	(302,866)
At the end of the financial year	5,038,835	2,778,817

10 Investment in Associated Companies (cont'd)

The details of the associates are as follows:

Name of associates	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held	
			2017 %	2016 %
Held by the Company				
Lighthouse Navigation Co., Ltd. ("LNTH") [1]	Provide advisory services on shipping business	Thailand	40	40
Siam Thara Agency Co., Ltd. ("STA") [1] [3]	Provide advisory services on shipping business	Thailand	40	40
Lighthouse Shipholding II AS ("LHNO II") [2]	Ship owning and operating bulk carriers	Norway	35	35
Held by LNTH				
Siam Thara Agency Co., Ltd. ("STA") [1] [3]	Provide advisory services on shipping business	Thailand	17.5	17.5

[1] Audited by PricewaterhouseCoopers, Bangkok, Thailand.
[2] Audited by PricewaterhouseCoopers AS, Norway.
[3] New shares issued on 9 June 2015, 17.5% of equity interest owned by LNTH and 40% of equity interest owned by the Company.

During the current year, the Company made an additional investment of US$1,925,000 in an associated company, Lighthouse Shipholding II AS. The additional investment did not change the proportion of ownership interest and voting power held by the Company.

10 Investment in Associated Companies (cont'd)

Summarised financial information of the Group's material associated companies not adjusted for the Group's proportionate share is set out as below:

	Siam Thara Agency Co., Ltd.		Lighthouse Shipholding II AS	
	2017	2016	2017	2016
	US$	US$	US$	US$
Current assets	3,084,631	2,412,514	5,610,717	1,095,429
Non-current assets	338,628	332,099	10,422,247	4,279,126
Total assets	3,423,259	2,744,613	16,032,964	5,374,555
Current liabilities	(2,353,264)	(1,724,249)	(639,462)	(111,723)
Non-current liabilities	(96,301)	(31,292)	(4,000,751)	-
Total liabilities	(2,449,565)	(1,755,541)	(4,640,213)	(111,723)
Net assets	973,694	989,072	11,392,751	5,262,832
Total revenue	3,112,454	3,195,960	4,935,497	263,933
Profit/(Loss) for the year	776,660	1,044,109	655,089	(208,772)
Dividends received from associate during the year	322,912	302,866	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	Siam Thara Agency Co., Ltd.		Lighthouse Shipholding II AS	
	2017	2016	2017	2016
	US$	US$	US$	US$
Net assets of the associates	973,694	989,072	11,392,751	5,262,832
Proportion of the Group's ownership interest in the associates	40%	40%	35%	35%
Carrying amount of the Group's interest in the associates	389,478	395,629	3,987,463	1,841,991

10 Investment in Associated Companies (cont'd)

Aggregate information of associated companies that are not individually material:

	Group	
	2017	2016
	US$	US$
Current assets	949,546	738,549
Non-current assets	206,140	146,045
Total assets	1,155,686	884,594
Current liabilities	(78,394)	(72,605)
Non-current liabilities	(47,188)	(19,559)
Total liabilities	(125,582)	(92,164)
Net assets	1,030,104	792,430
Total revenue	1,638,878	1,667,547
Profit/(Loss) for the year	154,695	172,531
Dividends received from associate during the year	-	-
The Group's share of profit from operations and total comprehensive income	116,718	136,981
Aggregate carrying amount of the Group's interests in the associated companies	661,894	541,197

11 Investment in Joint Ventures

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
At the beginning of the financial year	2,749,322	4,014,414	1,253,670	1,913,094
Share of profit of joint ventures	2,214,711	1,984,908	1,481,023	1,090,576
Dividends received	(2,815,000)	(3,250,000)	(1,365,000)	(1,750,000)
At the end of the financial year	2,149,033	2,749,322	1,369,693	1,253,670

11 Investment in Joint Ventures (cont'd)

The details of the joint ventures are as follows:

Name of Joint Venture, Country of incorporation and operation	Principal Activities	Proportion of ownership interest and voting power held	
		2017 %	2016 %
Held by the Company			
Orient Asia Lines B.V. [1] The Netherlands	Chartering, operations and shipping	50	50
OAL Holding B.V. [1] The Netherlands	Chartering, operations and shipping	50	50
Held by Lighthouse Maritime Limited			
Orient Asia Lines Limited [2] Hong Kong	Provision of liner services	50	50
Held by OAL Holding B.V.			
Orient Asia Lines (Malaysia) Sdn Bhd [3] Malaysia	Shipping agency, freight contractor, and forwarding agent	55	55
Africa Navigation B.V. [1] The Netherlands	Chartering, operations and shipping	100	100

[1] Audited by CROP register accountants, the Netherlands.
[2] Audited by Esmond W.T. Leung & Co., Hong Kong.
[3] Audited by HL Thong & Associates, Malaysia.

11 Investment in Joint Ventures (cont'd)

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with FRSs. Summarised financial information of the joint ventures is set out as below:

	Orient Asia Lines B.V.		Orient Asia Lines Limited	
	2017	2016	2017	2016
	US$	US$	US$	US$
Cash and cash equivalents	3,960,409	5,247,308	505,466	1,210,591
Other current assets	2,345,317	1,622,929	1,579,681	2,382,204
Non-current assets	317,600	238,035	-	-
Total assets	6,623,326	7,108,272	2,085,147	3,592,795
Current liabilities	(3,923,074)	(5,225,090)	(526,466)	(601,488)
Non-current liabilities	-	-	-	-
Total liabilities	(3,923,074)	(5,225,090)	(526,466)	(601,488)
Net assets	2,700,252	1,883,182	1,558,681	2,991,307
Revenue	27,459,717	21,388,447	22,035,136	19,111,643
Profit from operations and total comprehensive income	2,917,070	1,574,105	1,467,375	1,788,664
Dividends received from joint venture during the year	1,050,000	-	1,450,000	1,500,000

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	Orient Asia Lines B.V.		Orient Asia Lines Limited	
	2017	2016	2017	2016
	US$	US$	US$	US$
Net assets of the joint venture	2,700,252	1,883,182	1,558,681	2,991,307
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	1,350,126	941,591	779,341	1,495,654

11 Investment in Joint Ventures (cont'd)

Aggregate information of joint ventures that are not individually material:

	Group	
	2017 US$	2016 US$
Cash and cash equivalents	130	694
Other current assets	-	-
Non-current assets	72,909	664,925
Total assets	73,039	665,619
Current liabilities	(17,875)	(20,819)
Non-current liabilities	-	-
Total liabilities	(17,875)	(20,819)
Net assets	55,164	644,800
Revenue	-	-
Profit from operations and total comprehensive income	35,209	33,142
Dividends received from joint venture during the year	315,000	-
The Group's share of profit from operations and total comprehensive income	17,605	16,571
Aggregate carrying amount of the Group's interests in the joint ventures	19,566	312,077

12 Available-for-sale Financial Assets

	Group and Company	
	2017 US$	2016 US$
Unquoted investment – Non-current		
At the beginning of the financial year	494,000	1,294,000
Additions	-	200,000
Provision of impairment	-	(1,000,000)
At the end of the financial year	494,000	494,000

On 29 November 2013, the Company entered into an agreement to acquire 7,400 fully paid ordinary shares of Lighthouse Shipholding AS ("LHNO"), constituting 5% of its issued and paid-up share capital, for a total consideration of US$2,722,750. LHNO is a company incorporated in Norway, the principal activities of which are those of ship owning and operating bulk carriers.

12 Available-for-sale Financial Assets (cont'd)

As at 31 December 2016, the Group has invested US$1,294,000 of the total consideration. The balance of US$541,250 and final payment of US$887,500 have been injected in June 2014 and March 2015 respectively in the form of shareholder loans. The Group has further invested US$200,000 following the equity issue by LHNO.

As at 31 December 2016, the Group has recognised a total provision for impairment on available-for-sale financial assets of US$1,000,000 against the carrying amount of its available-for-sale financial assets. The impairment loss for unquoted equity instruments was recognised as there was a "significant" or "prolonged" decline in the fair value of this investment below its carrying amount. The Group treats "significant" generally as 20% and "prolonged" as greater than 6 months.

The available-for-sale financial asset is measured at cost less impairment at the end of the financial year as management is of the opinion that the fair value cannot be reliably measured. The investment is not quoted on any market and does not have comparable industry peers that are listed. The Group and the Company do not intend to dispose of this investment in the foreseeable future.

13 Inventories

	Group and Company	
	2017	2016
	US$	US$
Bunkers, at cost	2,043,309	957,676

14 Trade and Other Receivables

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Trade receivables:				
- Third parties	5,184,892	5,036,081	5,184,892	5,036,101
- Related parties	-	350,645	-	350,645
	5,184,872	5,386,726	5,184,892	5,386,746
Other receivables:				
- Advances to agents	1,196,759	644,529	1,196,759	644,529
- Unbilled receivables	459,737	243,456	459,737	243,456
- Loan to a director	-	77,896	-	-
- Advances to shipowners	1,518,772	-	1,518,772	-
- Prepayments	9,166	-	9,166	-
- Others	-	17,218	-	-
	8,369,326	6,369,825	8,369,326	6,274,731

14 Trade and Other Receivables (cont'd)

The normal credit terms for trade and other receivables is 30 days.

The subsidiary has advanced loans totalling Nil (2016: US$77,896) and US$310,515 (2016: US$232,619) (Note 17) to a director and third parties, respectively, at 31 December 2017.

As at 31 December 2016, 60% of the shares of a company incorporated in Thailand, Lighthouse Navigation, which was jointly controlled by a certain director and certain third parties, were pledged to the subsidiary as security for the loans to director and certain loans receivable of US$77,896 and US$194,739, respectively. The director and the third parties had also granted the subsidiary an option to purchase 60% of the shares of a company of Lighthouse Navigation held by the director and the third parties.

During the current year, the director has resigned and the loan pertaining to the former director were reclassified to the loans to third parties.

As at 31 December 2017, 12.5% (2016: 12.5%) of the shares of a company incorporated in Thailand, Siam Thara Agency Company Limited ("Siam Thara"), which is jointly controlled by certain third parties, were pledged to the subsidiary as security for the loans receivable of US$37,880 (2016: US$37,880). The third parties have granted the subsidiary an option to purchase 12.5% (2016: 12.5%) of the shares of Siam Thara held by the third parties.

The subsidiary has not exercised this option up to the date of these financial statements. In the opinion of the directors, the fair value of the option is immaterial to be recognised in the financial statements.

15 Due to a Subsidiary

The amount due to a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

16 Due from/(to) Related Parties

The amounts due from/(to) related parties are non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

17 Loans Receivable

	Group	
	2017	2016
	US$	US$
Loans receivable - Third parties	310,515	232,619

The loans receivable are interest-free and are repayable on demand. The loans are secured against 60% (2016: 60%) of the shares in Lighthouse Navigation Co., Ltd. and 12.5% (2016: 12.5%) of the shares in Siam Thara Agency Co., Ltd.. Further details of the security are provided in Note 14.

18 Cash and Cash Equivalents

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Cash at bank	4,364,990	4,483,279	3,381,462	3,976,300

19 Share Capital

	Group and Company			
	2017		2016	
	No. of shares	US$	No. of shares	US$
Issued and fully paid:				
At beginning and end of financial year	60,000	6,000,000	60,000	6,000,000

Ordinary shares of the Company have no par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

20 Merger Reserve

During the financial year ended 31 December 2013, the Company acquired a 100% equity interest in Lighthouse Maritime Limited for a consideration of US$20. This business combination has been accounted for in a manner similar to pooling of interests. The difference between the consideration and the nominal value of the shares of the subsidiary has been taken to shareholders' equity as "Merger Reserve" and adjusted accordingly in the financial statements.

21 Trade and Other Payables

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Trade payables:				
- Third parties	2,907,837	1,515,239	2,907,837	1,508,447
- Related parties	-	116,520	-	116,520
	2,907,837	1,631,759	2,907,837	1,624,967
Deferred income	4,795,971	2,807,334	4,795,971	2,807,334
Accrued operating expenses	1,803,995	1,959,146	1,792,926	1,948,185
Provisions	427,137	-	427,137	-
Other payable	-	-	20	20
	9,934,940	6,398,239	9,923,891	6,380,506

The normal credit terms for trade and other payables is 30 days.

Deferred income refers to advance billings to charterers.

22 Due to an Associated Company

The amount due to an associated company is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

23 Due to a Joint Venture

The amount due to a joint venture is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

24 Dividends

	Group and Company	
	2017	2016
	US$	US$
One-tier (tax exempt) interim dividend paid in respect of 2016 of US$20 (2015: US$20) per share	-	1,200,000
	-	1,200,000

25 Related Party Transactions

Parties are considered to be related if an individual or a close member of that individual's family has the ability, directly or indirectly, to control the Group entities, exercise significant influence over the Group entities in making financial and operating decisions, or is a member of the key management personnel of the Group entities. Parties are also considered to be related if they are subject to common control or common significant influence and a person who has significant influence over the entity or is a member of the key management personnel of the entity. Related parties may be individuals or corporate entities.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

(a) Purchase of Services

	Group	
	2017	2016
	US$	US$
Associated company		
- Consultants fee expense *	840,000	721,400
Related parties**		
- Consultants fee expense	1,862,724	1,342,893

* This includes staff costs for the administrative function provided by the associated company.

** Related parties refer to the companies with common ultimate controlling shareholders and/or common key management personnel.

(b) Key Management Remuneration

The Group's key management decisions are undertaken by the Directors of the Company. As at 31 December 2017, the Directors were employed and remunerated by its associated company, Lighthouse Navigation Co. Ltd., a company incorporated in Thailand.

The directors of the Company did not receive any remuneration during the current and previous financial year.

26 Operating Lease Commitments

Where the Group and Company are lessors

The Group and the Company have chartered out a number of vessels under time charter which are classified as non-cancellable operating leases. As at the statement of financial position date, future minimum lease receipts receivable are as follows:

	Group and Company	
	2017	2016
	US$	US$
Due within one year	5,708,370	4,159,217

Operating lease receipts are recognised in profit or loss during the year as part of revenue.

Where the Group and Company are lessees

At the statement of financial position date, the Group and the Company have commitments for time charters under non-cancellable operating leases as follows:

	Group and Company	
	2017	2016
	US$	US$
Due within one year	5,258,430	4,346,046

27 Financial Instruments

(a) Financial Risk Management and Policies

The Group and the Company do not have formal risk management policies or guidelines. Generally, the Group and the Company adopt conservative strategies on its risk management and seeks to minimise potential adverse effects on the Group's and the Company's financial performance. The main risks include credit risk, interest rate risk, foreign currency risk and liquidity risk.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

27 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(i) Credit risk (cont'd)

The Group's and the Company's primary exposure to credit risk arises through its trade and other receivables, including amount due from related parties. It is the Group and Company's policy to enter into transactions with creditworthy customers to mitigate any significant credit risk. The Group and the Company have procedures in place to control credit risk and exposure to such risk is monitored on an ongoing basis.

Other financial assets of the Group and the Company with exposure to credit risk include cash at banks. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's and the Company's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. The Group has significant concentration of credit risk from trade receivables as more than 49% (2016: 55%) of trade receivables are due from two customers as at 31 December 2017 (2016: three).

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired of approximately US$3,931,676 (2016: US$2,990,002) are creditworthy parties with good payment records with the Group and the Company.

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade receivables. The age analysis of trade and other receivables past due at the statement of financial position date but not impaired is as follows:

	Group and Company	
	2017	2016
	US$	US$
Past due 1 to 30 days	1,049,855	2,391,165
Past due 31 to 60 days	240,217	1,600
Past due over 60 days	422,861	342,529
	1,712,933	2,735,294

27 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company have no significant exposure to market risk for changes in interest rates as it has no significant interest-bearing assets and liabilities.

(iii) Foreign currency risk

The Group and the Company are not exposed to foreign currency risk as nearly all transactions and balances are denominated in United States dollar.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will not be able to meet its financial obligations as they fall due.

In managing liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. Typically, the Group and the Company ensure that they have sufficient cash on demand to meet expected operational expenses for a year of 365 days and this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The Group and the Company do not have non-current financial liabilities. The current financial liabilities due within 12 months approximate their expected contractual undiscounted cash flows.

(b) Fair Values

The fair value information presented represents the Group's and the Company's best estimate of those values and may be subject to certain assumptions and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various instruments.

The Group's and the Company's financial instruments include cash and cash equivalents, trade and other receivables, amount due from a subsidiary and related parties, trade and other payables, amount due to a subsidiary, joint venture and related parties and amount due to an associated company. The fair values of these financial instruments approximate their carrying amounts due to their short term nature. The fair value of the Group's and the Company's available-for-sale financial assets with a maturity of more than one year is disclosed in Note 12.

28 Capital Management

The Group and the Company manage its capital to safeguard the Group's and the Company's abilities to continue as a going concern in order to provide returns for shareholders, to support the Group's and Company's stability and growth and to provide capital for the purpose of strengthening the Group's and the Company's financial management capability. Management reviews the capital structure on an annual basis. As a part of the review, management considers the cost of capital and the risks associated with each class of capital. Accordingly, the Group and the Company will balance its overall capital structure through payment of dividends as well as the issue of new debt or the redemption of existing debt. The Group and Company's overall strategy remain unchanged from 2014.

Management monitors capital with reference to a net debt against equity ratio. The Group's and the Company's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that is possible with greater leverage.

The capital structure of the Group and the Company consists of net debt (which includes trade and other payables and due to an associated company, subsidiary, related parties and joint venture, net of cash and cash equivalents) and total equity comprising share capital, retained earnings and reserves. The net debt against equity ratio is calculated as net debt divided by total equity.

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Net debt/(cash)	5,840,106	2,526,378	9,950,289	6,153,328
Total equity	16,674,973	13,386,772	10,610,902	7,641,870
Net debt against total equity	35%	19%	94%	80%

The Group and Company do not have to comply with any externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

29 Subsequent Event

Subsequent to the financial year ended 31 December 2017, the Group incorporated a new subsidiary in Singapore namely Afri-Bulk Navigation Private Limited ("Afri-Bulk"). Afri-Bulk is 100% owned by the Company and its primary activity is chartering of vessels.

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

THE FOLLOWING DETAILED INCOME STATEMENT

HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY

AND DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

DETAILED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 US$	2016 US$
REVENUE		
Time charter income	21,702,608	5,900,181
Voyage freight income	70,109,335	27,556,239
Commission income	1,883,769	536,190
Demurrage Income	1,889,637	247,050
	95,585,349	34,239,660
Less: DIRECT COSTS		
Address commission expense	1,597,196	447,256
Agency fee expense	664,039	307,234
Broker's commission	1,446,000	700,361
Bunker cost	19,308,222	7,299,178
Despatch expense	626,432	344,525
Port expenses	9,541,033	2,451,713
Hire expenses	51,949,456	17,778,700
Others	7,901,720	6,108,114
	93,034,098	35,437,081
GROSS PROFIT/(LOSS)	2,551,251	(1,197,421)
Less: ADMINISTRATIVE EXPENSES		
Amortisation of intangible asset	6,661	11,488
Audit fee	18,290	2,806
Bank service charge - general and administration	2,098	3,103
Bank service charge - voyage related	43,078	26,159
Consultants fee expense	1,201,147	791,993
General expense	12,610	4,115
Hosting fees	24,500	-
IT support services	24,927	32,367
Maintenance fees	25,200	25,200
Membership	3,332	3,757
Realised foreign exchange loss	2,399	5,327
Secretary fee	11,804	11,035
Subscriptions	16,859	16,568
Sundry expense	3,681	3,911
Travelling	-	99,500
	1,396,586	1,037,329
Less: OTHER EXPENSES		
Impairment loss on available-for-sale financial assets	-	1,000,000
Pre-operating costs of joint venture	324,586	-
	324,586	1,000,000
Share of profit of associated companies	657,930	481,553
Share of profit of joint ventures	1,481,023	1,090,577
PROFIT/(LOSS) BEFORE INCOME TAX	2,969,032	(1,662,620)

Company Registration No: 200901318K

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS

31 DECEMBER 2016

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

31 DECEMBER 2016

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LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors present their statement to the members together with the audited consolidated financial statements of Lighthouse Navigation Pte. Ltd. (the "Company") and its subsidiary (collectively the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 7 to 41 together with the notes thereto, are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are:

Anders Soedergren
Helge Bruns
Franciscus Andreas Nicolaas Teeuwen
Frode Bjorklund
Tan Boon Aun Rudy
Viparwan Smanattanon

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Directors' Interests in Shares or Debentures

The directors holding office at the end of the financial year and their interests in the share capital or debentures of the Company or its related corporations as recorded in the register of directors' shareholdings were as follows:

Name of director	*Shareholding registered in the name of directors*	
	At the beginning of financial year	At the end of financial year
	No. of ordinary shares	
Anders Soedergren	10,900	10,900
Helge Bruns	10,900	10,900
Franciscus Andreas Nicolaas Teeuwen	5,500	5,500

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

4 Options Granted

During the financial year, no option to take up unissued shares of the Company or its subsidiary has been granted.

5 Options Exercised

During the financial year, there were no shares of the Company or its subsidiary issued by virtue of the exercise of options to take up unissued shares.

6 Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or its subsidiary under option.

7 Independent Auditors

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

.....
ANDERS SOEDERGREN

.....
FRANCISCUS ANDREAS NICOLAAS TEEUWEN

Singapore
20 June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Navigation Pte. Ltd. (the Company) and its subsidiary (the Group), as set out on pages 7 to 41, which comprise the statement of financial position of the Group and the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). 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 Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises information included in the directors' statement set out on pages 1 to 3.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

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 SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 Group'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 Group 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 the directors 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
20 June 2017

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 US$	2015 US$
Revenue	4	34,828,921	21,694,950
Direct costs		(35,202,802)	(17,809,334)
Gross (loss)/profit		(373,881)	3,885,616
Other income	5	536,857	376,897
Administrative expenses		(2,511,446)	(2,772,464)
Other expense		(1,000,000)	-
Share of profit of associated companies	10	481,553	283,073
Share of profit of joint ventures	11	1,984,908	6,665,081
(Loss)/Profit before income tax	6	(882,009)	8,438,203
Income tax	7	(44,840)	(162,741)
Net (loss)/profit for the year		(926,849)	8,275,462
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive (loss)/income for the year		(926,849)	8,275,462

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		US$	US$	US$	US$
ASSETS					
Non-Current Assets					
Intangible asset	8	14,056	25,543	14,056	25,543
Investment in a subsidiary	9	-	-	20	20
Investment in associated companies	10	2,778,817	675,130	2,778,817	675,130
Investment in joint ventures	11	2,749,322	4,014,414	1,253,670	1,913,094
Available-for-sale financial assets	12	494,000	1,294,000	494,000	1,294,000
		6,036,195	6,009,087	4,540,563	3,907,787
Current Assets					
Inventories	13	957,676	320,370	957,676	320,370
Trade and other receivables	14	6,369,825	1,354,008	6,274,731	1,258,914
Due from related parties	16	2,361,675	2,350,741	2,067,068	2,067,068
Loans receivable	17	232,619	323,085	-	-
Cash and cash equivalents	18	4,483,279	8,140,123	3,976,300	6,907,253
		14,405,074	12,488,327	13,275,775	10,553,605
TOTAL ASSETS		20,441,269	18,497,414	17,816,338	14,461,392
EQUITY AND LIABILITIES					
Equity					
Share capital	19	6,000,000	6,000,000	6,000,000	6,000,000
Merger reserve	20	(610,767)	(610,767)	-	-
Retained earnings		7,997,539	10,124,388	1,641,870	4,549,330
		13,386,772	15,513,621	7,641,870	10,549,330
Current Liabilities					
Trade and other payables	21	6,398,239	2,308,424	6,380,506	2,293,870
Due to a subsidiary	15	-	-	3,137,704	1,038,204
Due to an associated company	22	361,400	112,500	361,400	112,500
Due to related parties	16	-	95,381	-	-
Due to a joint venture	23	250,018	261,672	250,018	261,672
Provision of income tax		44,840	205,816	44,840	205,816
		7,054,497	2,983,793	10,174,468	3,912,062
TOTAL EQUITY AND LIABILITIES		20,441,269	18,497,414	17,816,338	14,461,392

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share Capital US$	Merger Reserve US$	Retained Earnings US$	Total Equity US$
At 1 January 2016	6,000,000	(610,767)	10,124,388	15,513,621
Loss for the year	-	-	(926,849)	(926,849)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(926,849)	(926,849)
Dividends (Note 24)	-	-	(1,200,000)	(1,200,000)
At 31 December 2016	6,000,000	(610,767)	7,997,539	13,386,772
At 1 January 2015	6,000,000	(610,767)	4,248,926	9,638,159
Profit for the year	-	-	8,275,462	8,275,462
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	8,275,462	8,275,462
Dividends (Note 24)	-	-	(2,400,000)	(2,400,000)
At 31 December 2015	6,000,000	(610,767)	10,124,388	15,513,621

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 US$	2015 US$
Cash Flows from Operating Activities		
(Loss)/Profit before income tax	(882,009)	8,438,203
Adjustments for:		
Amortisation of intangible asset	11,487	13,516
Impairment loss on available-for-sale financial assets	1,000,000	-
Share of profit of associated companies	(481,553)	(283,073)
Share of profit of joint ventures	(1,984,908)	(6,665,081)
Operating cash flow before working capital changes	(2,336,983)	1,503,565
Changes in working capital:		
Inventories	(637,306)	590,105
Trade and other receivables	(5,015,817)	3,758
Trade and other payables	4,089,815	124,073
Cash generated from operating activities	(3,900,291)	2,221,501
Income tax paid	(205,816)	(56,727)
Net cash (used in)/generated from operating activities	(4,106,107)	2,164,774
Cash Flows from Investing Activities		
Purchase of software license	-	(15,000)
Purchase of available-for-sale financial assets	(200,000)	-
(Increase)/Decrease in due from related parties	(106,315)	404,246
Decrease/(Increase) in loan to third parties and related parties	90,466	(1,487,500)
Investment in a joint venture	-	(592,140)
Investment in an associated company	(1,925,000)	(114,300)
Dividends received from joint ventures	3,250,000	4,787,500
Dividends received from associated companies	302,866	-
Net cash generated from investing activities	1,412,017	2,982,806
Cash Flows from Financing Activities		
(Decrease)/Increase in due to a joint venture	(11,654)	261,672
Increase/(Decrease) in due to an associated company	248,900	(67,500)
Dividends paid to owners of the Company	(1,200,000)	(2,400,000)
Net cash used in financing activities	(962,754)	(2,205,828)
Net (decrease)/increase in cash and cash equivalents	(3,656,844)	2,941,752
Cash and cash equivalents at the beginning of the financial year	8,140,123	5,198,371
Cash and cash equivalents at the end of the financial year (Note 18)	4,483,279	8,140,123

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General

Lighthouse Navigation Pte. Ltd. (the "Company") is a private limited company incorporated and domiciled in Singapore. The Company's registered office address is at 4 Robinson Road #05-01 House of Eden Singapore 048543 and principal place of business is at 87/2 All Seasons Place, Unit 4403 CRC Tower 44th Fl. Wireless Rd., Lumpinee, Pathumwan Bangkok 10330.

The principal activity of the Company is ship chartering. There has been no significant change in the nature of this activity during the financial year. The principal activities of the subsidiary are set out in Note 9.

These financial statements were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

The ultimate controlling shareholders of the Company comprise certain members of the Teigen family.

2 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company, which are expressed in United States dollar ("US$"), have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Adoption of New/Revised FRS which are effective

The Group and Company have adopted all the new and revised standards which are relevant to the Group and the Company and are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any material effect on the financial statements.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

New or Revised FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not applied the following relevant new or revised FRS that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
Amendments to FRS 7	*Statement of Cash Flows*	1 January 2017
Amendments to FRS 12	*Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 116	*Leases*	1 January 2019

With the exception of FRS 109, FRS 115 and FRS 116 which the Group and the Company are currently evaluating, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

Amendment to FRS 7 *Statement of Cash Flows*

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

New or Revised FRS issued but not yet effective (cont'd)

Amendment to FRS 12 — *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify the application of FRS 12 to unrealised losses on debt investments, and the assessment of future taxable profits against which deferred tax assets can be recognised.

- Deductible temporary differences will result from unrealised losses on debt investments measured at fair value in financial statements, but measured at cost for tax purposes. This is regardless of how the entity intends to realise the investment.

- Estimates of future taxable profits used to assess recoverability of deferred tax assets resulting from deductible temporary differences:

  a) includes profits on the recovery of assets for more than their carrying amount if such recovery is probable;
  b) includes only income types against which those temporary differences qualify to be deducted under tax legislation; and
  c) excludes tax deductions resulting from the reversal of those temporary differences.

FRS 109 — *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 115 — *Revenue from Contracts with Customers*

FRS 115 changes the revenue recognition model under IFRS. The core principle of IFRS 15 is to recognise the revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

New or Revised FRS issued but not yet effective (cont'd)

FRS 116 *Lease*

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

(b) Consolidation

In 2013, the Company acquired the entire issued share capital of Lighthouse Maritime Limited, for a total consideration of US$20. This business combination has been accounted for in a manner similar to pooling of interests.

On this basis, the Company has been treated as the holding company of Lighthouse Maritime Limited from the date of the combination. The results of the combined entities have been brought into the financial statements for the financial period presented as from the date of combination. The assets and liabilities have been brought into the financial statements at their existing carrying amounts. The difference between the consideration and the nominal value of the shares acquired has been recorded as a merger reserve.

All intercompany balances and transactions are eliminated on consolidation.

(c) Investment in Subsidiary

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2 **Significant Accounting Policies** (cont'd)

(c) Investment in Subsidiary (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investment in a subsidiary is stated at cost less any impairment losses. An assessment of the investment in a subsidiary is performed when there is an indication that the investment may have been impaired.

On disposal of the investment in a subsidiary, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(d) Investment in Associated Companies

Associates are entities over which the Company has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investment in associates is accounted for in the financial statements using the equity method of accounting. Investment in associates is assessed for impairment as part of the investment.

Investment in associates is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Company does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

2 **Significant Accounting Policies** (cont'd)

(d) Investment in Associated Companies (cont'd)

Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associate have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Company determines at each statement of financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Dilution gains and losses arising from investment in an associate are recognised in profit or loss.

Investment in an associate is derecognised when the Company loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Investment in an associated company is carried at cost less accumulated impairment losses in the Company's statement of financial position.

(e) Investment in Joint Ventures

The Company's joint ventures are entities over which the Company has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Company's interest in joint ventures is accounted for in the financial statements using the equity method of accounting.

Investments in joint ventures are carried at cost less accumulated impairment losses in the Group's statement of financial position.

2 **Significant Accounting Policies** (cont'd)

(f) Functional and Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States Dollar ("US$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

(ii) Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in equity and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(iii) Translation of group entities' financial statements

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income or expense for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting currency translation differences are recognised in other comprehensive income.

2 **Significant Accounting Policies** (cont'd)

(f) Functional and Foreign Currencies (cont'd)

On the disposal of a foreign operation, all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(g) Intangible Assets

Intangible assets acquired separately are measured initially at cost. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives of software licences are 5 years.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation year or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

(h) Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

2 **Significant Accounting Policies** (cont'd)

(h) Impairment of Non-Financial Assets (cont'd)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised immediately in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset is recognised immediately in profit or loss.

(i) Inventories

Any bunkers remaining on board the vessel are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out basis.

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for obsolete, slow-moving and defective inventories.

(j) Financial Assets

Classification

The Company classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially measured at fair value less transaction costs. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. These are presented as current assets, except for those maturing later than 12 months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as trade and receivables (excluding advances to agents), due from a subsidiary and related parties, loan receivable and cash and cash equivalents on the statement of financial position.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Classification (cont'd)

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the statement of financial position date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in profit or loss.

Available-for-sale financial assets are included in non-current assets unless the carrying value is expected to be recovered principally through sale rather than continuing use, in which case they are included within current assets.

Initial recognition

Financial assets are initially recognised at fair value plus transaction costs.

Subsequent measurement

i. Loans and receivables

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

ii. Available-for-sale financial assets

Available-for-sale financial assets are subsequently carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in other comprehensive income. Gains or losses on available-for-sale financial assets are recognised in other comprehensive income until the investment is sold, collected or otherwise disposed of, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost less impairment.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Impairment

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Any impairment losses on equity investments classified as available-for-sale financial assets are recognised in profit and loss.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank which is subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(l) Financial Liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provision of the financial instrument. A financial liability is derecognised when the obligation under the liability is extinguished.

Trade and other payables, including amount due to an associated company, are initially recognised at fair value, and subsequently measured at amortised cost, using the effective interest method.

2 **Significant Accounting Policies** (cont'd)

(m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(n) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(o) Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income.

As lessor

Leases of vessels where substantially all risk and rewards incidental to ownership are retained by the owner are classified as operating leases. Rental income from operating leases is recognised in profit and loss on a straight line basis over the lease terms.

As lessee

Leases of vessel where substantially all risk and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight line basis over the period of the lease.

(p) Revenue Recognition

Revenue of the Group is recognised as follows:

Time Charter Income

Time charter income is recognised on a time-apportioned basis. Provision is made for all hire receivable at the statement of financial position date in respect of time charter voyages in progress.

Voyage Freight Income

Voyage freight forwarding and demurrage income are recognised when the service is rendered.

Commission Income

Commission income is recognised upon the rendering of services to customers.

2 **Significant Accounting Policies** (cont'd)

(q) Income Tax

Current income tax for current and prior year is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by the statement of financial position date.

Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the statement of financial position date.

3 Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial periods. Although, these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

(a) Critical Judgements in Applying Accounting Policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

Write down of inventories

The Group and the Company write down the cost of inventories whenever the net realisable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. No allowance for inventories has been made for the financial years ended 31 December 2016 and 31 December 2015.

The carrying amount of inventories of the Group and the Company as at 31 December 2016 was US$957,676 (2015: US$320,370) (Note 13).

(b) Key Sources of Estimation Uncertainty

The following are the key sources of estimation and assumptions at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of available-for-sale financial assets

The Group reviews its available-for-sale investments at each balance sheet date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

For the financial year ended 31 December 2016, the amount of impairment loss recognised for available-for-sale financial assets was US$1,000,000 (2015: Nil). The carrying amount of financial assets, available-for-sale as at 31 December 2016 was US$494,000 (2015: US$1,294,000). Further details are given in Note 12 to the financial statements.

4 Revenue

	Group	
	2016	2015
	US$	US$
Voyage freight income	27,556,239	17,073,077
Time charter income	5,900,181	3,545,906
Commission income	1,372,501	1,075,967
	34,828,921	21,694,950

5 Other Income

	Group	
	2016	2015
	US$	US$
Consultancy fee income	313,500	328,000
Administrative services	223,357	48,897
	536,857	376,897

6 (Loss)/Profit before Income Tax

	Group	
	2016	2015
	US$	US$
This was arrived after charging:		
Other expense:		
Impairment loss on available-for-sale financial assets	1,000,000	-
Administrative expenses:		
Hire expenses	17,778,700	8,596,872
Bunker costs	7,299,178	4,346,595
Port expenses	2,451,713	1,974,021
Consultants fee expense	2,134,826	2,384,909
Amortisation of intangible asset	11,488	13,516

7 Income Tax

	Group	
	2016	2015
	US$	US$
Current tax		
- Current year	-	205,816
- Under/(over) provision in prior years	44,840	(43,075)
	44,840	162,741

7 **Income Tax** (cont'd)

The income tax expense on the (loss)/profit before income tax varies from the amount of income tax expense determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following differences:

	Group	
	2016	2015
	US$	US$
(Loss)/Profit before income tax	(882,009)	8,438,203
Income tax expense calculated at applicable tax rate	(153,844)	1,416,866
Effect of expenses that are not deductible	190,717	37,425
Tax effect on Productivity and Innovation Credit	-	(10,200)
Share of profits of associates and joint ventures	(414,827)	(1,162,423)
Deferred tax asset not recognised	377,954	-
Tax rebate	-	(14,145)
Income tax exemption	-	(18,336)
Under/(over) provision in prior years	44,840	(43,075)
Others	-	(43,371)
	44,840	162,741

The corporate income tax rate applicable to the Company is 17% (2015: 17%).

The corporate income tax rate applicable to the subsidiary is 16.5% (2015: 16.5%).

At the statement of financial position date, no deferred tax liability (2015: Nil) has been recognised for taxes that would be payable on the undistributed earnings of the Group's associate and joint ventures as:

- The Group has determined that undistributed earnings of its associate will not be distributed in the foreseeable future as the Group does not have control over the entity.

- The joint ventures of the Group cannot distribute their earnings until they obtain the consent of both the venturers. At the statement of financial position date, the Group does not foresee giving such consent.

Such temporary differences for which no deferred tax liability has been recognised aggregate to US$1,089,155 (2015: US$1,896,801). The deferred tax liability is estimated to be US$185,155 (2015: US$322,456).

As at 31 December 2016, the Group has estimated unutilised tax losses of approximately US$2,223,000 (2015: Nil) that are available for set-off against future taxable profits, subject to the agreement of the tax authorities and compliance with the relevant provisions of the Income Tax Act. The deferred tax benefit of approximately US$378,000 (2015: Nil) arising from these unutilised tax losses has not been recognised in the financial statements in accordance with the Group's accounting policies (Note 2 (q)).

8 Intangible Asset

	Group and Company	
	2016	2015
	US$	US$
Computer Software		
Cost		
At the beginning of the financial year	121,000	106,000
Additions	-	15,000
At the end of the financial year	121,000	121,000
Accumulated amortisation		
At the beginning of the financial year	95,457	81,941
Amortisation expense	11,487	13,516
At the end of the financial year	106,944	95,457
Net book value	14,056	25,543

9 Investment in a Subsidiary

	Company	
	2016	2015
	US$	US$
Unquoted equity shares, at cost:		
At the beginning and end of the financial year	20	20

The details of the subsidiary of the Company as at the statement of financial position date are as follows:

Name of company and country of incorporation	Principal activities	Equity held by the Group		Cost of investment	
		2016	2015	2016	2015
		%	%	US$	US$
Held by the Company					
Lighthouse Maritime Limited Hong Kong [1]	Provision of dry bulk ocean shipping services and investment holding	100	100	20	20

[1] Audited by Moore Stephens, Certified Public Accountants, Hong Kong

10 Investment in Associated Companies

	Group and Company	
	2016	2015
	US$	US$
At the beginning of the financial year	675,130	277,757
Addition	1,925,000	114,300
Share of profit of associated companies	481,553	283,073
Dividends received	(302,866)	-
At the end of the financial year	2,778,817	675,130

The details of the associates are as follows:

Name of associates	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held	
			2016	2015
			%	%
Held by the Company				
Lighthouse Navigation Co., Ltd. ("LNTH") [1]	Provide advisory services on shipping business	Thailand	40	40
Siam Thara Agency Co., Ltd. ("STA") [1][3]	Provide advisory services on shipping business	Thailand	40	40
Lighthouse Shipholding II AS ("LHNO II") [2]	Ship owning and operating bulk carriers	Norway	35	-
Held by LNTH				
Siam Thara Agency Co., Ltd. ("STA") [1][3]	Provide advisory services on shipping business	Thailand	17.5	17.5

(1) Audited by PricewaterhouseCoopers, Bangkok, Thailand.
(2) Audited by PricewaterhouseCoopers AS, Norway.
(3) New shares issued on 9 June 2015, 17.5% of equity interest owned by LNTH and 40% of equity interest owned by the Company.

10 Investment in an Associated Companies (cont'd)

Summarised financial information of the Group's material associated companies not adjusted for the Group's proportionate share is set out as below:

	Siam Thara Agency Co., Ltd.		Lighthouse Shipholding II AS	
	2016	2015	2016	2015
	US$	US$	US$	US$
Current assets	2,412,514	2,679,288	1,095,429	-
Non-current assets	332,099	183,257	4,279,126	-
Total assets	2,744,613	2,862,545	5,374,555	-
Current liabilities	(1,724,249)	(2,070,142)	(111,723)	-
Non-current liabilities	(31,292)	-	-	-
Total liabilities	(1,755,541)	(2,070,142)	(111,723)	-
Net assets	989,072	792,403	5,262,832	-
Total revenue	3,195,960	1,729,311	263,933	-
Profit/(Loss) for the year	1,044,109	548,653	(208,772)	-
Dividends received from associate during the year	302,866	-	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	Siam Thara Agency Co., Ltd.		Lighthouse Shipholding II AS	
	2016	2015	2016	2015
	US$	US$	US$	US$
Net assets of the associates	989,072	792,403	5,262,832	-
Proportion of the Group's ownership interest in the associates	40%	40%	35%	-
Carrying amount of the Group's interest in the associates	395,629	316,961	1,841,991	-

11 Investment in Joint Ventures

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
At the beginning of the financial year	4,014,414	1,544,693	1,913,094	695,927
Additions	-	592,140	-	592,140
Share of profit of joint ventures	1,984,908	6,665,081	1,090,576	5,412,527
Dividends received	(3,250,000)	(4,787,500)	(1,750,000)	(4,787,500)
At the end of the financial year	2,749,322	4,014,414	1,253,670	1,913,094

The details of the joint ventures are as follows:

Name of Joint Venture, Country of incorporation and operation	Principal Activities	Proportion of ownership interest and voting power held	
		2016	2015
		%	%
Held by the Company			
Orient Asia Lines B.V. [1] The Netherlands	Chartering, operations and shipping	50	50
OAL Holding B.V. [1] The Netherlands	Chartering, operations and shipping	50	50
Held by Lighthouse Maritime Limited			
Orient Asia Lines Limited [2] Hong Kong	Provision of liner services	50	50
Held by OAL Holding B.V.			
Orient Asia Lines (Malaysia) Sdn Bhd [3] Malaysia	Shipping agency, freight contractor, and forwarding agent	55	55
Africa Navigation B.V. [1] The Netherlands	Chartering, operations and shipping	100	100

(1) Audited by CROP register accountants, the Netherlands.
(2) Audited by Esmond W.T. Leung & Co., Hong Kong.
(3) Audited by HL Thong & Associates, Malaysia.

11 Investment in Joint Ventures (cont'd)

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with FRSs. Summarised financial information of the joint ventures is set out as below:

	Orient Asia Lines B.V.		Orient Asia Lines Limited	
	2016 US$	2015 US$	2016 US$	2015 US$
Cash and cash equivalents	5,247,308	5,745,985	1,210,591	3,130,432
Other current assets	1,622,929	3,789,306	2,382,204	2,945,673
Non-current assets	238,035	119,082	-	-
Total assets	7,108,272	9,654,373	3,592,795	6,076,105
Current liabilities	(5,225,090)	(5,845,296)	(601,488)	(1,873,462)
Non-current liabilities	-	-	-	-
Total liabilities	(5,225,090)	(5,845,296)	(601,488)	(1,873,462)
Net assets	1,883,182	3,809,077	2,991,307	4,202,643
Revenue	21,388,447	32,085,203	19,111,643	33,519,003
Profit from operations and total comprehensive income	1,574,105	4,425,815	1,788,664	7,505,109
Dividends received from joint venture during the year	-	-	1,500,000	2,500,000

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	Orient Asia Lines B.V.		Orient Asia Lines Limited	
	2016 US$	2015 US$	2016 US$	2015 US$
Net assets of the joint venture	1,883,182	3,809,077	2,991,307	4,202,643
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	941,591	1,904,539	1,495,654	2,101,322

11 Investment in Joint Ventures (cont'd)

Aggregate information of joint ventures that are not individually material:

	Group	
	2016	2015
	US$	US$
The Group's share of profit from operations and total comprehensive income	16,571	998,128
Aggregate carrying amount of the Group's interests in the joint ventures	312,077	309,486

12 Available-for-sale Financial Assets

	Group and Company	
	2016	2015
	US$	US$
Unquoted investment – Non-current		
At the beginning of the financial year	1,294,000	1,294,000
Additions	200,000	-
Provision of impairment	(1,000,000)	-
At the end of the financial year	494,000	1,294,000

On 29 November 2013, the Company entered into an agreement to acquire 7,400 fully paid ordinary shares of Lighthouse Shipholding AS ("LHNO"), constituting 5% of its issued and paid–up share capital, for a total consideration of US$2,722,750. LHNO is a company incorporated in Norway, the principal activities of which are those of ship owning and operating bulk carriers.

As at the statement of financial position date, the Group has invested US$1,294,000 of the total consideration. The balance of US$541,250 and final payment of US$887,500 have been injected in June 2014 and March 2015 respectively in the form of shareholder loans. The Group has further invested US$200,000 following the equity issue by LHNO.

As at 31 December 2016, the Group has recognised a total provision of impairment on available-for-sale financial assets of US$1,000,000 against the carrying amount of its available-for-sale financial assets. The impairment loss for unquoted equity instruments was recognised as there was a "significant" or "prolonged" decline in the fair value of this investment below its carrying amount. The Group treats "significant" generally as 20% and "prolonged" as greater than 6 months.

The available-for-sale financial asset is measured at cost less impairment at the end of the financial year as management is of the opinion that the fair value cannot be reliably measured. The investment is not quoted on any market and does not have comparable industry peers that are listed. The Group and the Company do not intend to dispose of this investment in the foreseeable future.

13 Inventories

	Group and Company	
	2016	2015
	US$	US$
Bunkers, at cost	957,676	320,370

14 Trade and Other Receivables

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
Trade receivables:				
- Third parties	5,036,081	816,816	5,036,101	816,836
- Related parties	350,645	-	350,645	-
	5,386,726	816,816	5,386,746	816,836
Other receivables:				
- Advances to agents	644,529	357,489	644,529	357,489
- Unbilled receivables	243,456	58,164	243,456	58,164
- Loan to a director	77,896	77,896	-	-
- Prepayments	-	26,425	-	26,425
- Others	17,218	17,218	-	-
	6,369,825	1,354,008	6,274,731	1,258,914

The normal credit terms for trade and other receivables is 30 days.

The subsidiary has advanced loans totalling US$77,896 (2015: US$77,896) and US$232,619 (2015: US$323,085) (Note 17) to a director and third parties, respectively, at 31 December 2016.

As at 31 December 2016 and 2015, 60% of the shares of a company incorporated in Thailand, Lighthouse Navigation Co., Ltd. ("Lighthouse Navigation"), which is jointly controlled by the aforementioned director and certain third parties, were pledged to the subsidiary as security for the loan to a director and certain loans receivable of US$77,896 (2015: US$77,896) and US$194,739 (2015: US$194,739), respectively. The director and the third parties have also granted the subsidiary an option to purchase 60% of the shares of Lighthouse Navigation held by the director and the third parties.

As at 31 December 2016, 12.5% (2015: 43%) of the shares of a company incorporated in Thailand, Siam Thara Agency Co., Ltd. ("Siam Thara"), which is jointly controlled by certain third parties, were pledged to the subsidiary as security for the loans receivable of US$37,880 (2015: US$128,346). The third parties have granted the subsidiary an option to purchase 12.5% (2015: 43%) of the shares of Siam Thara held by the third parties.

The subsidiary has not exercised this option up to the date of these financial statements. In the opinion of the directors, the fair value of the option is immaterial to be recognised in the financial statements.

15 Due to a Subsidiary

The amount due to a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

16 Due from/(to) Related Parties

The amounts due from/(to) related parties are non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

17 Loans Receivable

	Group	
	2016	2015
	US$	US$
Loans receivable - Third parties	232,619	323,085

The loans receivable are interest-free and are repayable on demand. The loans are secured against 60% (2015: 60%) of shares in Lighthouse Navigation Co., Ltd. and 12.5% (2015: 43%) of shares in Siam Thara Agency Co., Ltd.. Further details of the security are provided in Note 14.

18 Cash and Cash Equivalents

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
Cash at bank	4,483,279	8,140,123	3,976,300	6,907,253

19 Share Capital

	Group and Company			
	2016		2015	
	No. of shares	US$	No. of shares	US$
Issued and fully paid:				
At beginning and end of financial year	60,000	6,000,000	60,000	6,000,000

Ordinary shares of the Company have no par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

20 Merger Reserve

During the financial year ended 31 December 2013, the Company acquired a 100% equity interest in Lighthouse Maritime Limited for a consideration of US$20. This business combination has been accounted for in a manner similar to pooling of interests. The difference between the consideration and the nominal value of the shares of the subsidiary has been taken to shareholders' equity as "Merger Reserve" and adjusted accordingly in the financial statements.

21 Trade and Other Payables

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
Trade payables:				
- Third parties	1,515,239	881,954	1,508,447	877,700
- Related parties	116,520	116,520	116,520	116,520
	1,631,759	998,474	1,624,967	994,220
Deferred income	2,807,334	960,146	2,807,334	960,146
Accrued operating expenses	1,959,146	349,804	1,948,185	339,484
Other payable	-	-	20	20
	6,398,239	2,308,424	6,380,506	2,293,870

The normal credit terms for trade and other payables is 30 days.

Deferred income refers to advance billings to charterers.

22 Due to an Associated Company

The amount due to an associated company is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

23 Due to a Joint Venture

The amount due to a joint venture is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

24 Dividends

	Group and Company	
	2016	2015
	US$	US$
One-tier (tax exempt) interim dividend paid in respect of 2016 of US$20 (2015: US$20) per share	1,200,000	1,200,000
One-tier (tax exempt) final dividend paid in respect of 2014 of US$20 per share	-	1,200,000
	1,200,000	2,400,000

25 Related Party Transactions

Parties are considered to be related if an individual or a close member of that individual's family has the ability, directly or indirectly, to control the Group entities, exercise significant influence over the Group entities in making financial and operating decisions, or is a member of the key management personnel of the Group entities. Parties are also considered to be related if they are subject to common control or common significant influence and a person who has significant influence over the entity or is a member of the key management personnel of the entity. Related parties may be individuals or corporate entities.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

(a) Purchase of Services

	Group	
	2016	2015
	US$	US$
Associated company		
- Consultants fee expense *	721,400	789,375
Related parties**		
- Consultants fee expense	1,342,893	1,432,378
- Shareholder loans	-	2,028,750

* This includes staff costs for the administrative function provided by the associated company.
** Related parties refer to the companies with common ultimate controlling shareholders.

25 Related Party Transactions (cont'd)

(b) Key Management Remuneration

The Group's key management decisions are undertaken by the Directors of the Company. As at 31 December 2016, the Directors were employed and remunerated by its associated company, Lighthouse Navigation Co. Ltd., a company incorporated in Thailand.

The directors of the Company did not receive any remuneration during the current and previous financial year.

26 Operating Lease Commitments

Where the Group and Company are lessors

The Group and the Company have chartered out a number of vessels under time charter which are classified as non-cancellable operating leases. As at the statement of financial position date, future minimum lease receipts receivable under these are as follows:

	Group and Company	
	2016	2015
	US$	US$
Due within one year	4,159,217	1,226,891

Operating lease receipts are recognised in profit or loss during the year as part of revenue.

Where the Group and Company are lessees

At the statement of financial position date, the Group and the Company have commitments for time charters under non-cancellable operating leases as follows:

	Group and Company	
	2016	2015
	US$	US$
Due within one year	4,346,046	935,405

27 Financial Instruments

(a) Financial Risk Management and Policies

The Group and the Company do not have formal risk management policies or guidelines. Generally, the Group and the Company adopt conservative strategies on its risk management and seeks to minimise potential adverse effects on the Group's and the Company's financial performance. The main risks include credit risk, interest rate risk, foreign currency risk and liquidity risk.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

The Group's and the Company's primary exposure to credit risk arises through its trade and other receivables, including amount due from related parties. It is the Group and Company's policy to enter into transactions with creditworthy customers to mitigate any significant credit risk. The Group and the Company have procedures in place to control credit risk and exposure to such risk is monitored on an ongoing basis.

Other financial assets of the Group and the Company with exposure to credit risk include cash at banks. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's and the Company's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. The Group has significant concentration of credit risk from trade receivables as more than 55% (2015: 70%) of trade receivables are due from three customers as at 31 December 2016 (2015: three).

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired of approximately US$2,990,002 (2015: US$655,187) are creditworthy parties with good payment records with the Group and the Company.

27 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(i) Credit risk (cont'd)

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade receivables. The age analysis of trade and other receivables past due at the statement of financial position date but not impaired is as follows:

	Group and Company	
	2016	2015
	US$	US$
Past due 1 to 30 days	2,391,165	-
Past due 31 to 60 days	1,600	-
Past due over 60 days	342,529	314,907
	2,735,294	314,907

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company have no significant exposure to market risk for changes in interest rates as it has no significant interest-bearing assets and liabilities.

(iii) Foreign currency risk

The Group and the Company are not exposed to foreign currency risk as nearly all transactions and balances are denominated in United States dollar.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will not be able to meet its financial obligations as they fall due.

In managing liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. Typically, the Group and the Company ensure that they have sufficient cash on demand to meet expected operational expenses for a year of 365 days and this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

27 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iv) Liquidity risk (cont'd)

The Group and the Company do not have non-current financial liabilities. The current financial liabilities due within 12 months approximate their expected contractual undiscounted cash flows.

(b) Fair Values

The fair value information presented represents the Group's and the Company's best estimate of those values and may be subject to certain assumptions and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various instruments.

The Group's and the Company's financial instruments include cash and cash equivalents, trade and other receivables, amount due from a subsidiary and related parties, trade and other payables, amount due to a subsidiary, joint venture and related parties and amount due to an associated company. The fair values of these financial instruments approximate their carrying amounts due to their short term nature. The fair value of the Group's and the Company's available-for-sale financial assets with a maturity of more than one year is disclosed in Note 12.

28 Capital Management

The Group and the Company manage its capital to safeguard the Group's and the Company's abilities to continue as a going concern in order to provide returns for shareholders, to support the Group's and Company's stability and growth and to provide capital for the purpose of strengthening the Group's and the Company's financial management capability. Management reviews the capital structure on an annual basis. As a part of the review, management considers the cost of capital and the risks associated with each class of capital. Accordingly, the Group and the Company will balance its overall capital structure through payment of dividends as well as the issue of new debt or the redemption of existing debt. The Group and Company's overall strategy remain unchanged from 2014.

Management monitors capital with reference to a net debt against equity ratio. The Group's and the Company's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that is possible with greater leverage.

28 Capital Management (cont'd)

The capital structure of the Group and the Company consists of net debt (which includes trade and other payables and due to an associated company, subsidiary, related parties and joint venture, net of cash and cash equivalents) and total equity comprising share capital, retained earnings and reserves. The net debt against equity ratio is calculated as net debt divided by total equity.

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
Net debt/(cash)	2,526,378	(5,362,146)	6,153,328	(3,201,007)
Total equity	13,386,772	15,513,621	7,641,870	10,549,330
Net debt against total equity	19%	-*	80%	-*

* The Group and the Company have net cash of US$5,362,146 and US$3,201,007 as at 31 December 2015.

The Group and Company do not have to comply with any externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

29 Subsequent Event

Subsequent to the financial year ended 31 December 2016, the Company made an additional investment of US$1,925,000 in an associated company, Lighthouse Shipholding II AS (Note 10). The additional investment did not change the proportion of ownership interest and voting power held by the Company.

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

THE FOLLOWING DETAILED INCOME STATEMENT

HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY

AND DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

DETAILED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 US$	2015 US$
REVENUE		
Time charter income	5,900,181	3,545,906
Voyage freight income	27,556,239	17,073,077
Commission income	536,190	350,630
	33,992,610	20,969,613
Less: DIRECT COSTS		
Address commission expense	447,256	258,462
Agency fee expense	307,234	165,717
Broker's commission	700,361	383,309
Bunker cost	7,299,178	4,346,595
Despatch expense	344,525	277,029
Port expenses	2,451,713	1,974,021
Hire expenses	17,778,700	8,596,872
Others	5,861,064	2,111,881
	35,190,031	18,113,886
GROSS (LOSS)/PROFIT	(1,197,421)	2,855,727
Less: ADMINISTRATIVE EXPENSES		
Amortisation of intangible asset	11,488	13,516
Audit fee	2,806	18,503
Bank service charge - general and administration	3,103	4,142
Bank service charge - voyage related	26,159	11,366
Consultants fee expense	791,993	865,164
General expense	4,115	3,861
IT support services	32,367	29,790
Maintenance fees	25,200	24,700
Membership	3,757	3,726
Realised foreign exchange loss/(gain)	5,327	(3,619)
Secretary fee	11,035	12,740
Subscriptions	16,568	14,378
Sundry expense	3,911	3,157
Travelling	99,500	137,432
	1,037,329	1,138,856
Less: Impairment loss on available-for-sale financial assets	1,000,000	-
Share of profit of associated companies	481,553	283,073
Share of profit of joint ventures	1,090,577	2,912,527
(LOSS)/PROFIT BEFORE INCOME TAX	(1,662,620)	4,912,471

NOT PART OF THE AUDITED FINANCIAL STATEMENTS

Company Registration No: 200901318K

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS

31 DECEMBER 2015

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

31 DECEMBER 2015

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LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The directors present their statement to the members together with the audited consolidated financial statements of Lighthouse Navigation Pte. Ltd. (the "Company") and its subsidiary (collectively the "Group") for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereto, are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are:

Anders Soedergren
Helge Bruns
Franciscus Andreas Nicolaas Teeuwen
Frode Bjorklund
Tan Boon Aun Rudy
Viparwan Smanattanon

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Directors' Interests in Shares or Debentures

The directors holding office at the end of the financial year and their interests in the share capital or debentures of the Company or its related corporations as recorded in the register of directors' shareholdings were as follows:

	Shareholding registered in the name of directors	
Name of director	At the beginning of financial year	At the end of financial year
	No. of ordinary shares	
Anders Soedergren	10,900	10,900
Helge Bruns	10,900	10,900
Franciscus Andreas Nicolaas Teeuwen	5,500	5,500

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

4 Options Granted

During the financial year, no option to take up unissued shares of the Company or its subsidiary has been granted.

5 Options Exercised

During the financial year, there were no shares of the Company or its subsidiary issued by virtue of the exercise of options to take up unissued shares.

6 Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or its subsidiary under option.

7 Independent Auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

.....
ANDERS SØEDERGREN

.....
HELGE BRUNS

Singapore
28 June 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

Report on the Financial Statements

We have audited the accompanying financial statements of Lighthouse Navigation Pte. Ltd. (the "Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore 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 controls relevant to the entity's preparation of financial statements that give a true and fair view 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 controls. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
28 June 2016

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 US$	Group 2014 US$
Revenue	4	21,694,950	39,987,075
Direct costs		(17,809,334)	(37,713,937)
Gross profit		3,885,616	2,273,138
Other income	5	376,897	292,200
Administrative expenses		(2,772,464)	(2,674,901)
Share of profit of associated companies	10	283,073	35,136
Share of profit of joint ventures	11	6,665,081	2,288,886
Profit before income tax	6	8,438,203	2,214,459
Income tax	7	(162,741)	(177,349)
Net profit for the year		8,275,462	2,037,110
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive income for the year		8,275,462	2,037,110

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015	2014	2015	2014
		US$	US$	US$	US$
ASSETS					
Non-Current Assets					
Intangible asset	8	25,543	24,059	25,543	24,059
Investment in a subsidiary	9	-	-	20	20
Investment in an associated companies	10	675,130	277,757	675,130	277,757
Investment in joint ventures	11	4,014,414	1,544,693	1,913,094	695,927
Available-for-sale financial assets	12	1,294,000	1,294,000	1,294,000	1,294,000
		6,009,087	3,140,509	3,907,787	2,291,763
Current Assets					
Inventories	13	320,370	910,475	320,370	910,475
Trade and other receivables	14	1,354,008	1,357,766	1,258,914	1,262,672
Due from a subsidiary	15	-	-	-	1,500,000
Due from related parties	16	2,350,741	1,296,498	2,067,068	1,065,766
Loans receivable	17	323,085	198,693	-	-
Cash and cash equivalents	18	8,140,123	5,198,371	6,907,253	3,948,528
		12,488,327	8,961,803	10,553,605	8,687,441
TOTAL ASSETS		18,497,414	12,102,312	14,461,392	10,979,204
EQUITY AND LIABILITIES					
Equity					
Share capital	19	6,000,000	6,000,000	6,000,000	6,000,000
Merger reserve	20	(610,767)	(610,767)	-	-
Retained earnings		10,124,388	4,248,926	4,549,330	2,199,600
		15,513,621	9,638,159	10,549,330	8,199,600
Current Liabilities					
Trade and other payables	21	2,308,424	2,184,351	2,293,870	2,167,780
Due to a subsidiary	15	-	-	1,038,204	332,022
Due to an associated company	22	112,500	180,000	112,500	180,000
Due to related parties	16	95,381	-	-	-
Due to a joint venture	23	261,672	-	261,672	-
Provision of income tax		205,816	99,802	205,816	99,802
		2,983,793	2,464,153	3,912,062	2,779,604
TOTAL EQUITY AND LIABILITIES		18,497,414	12,102,312	14,461,392	10,979,204

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share Capital US$	Merger Reserve US$	Retained Earnings US$	Total Equity US$
At 1 January 2015	6,000,000	(610,767)	4,248,926	9,638,159
Profit for the year	-	-	8,275,462	8,275,462
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	8,275,462	8,275,462
Dividends (Note 24)	-	-	(2,400,000)	(2,400,000)
At 31 December 2015	6,000,000	(610,767)	10,124,388	15,513,621
At 1 January 2014	6,000,000	(610,767)	3,231,816	8,621,049
Profit for the year	-	-	2,037,110	2,037,110
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	2,037,110	2,037,110
Dividends (Note 24)	-	-	(1,020,000)	(1,020,000)
At 31 December 2014	6,000,000	(610,767)	4,248,926	9,638,159

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 US$	2014 US$
Cash Flows from Operating Activities		
Profit before income tax	8,438,203	2,214,459
Adjustments for:		
Amortisation of intangible asset	13,516	15,881
Share of profit of associated companies	(283,073)	(35,136)
Share of profit of joint ventures	(6,665,081)	(2,288,886)
Operating cash flow before working capital changes	1,503,565	(93,682)
Changes in working capital:		
Inventories	590,105	185,871
Trade and other receivables	3,758	2,090,009
Prepayments	-	1,130
Trade and other payables	124,073	(639,385)
Due to a joint venture	261,672	-
Due (to)/from an associated companies	(67,500)	114,000
Due from related parties	404,246	370,030
Cash generated from operating activities	2,819,919	2,027,973
Income tax paid	(56,727)	(77,547)
Net cash generated from operating activities	2,763,192	1,950,426
Cash Flows from Investing Activities		
Purchase of software license	(15,000)	-
Loan to related parties	(1,487,500)	(1,041,250)
Investment in a joint venture	(592,140)	-
Investment in associated companies	(114,300)	-
Proceeds from disposal of available for sale financial assets	-	110,000
Dividend received from joint ventures	4,787,500	2,000,000
Net cash generated from investing activities	2,578,560	1,068,750
Cash Flows from Financing Activities		
Dividends paid to owners of the Company	(2,400,000)	(1,020,000)
Net cash used in financing activities	(2,400,000)	(1,020,000)
Net increase in cash and cash equivalents	2,941,752	1,999,176
Cash and cash equivalents at the beginning of the financial year	5,198,371	3,199,195
Cash and cash equivalents at the end of the financial year (Note 18)	8,140,123	5,198,371

The accompanying notes form an integral part of the financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General

Lighthouse Navigation Pte Ltd (the "Company") is a private limited company incorporated and domiciled in Singapore. The Company's registered office address is at 4 Robinson Road #05-01 House of Eden Singapore 048543 and principal place of business is at 87/2 All Seasons Place, Unit 4401 CRC Tower 44th Fl. Wireless Rd., Lumpinee, Pathumwan Bangkok 10330.

The principal activity of the Company is ship chartering. There has been no significant change in the nature of this activity during the financial year. The principal activities of the subsidiary are set out in Note 9.

These financial statements were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

The ultimate controlling shareholders of the Company comprise certain members of the Teigen family.

2 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company, which are expressed in United States dollar ("US$"), have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Adoption of New/Revised FRS which are effective

On 1 January 2015, the Group and the Company adopted the following new/amended standards that are mandatory for annual financial periods beginning on or after 1 January 2015:

Amendments to FRS 113 *Fair Value Measurement*

The amendments clarify that the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with FRS 39. These contracts need not meet the definitions of financial assets or financial liabilities in FRS 32.

The adoption of this standard did not have any significant impact to the Group's financial performance or financial position.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

New or Revised FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not applied the following relevant new or revised FRS that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
Amendments to FRS 1	*Presentation of Financial Statements: Disclosure Initiative*	1 January 2016
Amendments to FRS 27	*Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 7	*Statement of Cash Flows*	1 January 2017
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018

With the exception of FRS 109 and FRS 115 which the Group and the Company are currently evaluating, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

Amendment to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments provide clarification on various aspects of financial statements presentation. Key clarifications relate to the interpretation of materiality requirements in FRS, the extent of aggregation and disaggregation of financial information presented in the primary financial statements, presentation of sub-totals, and ordering of notes to the financial statements. The amendments also clarify that an entity's share of other comprehensive income of equity accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss. These amendments are effective for accounting periods beginning on or after 1 January 2016.

Amendment to FRS 27 *Equity Method in Separate Financial Statements*

The amendments to FRS 27 allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entities' separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39 or FRS 109), which currently exists and will continue to be available. This amendment is effective for accounting periods beginning on or after 1 January 2016.

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New or Revised FRS issued but not yet effective (cont'd)

Amendment to FRS 7 *Statement of Cash Flows*

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Comparative information for earlier periods is not required.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 109 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New or Revised FRS issued but not yet effective (cont'd)

FRS 115 *Revenue from Contracts with Customers*

FRS 115, published in November 2014, establishes a revised framework for revenue recognition based on the following five-step approach:

- Identification of the contracts;
- Identification of the performance obligations in the contract;
- Determination of the transaction prices;
- Allocation of the transaction price to the performance obligation; and
- Recognition of revenue when (or as) an entity satisfies a performance obligation.

FRS 115 will replace the existing revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and INT FRS 113 Customer Loyalty Programs.

FRS 115 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

(b) Consolidation

In 2013, the Company acquired the entire issued share capital of Lighthouse Maritime Limited, for a total consideration of US$20. This business combination has been accounted for in a manner similar to pooling of interests.

On this basis, the Company has been treated as the holding company of Lighthouse Maritime Limited from the date of the combination. The results of the combined entities have been brought into the financial statements for the financial period presented as from the date of combination. The assets and liabilities have been brought into the financial statements at their existing carrying amounts. The difference between the consideration and the nominal value of the shares acquired has been recorded as a merger reserve.

All intercompany balances and transactions are eliminated on consolidation.

2 Significant Accounting Policies (cont'd)

(c) Investment in Subsidiary

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investment in a subsidiary is stated at cost less any impairment losses. An assessment of the investment in a subsidiary is performed when there is an indication that the investment may have been impaired.

On disposal of the investment in a subsidiary, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(d) Investment in Associated Companies

Associates are entities over which the Company has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investment in associates is accounted for in the financial statements using the equity method of accounting. Investment in associates is assessed for impairment as part of the investment.

2 **Significant Accounting Policies** (cont'd)

(d) Investment in Associated Companies (cont'd)

Investment in associates is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Company does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associate have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Company determines at each statement of financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Dilution gains and losses arising from investment in an associate are recognised in profit or loss.

Investment in an associate is derecognised when the Company loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Investment in an associated company is carried at cost less accumulated impairment losses in the Company's statement of financial position.

2 **Significant Accounting Policies** (cont'd)

(e) Investment in Joint Ventures

The Company's joint ventures are entities over which the Company has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Company's interest in joint ventures is accounted for in the financial statements using the equity method of accounting.

Investments in joint ventures are carried at cost less accumulated impairment losses in the Group's statement of financial position.

(f) Functional and Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States Dollar ("US$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

(ii) Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in equity and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2 **Significant Accounting Policies** (cont'd)

(f) Functional and Foreign Currencies (cont'd)

(iii) Translation of group entities' financial statements

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income or expense for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting currency translation differences are recognised in other comprehensive income.

On the disposal of a foreign operation, all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(g) Intangible Assets

Intangible assets acquired separately are measured initially at cost. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives of software licences are 5 years.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation year or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

2 **Significant Accounting Policies** (cont'd)

(h) Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised immediately in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset is recognised immediately in profit or loss.

(i) Inventories

Any bunkers remaining on board the vessel are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out basis.

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for obsolete, slow-moving and defective inventories.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets

Classification

The Company classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially measured at fair value less transaction costs. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. These are presented as current assets, except for those maturing later than 12 months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as trade and receivables, due from a subsidiary and related parties, loan receivable and cash and cash equivalents on the statement of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the statement of financial position date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in profit or loss.

Available-for-sale financial assets are included in non-current assets unless the carrying value is expected to be recovered principally through sale rather than continuing use, in which case they are included within current assets.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Initial recognition

Financial assets are initially recognised at fair value plus transaction costs.

Subsequent measurement

(i) Loans and receivables

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are subsequently carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in other comprehensive income. Gains or losses on available-for-sale financial assets are recognised in other comprehensive income until the investment is sold, collected or otherwise disposed of, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost less impairment.

Impairment

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Impairment (cont'd)

Any impairment losses on equity investments classified as available-for-sale financial assets are recognised in profit and loss.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank which is subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(l) Financial Liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provision of the financial instrument. A financial liability is derecognised when the obligation under the liability is extinguished.

Trade and other payables, including amount due to an associated company, are initially recognised at fair value, and subsequently measured at amortised cost, using the effective interest method.

(m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(n) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(o) Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income.

As lessor

Leases of vessels where substantially all risk and rewards incidental to ownership are retained by the owner are classified as operating leases. Rental income from operating leases is recognised in profit and loss on a straight line basis over the lease terms.

2 **Significant Accounting Policies** (cont'd)

(o) Operating Leases (cont'd)

As lessee

Leases of vessel where substantially all risk and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight line basis over the period of the lease.

(p) Revenue Recognition

Revenue of the Group is recognised as follows:

Time Charter Income

Time charter income is recognised on a time-apportioned basis. Provision is made for all hire receivable at the statement of financial position date in respect of time charter voyages in progress.

Voyage Freight Income

Voyage freight forwarding and demurrage income are recognised when the service is rendered.

Commission Income

Commission income is recognised upon the rendering of services to customers.

(q) Income Tax

Current income tax for current and prior year is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by the statement of financial position date.

Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

2 Significant Accounting Policies (cont'd)

(q) Income Tax (cont'd)

- In respect of temporary differences associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the statement of financial position date.

3 Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial periods. Although, these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

(a) Critical Judgements in Applying Accounting Policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

Write down of inventories

The Group and the Company write down the cost of inventories whenever the net realisable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. No allowance for inventories has been made for the financial year ended 31 December 2015 (2014: Nil).

3 Critical Accounting Estimates, Assumptions and Judgements (cont'd)

(a) Critical Judgements in Applying Accounting Policies (cont'd)

Write down of inventories (cont'd)

The carrying amount of inventories of the Group and the Company as at 31 December 2015 was US$320,370 (2014: US$910,475) (Note 13).

(b) Key Sources of Estimation Uncertainty

In the preparation of these financial statements, there were no key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

4 Revenue

	Group	
	2015	2014
	US$	US$
Voyage freight income	17,073,077	33,885,478
Time charter income	3,545,906	5,016,256
Commission income	1,075,967	1,085,341
	21,694,950	39,987,075

5 Other Income

	Group	
	2015	2014
	US$	US$
Consultancy fee income	328,000	292,200
Administrative service	48,897	-
	376,897	292,200

6 Profit before Income Tax

	Group	
	2015	2014
	US$	US$
This was arrived after charging:		
Hire expenses	8,596,872	18,881,115
Bunker costs	4,346,595	11,486,090
Port expenses	1,974,021	3,456,400
Consultants fee expense	2,384,909	2,262,951
Amortisation of intangible asset	13,516	15,881

7 Income Tax

	Group	
	2015	2014
	US$	US$
Current tax		
- Current year	205,816	96,818
- (Over)/under provision in prior years	(43,075)	80,531
	162,741	177,349

The income tax expense on the profit before income tax varies from the amount of income tax expense determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following differences:

	Group	
	2015	2014
	US$	US$
Profit before income tax	8,438,203	2,214,459
Income tax expense calculated at applicable tax rate	1,416,866	374,144
Effect of expenses that are not deductible	37,425	160,289
Tax effect on Productivity and Innovation Credit	(10,200)	-
Share of profits of associate and joint ventures	(1,162,423)	(387,994)
Tax rebate	(14,145)	(30,000)
Income tax exemption	(18,336)	(19,621)
(Over)/under provision in prior years	(43,075)	80,531
Others	(43,371)	-
	162,741	177,349

7 Income Tax (cont'd)

The corporate income tax rate applicable to the Company is 17% (2014: 17%).

The corporate income tax rate applicable to the subsidiary is 16.5% (2014: 16.5%).

At the statement of financial position date, no deferred tax liability (2014: Nil) has been recognised for taxes that would be payable on the undistributed earnings of the Group's associate and joint ventures as:

- The Group has determined that undistributed earnings of its associate will not be distributed in the foreseeable future as the Group does not have control over the entity.

- The joint ventures of the Group cannot distribute their earnings until they obtain the consent of both the venturers. At the statement of financial position date, the Group does not foresee giving such consent.

Such temporary differences for which no deferred tax liability has been recognised aggregate to US$1,896,801 (2014: US$907,383). The deferred tax liability is estimated to be US$322,456 (2014: US$154,255).

8 Intangible Asset

	Group and Company	
	2015	2014
	US$	US$
Computer Software		
Cost		
At the beginning of the financial year	106,000	106,000
Additions	15,000	-
At the end of the financial year	121,000	106,000
Accumulated amortisation		
At the beginning of the financial year	81,941	66,060
Amortisation expense	13,516	15,881
At the end of the financial year	95,457	81,941
Net book value	25,543	24,059

9 Investment in a Subsidiary

	Company	
	2015	2014
	US$	US$
Unquoted equity shares, at cost:		
At the beginning and end of the financial year	20	20

The details of the subsidiary of the Company as at the statement of financial position date are as follows:

Name of company and country of incorporation	Principal activities	Equity held by the Group		Cost of investment	
		2015	2014	2015	2014
		%	%	US$	US$
Held by the Company					
Lighthouse Maritime Limited Hong Kong [1]	Provision of dry bulk ocean shipping services and investment holding	100	100	20	20

[1] Audited by Moore Stephens, Certified Public Accountants, Hong Kong

10 Investment in an Associated Companies

	Group and Company	
	2015	2014
	US$	US$
At the beginning of the financial year	277,757	242,621
Addition	114,300	-
Share of profit of associated companies	283,073	35,136
At the end of the financial year	675,130	277,757

The details of the associates are as follows:

Name of associates	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held	
			2015	2014
			%	%
Held by the Company				
Lighthouse Navigation Co., Ltd. ("LNTH") [1]	Provide advisory services on shipping business	Thailand	40	40
Siam Thara Agency Co., Ltd. ("STA") [1] [2]	Provide advisory services on shipping business	Thailand	40	-

10 Investment in an Associated Companies (cont'd)

Name of associates	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held	
			2015	2014
			%	%
Held by LNTH				
Siam Thara Agency Co., Ltd. ("STA") (1) (2)	Provide advisory services on shipping business	Thailand	17.5	35

(1) Audited by PricewaterhouseCoopers, Bangkok, Thailand.

(2) New shares issued on 9 June 2015, 17.5% of equity interest owned by LNTH and 40% of equity interest owned by the Company.

Summarised financial information of the Company's associated companies not adjusted for the Company's proportionate share is set out as below:

	Lighthouse Navigation Co., Ltd.		**Siam Thara Agency Co., Ltd.**	
	2015	2014	2015	2014
	US$	US$	US$	US$
Current assets	579,083	580,463	2,679,288	-
Non-current assets	158,438	114,972	183,257	-
Total assets	737,521	695,435	2,862,545	-
Current liabilities	(107,120)	(69,160)	(2,070,142)	-
Non-current liabilities	-	-	-	-
Total liabilities	(107,120)	(69,160)	(2,070,142)	-
Net assets	630,401	626,275	792,403	-
Total revenue	1,531,160	1,329,211	1,729,311	-
Profit for the year	63,000	51,692	548,653	-

11 Investment in Joint Ventures

	Group		Company	
	2015 US$	2014 US$	2015 US$	2014 US$
At the beginning of the financial year	1,544,693	1,255,807	695,927	275,106
Additions	592,140	-	592,140	-
Share of profit of joint ventures	6,665,081	2,288,886	5,412,527	870,821
Dividend paid	(4,787,500)	(2,000,000)	(4,787,500)	(450,000)
At the end of the financial year	4,014,414	1,544,693	1,913,094	695,927

The details of the joint ventures are as follows:

Name of Joint Venture, Country of incorporation and operation	Principal Activities	Proportion of ownership interest and voting power held	
		2015 %	2014 %
Held by the Company			
Orient Asia Lines B.V. (1) The Netherlands	Chartering, operations and shipping	50	50
OAL Holding B.V. (1) The Netherlands	Chartering, operations and shipping	50	50
Held by Lighthouse Maritime Limited			
Orient Asia Lines Limited (2) Hong Kong	Provision of liner services	50	50
Held by OAL Holding B.V.			
Orient Asia Lines (Malaysia) Sdn Bhd (3) Malaysia	Shipping agency, freight contractor, and forwarding agent	55	55
Africa Navigation B.V. (1) The Netherlands	Chartering, operations and shipping	100	100

(1) Audited by CROP register accountants, the Netherlands.
(2) Audited by Esmond W.T. Leung & Co., Hong Kong.
(3) Audited by HL Thong & Associates., Malaysia.

OAL Holding B.V. ("OALG") has not commenced any business since its incorporation, and accordingly, the summarised financial information of OALG as at and for the financial year ended, is not adjusted for the percentage of equity interest held by the Company.

11 Investment in Joint Ventures (cont'd)

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with FRSs. Summarised financial information of the joint ventures is set out as below:

	Orient Asia Lines B.V.		Orient Asia Lines Limited	
	2015 US$	2014 US$	2015 US$	2014 US$
Cash and cash equivalents	5,745,985	1,048,426	3,130,432	1,455,478
Other current assets	3,789,306	4,948,256	2,945,673	9,787,213
Non-current assets	119,082	139,952	-	-
Total assets	9,654,373	6,136,634	6,076,105	11,242,691
Current liabilities	(5,845,296)	(5,038,990)	(1,873,462)	(9,545,159)
Non-current liabilities	-	-	-	-
Total liabilities	(5,845,296)	(5,038,990)	(1,873,462)	(9,545,159)
Net assets	3,809,077	1,097,644	4,202,643	1,697,532
Revenue	32,085,203	27,745,320	33,519,003	51,037,874
Profit from operations and total comprehensive income	4,425,815	1,454,045	7,505,109	2,836,130
Dividend received from joint venture during the year	-	450,000	2,500,000	1,550,000

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	Orient Asia Lines B.V.		Orient Asia Lines Limited	
	2015 US$	2014 US$	2015 US$	2014 US$
Net assets of the joint venture	3,809,077	1,097,644	4,202,643	1,697,532
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	1,904,539	548,822	2,101,322	848,766

11 Investment in Joint Ventures (cont'd)

Aggregate information of joint ventures that are not individually material:

	Group	
	2015	2014
	US$	US$
The Group's share of profit from operations and total comprehensive income	998,128	143,798
Aggregate carrying amount of the Group's interests in the joint venture	309,486	147,105

12 Available-for-sale Financial Assets

	Group and Company	
	2015	2014
	US$	US$
Unquoted investment – Non-current		
At the beginning of the financial year	1,294,000	1,404,000
Disposal	-	(110,000)
At the end of the financial year	1,294,000	1,294,000

(a) On 29 November 2013, the Company entered into an agreement to acquire 7,400 fully paid ordinary shares of Lighthouse Shipholding AS ("LHNO"), constituting 5% of its issued and paid–up share capital, for a total consideration of US$2,722,750. LHNO is a company incorporated in Norway, the principal activities of which are those of ship owning and operating bulk carriers.

As at the statement of financial position date, the Group has invested US$1,294,000 of the total consideration. The balance of US$541,250 and final payment of US$887,500 have been injected in June 2014 and March 2015 respectively in the form of shareholder loans.

(b) As at 31 December 2013, the Group has investment in equity securities amounting to US$110,000 which were designated as available-for-sale financial assets and have no fixed maturity or coupon rate.

In the previous financial year, the Group fully disposed of the available for sale financial assets at a consideration of US$110,000.

12 Available-for-sale Financial Assets (cont'd)

The available-for-sale financial asset is measured at cost less impairment at the end of the financial year as management is of the opinion that the fair value cannot be reliably measured. The investment is not quoted on any market and does not have comparable industry peers that are listed. The Group and the Company do not intend to dispose of this investment in the foreseeable future.

13 Inventories

	Group and Company	
	2015	2014
	US$	US$
Bunkers, at cost	320,370	910,475

14 Trade and Other Receivables

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Trade receivables:				
- Third parties	816,816	698,893	816,836	698,913
Other receivables:				
- Advances to agents	357,489	454,637	357,489	454,637
- Unbilled receivables	58,164	109,122	58,164	109,122
- Loan to a director	77,896	77,896	-	-
- Prepayments	26,425	-	26,425	-
- Others	17,218	17,218	-	-
	1,354,008	1,357,766	1,258,914	1,262,672

The normal credit terms for trade and other receivables is 30 days.

The subsidiary has advanced loans totalling US$77,896 (2014: US$77,896) and US$323,085 (2014: US$198,693) (Note 17) to a director and third parties, respectively, at 31 December 2015.

As at 31 December 2015 and 2014, 60% of the shares of a company incorporated in Thailand, Lighthouse Navigation Co., Ltd. ("Lighthouse Navigation"), which is jointly controlled by the aforementioned director and certain third parties, were pledged to the Company as security for the loans to a director and certain loans receivable of US$77,896 (2014: US$77,896) and US$194,739 (2014: US$194,738), respectively. The director and the third parties have also granted the Company an option to purchase 60% of the shares of a company of Lighthouse Navigation held by the director and the third parties.

14 Trade and Other Receivables (cont'd)

As at 31 December 2015, 43% (2014: 13%) of the shares of a company incorporated in Thailand, Siam Thara Agency Company Limited ("Siam Thara"), which is jointly controlled by certain third parties, were pledged to the Company as security for the loans receivable of US$128,346 (2014: US$3,955). The third parties have granted the Company an option to purchase 43% (2014: 13%) of the shares of a company of Siam Thara held by the third parties.

The subsidiary has not exercised this option up to the date of these financial statements. In the opinion of the directors, the fair value of the option is immaterial to be recognised in the financial statements.

15 Due from/(to) a Subsidiary

The amount due to a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms. The amount due from a subsidiary in 2014 was a loan of US$1,500,000 which was repaid in March 2015.

16 Due from/(to) Related Parties

The amounts due from/(to) related parties are non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

17 Loans Receivable

	Group	
	2015	2014
	US$	US$
Loans receivable - Third parties	323,085	198,693

The loans receivable are interest-free and are repayable on demand. The loans are secured against 60% (2014: 60%) of shares in Lighthouse Navigation and 43% (2014: 13%) of shares in Siam Thara Agency Company Limited. Further details of the security are provided in Note 14.

18 Cash and Cash Equivalents

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Cash at bank	8,140,123	5,198,371	6,907,253	3,948,528

19 Share Capital

	Group and Company			
	2015		2014	
	No. of shares	US$	No. of shares	US$
Issued and fully paid:				
At beginning and end of financial year	60,000	6,000,000	60,000	6,000,000

Ordinary shares of the Company have no par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

20 Merger Reserve

During the financial year ended 31 December 2013, the Company acquired 100% equity interest in Lighthouse Maritime Limited for a consideration of US$20. This business combination has been accounted for in a manner similar to pooling of interests. The difference between the consideration and the nominal value of the shares of the subsidiary has been taken to shareholders' equity as "Merger Reserve" and adjusted accordingly in the financial statements.

21 Trade and Other Payables

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Trade payables:				
- Third parties	881,954	945,258	877,700	944,352
- Related parties	116,520	116,520	116,520	116,520
	998,474	1,061,778	994,220	1,060,872
Deferred income	960,146	552,375	960,146	552,375
Accrued operating expenses	349,804	570,198	339,484	554,513
Other payable (Note 9)	-	-	20	20
	2,308,424	2,184,351	2,293,870	2,167,780

The normal credit terms for trade and other payables is 30 days.

Deferred income refers to advance billings to charterers.

22 Due to an Associated Company

The amount due to an associated company is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

23 Due to a Joint Venture

The amounts due to joint venture are non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

24 Dividends

	Group and Company	
	2015	2014
	US$	US$
One-tier (tax exempt) interim dividend paid in respect of 2015 of US$20 (2014: US$17) per share	1,200,000	1,020,000
One-tier (tax exempt) final dividend paid in respect of 2014 of US$20 per share	1,200,000	-
	2,400,000	1,020,000

25 Related Party Transactions

Parties are considered to be related if an individual or a close member of that individual's family has the ability, directly or indirectly, to control the Group entities, exercise significant influence over the Group entities in making financial and operating decisions, or is a member of the key management personnel of the Group entities. Parties are also considered to be related if they are subject to common control or common significant influence and a person who has significant influence over the entity or is a member of the key management personnel of the entity. Related parties may be individuals or corporate entities.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

(a) Purchase of Services

	Group	
	2015	2014
	US$	US$
Associated company		
- Consultants fee expense *	789,375	753,750
Related parties**		
- Consultants fee expense	-	1,284,500
- Shareholder loans	2,028,750	541,250
- Short term loan	-	500,000

* This includes staff costs for the administrative function provided by the associated company.
** Related parties refer to the companies with common ultimate controlling shareholders.

25 Related Party Transactions (cont'd)

(b) Key Management Remuneration

The Group's key management decisions are undertaken by the Directors of the Company. As at 31 December 2015, the Directors were employed and remunerated by its associated company, Lighthouse Navigation Co. Ltd., a company incorporated in Thailand.

The directors of the Company did not receive any remuneration during the current and previous financial year.

26 Operating Lease Commitments

Where the Group and Company are lessors

The Group and the Company have chartered out a number of vessels under time charter which are classified as non-cancellable operating leases. As at the statement of financial position date, future minimum lease receipts receivable under these are as follows:

	Group and Company	
	2015	2014
	US$	US$
Due within one year	1,226,891	1,174,672

Operating lease receipts are recognised in profit or loss during the year as part of revenue.

Where the Group and Company are lessees

At the statement of financial position date, the Group and the Company have commitments for time charters under non-cancellable operating leases as follows:

	Group and Company	
	2015	2014
	US$	US$
Due within one year	935,405	1,254,780

27 Financial Instruments

(a) Financial Risk Management and Policies

The Group and the Company do not have formal risk management policies or guidelines. Generally, the Group and the Company adopt conservative strategies on its risk management and seeks to minimise potential adverse effects on the Group's and the Company's financial performance. The main risks include credit risk, interest rate risk, foreign currency risk and liquidity risk.

27 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

The Group's and the Company's primary exposure to credit risk arises through its trade and other receivables, including amount due from related parties. It is the Group and Company's policy to enter into transactions with creditworthy customers to mitigate any significant credit risk. The Group and the Company have procedures in place to control credit risk and exposure to such risk is monitored on an ongoing basis.

Other financial assets of the Group and the Company with exposure to credit risk include cash at banks. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's and the Company's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. The Group has significant concentration of credit risk from trade receivables as more than 70% (2014: 75%) of trade receivables are due from three customers as at 31 December 2015 (2014: four).

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired of approximately US$655,187 (2014: US$858,214) are creditworthy parties with good payment records with the Group and the Company.

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade receivables. The age analysis of trade and other receivables past due at the statement of financial position date but not impaired is as follows:

27 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

Financial assets that are past due but not impaired (cont'd)

	Group and Company	
	2015	2014
	US$	US$
Past due over 60 days	314,907	44,915

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company have no significant exposure to market risk for changes in interest rates as it has no significant interest-bearing assets and liabilities.

(iii) Foreign currency risk

The Group and the Company are not exposed to foreign currency risk as nearly all transactions and balances are denominated in United States dollar.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will not be able to meet its financial obligations as they fall due.

In managing liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. Typically, the Group and the Company ensure that they have sufficient cash on demand to meet expected operational expenses for a year of 365 days and this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The Group and the Company do not have non-current financial liabilities. The current financial liabilities due within 12 months approximate their expected contractual undiscounted cash flows.

(b) Fair Values

The fair value information presented represents the Group's and the Company's best estimate of those values and may be subject to certain assumptions and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various instruments.

27 Financial Instruments (cont'd)

(b) Fair Values (cont'd)

The Group's and the Company's financial instruments include cash and cash equivalents, trade and other receivables, amount due from a subsidiary and related parties, trade and other payables, amount due to a subsidiary, joint venture and related parties and amount due to an associated company. The fair values of these financial instruments approximate their carrying amounts due to their short term nature. The fair value of the Group's and the Company's available-for-sale financial assets with a maturity of more than one year is disclosed in Note 12.

28 Capital Management

The Group and the Company manage its capital to safeguard the Group's and the Company's abilities to continue as a going concern in order to provide returns for shareholders, to support the Group's and Company's stability and growth and to provide capital for the purpose of strengthening the Group's and the Company's financial management capability. Management reviews the capital structure on an annual basis. As a part of the review, management considers the cost of capital and the risks associated with each class of capital. Accordingly, the Group and the Company will balance its overall capital structure through payment of dividends as well as the issue of new debt or the redemption of existing debt. The Group and Company's overall strategy remain unchanged from 2014.

Management monitors capital with reference to a net debt against equity ratio. The Group's and the Company's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that is possible with greater leverage.

The capital structure of the Group and the Company consists of net debt (which includes trade and other payables and due to an associated company, subsidiary, related parties and joint venture, net of cash and cash equivalents) and total equity comprising share capital, retained earnings and reserves. The net debt against equity ratio is calculated as net debt divided by total equity.

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Net cash	(5,362,146)	(2,834,020)	(3,201,007)	(1,268,726)
Total equity	15,513,621	9,638,159	10,549,330	8,199,600
Net debt against total equity	-*	-*	-*	-*

* The Group and the Company have net cash of US$5,362,146 (2014: US$2,834,020) and US$3,201,007 (2014: US$1,268,726) as at 31 December 2015.

The Group and Company do not have to comply with any externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

THE FOLLOWING DETAILED INCOME STATEMENT

HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY

AND DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

DETAILED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 US$	2014 US$
REVENUE		
Time charter income	3,545,906	5,016,256
Voyage freight income	17,073,077	33,885,478
Commission income	350,630	793,664
	20,969,613	39,695,398
Less: DIRECT COSTS		
Address commission expense	258,462	465,670
Agency fee expense	165,717	349,366
Broker's commission	383,309	806,212
Bunker cost	4,346,595	11,486,090
Despatch expense	277,029	231,116
Port expenses	1,974,021	3,456,400
Hire expense	8,596,872	18,881,115
Others	2,111,881	2,019,146
	18,113,886	37,695,115
GROSS PROFIT	2,855,727	2,000,283
Less: ADMINISTRATIVE EXPENSES		
Amortisation of intangible asset	13,515	15,881
Audit fee	18,503	18,583
Bank service charge - general and administration	4,142	2,737
Bank service charge - voyage related	11,366	18,473
Commission expense	-	11,087
Consultants fee expense	865,164	843,847
General expense	3,862	2,436
IT support services	29,790	24,025
Maintenance fees	24,700	22,200
Membership	3,726	-
Other voyage expenses	-	25,174
Realised foreign exchange (gain)/loss	(3,619)	955
Secretary fee	12,740	12,433
Subscriptions	14,378	2,305
Sundry expense	3,157	5,624
Travelling	137,432	149,000
	1,138,856	1,154,760
Share of profit of associated companies	283,073	35,136
Share of profit of joint ventures	2,912,527	870,821
PROFIT BEFORE INCOME TAX	4,912,471	1,751,480