Torvald Klaveness

FINANCIAL STATEMENTS

KLAVENESS SHIP HOLDING

2014

KLAVENESS SHIP HOLDING AS CONSOLIDATED

Board of directors' report 2014

Klaveness Ship Holding AS ("KSH") was established 31 May 2005 and is fully owned by Rederiaksjeselskapet Torvald Klaveness. Klaveness Ship Holding AS is located in Oslo, Norway, and is the holding company of the shipowning activities in Rederiaksjeselskapet Torvald Klaveness. The consolidated financial statement of the Company as at year end 31 December 2014 comprises the Company and its subsidiaries.

2014 HIGHLIGHTS

Despite continued weak shipping markets Klaveness Ship Holding AS and subsidiaries (the Group) delivered a positive result and maintained a high solidity and satisfying liquidity in 2014. Three container vessels were delivered from yard, increasing the container fleet from five to eight vessels. Three specialised Cabu vessels were ordered from Zhejiang OuHua Shipbuilding Co. Ltd China with scheduled delivery in 2016 and 2017. Further, the Group exercised options for two Kamsarmax dry bulk vessels and resold two vessels, leaving the Group with a net order of two Kamsarmax vessels at Jiangsu Yangzijiang Shipbuilding Co. Ltd in China. The LR-tanker MV Baru, that was part of the Cabu fleet, was recycled in March.

The Group issued a new senior unsecured bond of NOK 400 million (KSH02) in the first half of 2014. This bond issue was listed on the Nordic ABM exchange. The currency and interest risk is partly hedged through a cross-currency interest rate swap. In connection with the placement of the new bond issue, the Group repurchased bonds with a total nominal value of NOK 100 million in the first bond issue (KSH01). In December 2014, NOK 10 million of the second bond issue was repurchased.

The market for the Group's specialised vessels was satisfactory in 2014. In the Cabu segment several contracts were renewed and new contracts were concluded, securing continuation of volumes carried in the past and contributing positively to the Cabu fleet's performance going forward. The company's fleet of selfunloading bulk carriers, which continued to be employed in the CSL International pool, performed well. The container market continued to be weak in 2014, but Klaveness' container vessels were employed throughout the year with consecutive renewals at rates above the general market due to their fuel efficiency.

The Group has implemented International Financial Reporting Standard (IFRS) for the consolidated accounts and for its subsidiaries from January 1, 2014. Comparative figures are retranslated to IFRS as adopted by EU.

Two mergers among subsidiaries took place in 2014. Klaveness Container Holding AS was merged into Klaveness Container AS, and Klaveness Bulk Holding AS was merged into its subsidiary Klaveness Bulk AS.

NEWBUILDING PROGRAM

The Group has three 80,500 DWT Cabu carriers under construction at Zhejiang Ouhua Shipbuilding Co. Ltd. in China with delivery in 2016 and 2017. The vessels are intended to be part of the Cabu fleet of vessels.

The Kamsarmax newbuilding program consists of two 82,000 DWT vessels with delivery in 2015 2016. Project management and supervision is carried out by Klaveness Ship Management AS, a subsidiary of Rederiaksjeselskapet Torvald Klaveness.

All container newbuildings are now delivered, increasing the fleet to eight vessels in total.

NET RESULT AND FINANCIAL POSITION

Operating revenues of the Group for 2014 was USD 127.4 million (2013: USD 107.1 million) and operating expenses amounted to USD 55.1 million (2013: USD 39.5 million). EBITDA was USD 62.6 million (2013: 63.7 million) and net financial items were negative by USD 12.5 million (2013: negative USD 6.7 million). Net profit after tax was USD 15.5 million (2013: USD 30.6 million), whereof USD 2.3 million was minority interests related to external investors (2013: USD 3.8 million) in some of the Cabu vessels and in the subsidiary Klaveness Container AS.

The Group’s result was positively impacted by sale of Kamsarmax newbuilding contracts with a gain of USD 3.4 million, and a reversal of impairments on the container vessels of USD 3.4 million. The reversal was related to reallocation of cost price in connection with delivery of the last three container vessels. This was partly offset by impairment on the container vessels MV Baro, MV Barry and MV Balsa of in total USD 1.9 million. The green recycling of MV Baru had limited impact on the result of the Group (net loss of USD 0.9 million).

The Group’s results were negatively impacted by positioning costs and upstoring of new vessels, and the new container vessel earnings were also negatively impacted by low rates in the currently weak container market.

The financial costs have increased due to the increase in interest bearing debt, both related to delivery of newbuildings and the issuance of a bond loan to improve investment capacity. The interest rate exposure has been partly mitigated through fixed interest rate swaps and the USD/NOK exposure related to the bond loans has been partly fixed.

Total assets increased by USD 46.7 million in 2014, from USD 574.3 at year end 2013 to USD 621.0 at end of 2014. Non-current assets increased by USD 58.6 million mainly due to the delivery of three container newbuildings in the first quarter and payment of yard installments on vessels under construction. Deferred tax asset (USD 6.3 million) increased mainly due to temporary differences on financial assets. Cash and bank deposits were USD 81.7 million as per year end, down from USD 99.6 at year end 2013.

Total equity increased by USD 7.9 million during the year due to total comprehensive income of USD 13.0 million and payments to non-controlling interests of USD 5.1 million. The book equity ratio (including non-controlling interests) at year end 2014 was 46 % (2013: 49 %).

The interest-bearing debt rose by USD 35.3 million during 2014 and amounted to USD 316.4 million at year end 2014.

The Group's consolidated cash flow from operating activities is USD 53.0 million (2013: 72.8 million), while net cash flow from investment activities is negative by USD 86.3 million. The latter consists mainly of investments in newbuildings, delivery of vessels, upgrading of existing vessels and proceeds from recycling MV Baru and sale of Kamsarmax newbuilding contracts. Net cash flow from financing activities amounts to USD 15.6 million and consists of drawdown on mortgage loans in connection with delivery of vessels, issuance of bond loans, repayment of mortgage debt, debt to the shipyard and buy-back on bond loans.

Operating result of the standalone financial statements of the parent company Klaveness Ship Holding AS consists of administrative expenses of USD 1.2 million (2013: USD 0.3 million). The financial result consists mainly of dividends from subsidiaries (T Klaveness Shipping AS) of USD 51.5 million, net gain on foreign exchange of USD 3 million, interest expenses for bond loan of USD 5.6 million and impairment of shares in T Klaveness Shipping AS of USD 3 million. The impairment in shares is a result of an adjustment in shares used as contribution in kind (2013 transaction) measured at fair value in the restated 2013 IFRS financial statements for the parent company (transition effect – see note 1 in the statutory accounts). Fair value of the shares was estimated to be USD 346.6 million compared to cost price of the shares of USD 399k. Identified added values are related to vessels. Due to declining vessel values in 2014, an impairment of USD 3 million (2013: USD 9 million) has been identified in the income statement in 2014.

Net profit for the year is USD 43.6 million (2013: negative USD 11.5 million). Klaveness Ship Holding AS statutory balance sheet has an increase in total asset of USD 95.1 million from 2013 to 2014, due to increased ownership and investment in subsidiaries and loan to related parties, financed by the new bond loan.
Net operating cash flow from the parent company was negative in 2014, USD 12.2 million (2013: negative 4.9 million), mainly due to change in receivables due to loan given Klaveness Container AS for financing of the three container vessels delivered from yard in 2014. Net cash flow from investment activities was negative with USD 47.1 million (2013: negative USD 17.9 million) due to investment in subsidiaries. Net cash flow from financing activities amounted to USD 52.5 million in 2014, mainly due to placement of a bond issue (2013: USD 63.8 million).

FINANCING AND GOING CONCERN

Klaveness Ship Holding AS made a new senior unsecured bond issue of NOK 400 million (KSH02) in the first half of 2014. This bond issue was also listed on the Nordic ABM exchange. In connection with the placement of the new bond issue, Klaveness repurchased bonds with a total nominal value of NOK 100 million in the first bond issue (KSH01). In December 2014, NOK 10 million of the second bond issue (KSH02) was repurchased.

One Cabu refinancing was completed in the fourth quarter, and bank financing for all the newbuildings is estimated to be finalised in first quarter of 2015. The new bond issue and bank financing for the newbuildings has strengthened the company`s liquidity further.

The accounts are reported under the assumption of a going concern and the Board considers the financial position of Klaveness Ship Holding at year-end to be solid.

THE MARKETS

The dry bulk market weakened considerably during 2014 with both lower freight rates and vessel values. The weak freight markets were mainly driven by low coal imports to China and Indonesian bans on raw minerals exports. On the positive side, Chinese iron ore imports and steel exports rose by 12 and 50 percent respectively. The Group's fleet of specialized vessels were somewhat impacted by the weak dry bulk market, but still maintaining rates well above the average dry bulk rates.

The container market for feeder vessels stayed flat at low levels in 2014. A total of 7 sub-panamax container vessels were delivered in 2014 and 25 were scrapped, reducing the fleet from 661 to 645 vessels during the year. Containerized trade volumes grew about 6 percent. The total container vessel capacity increased by close to 5.5 percent. The total number of idle container vessels dropped from 235 to 118 vessels in 2014. The number of idle container vessels in the 2000-5000 TEU dropped significantly, whereas the number of idle vessels in the 500-2000 TEU segment fell slightly. The average time charter rate for sub-panamax 2.500 TEU standard type was USD 7.292/day in 2014 compared to USD 7.592/day in 2013.

After peaking in June, oil prices tumbled and ended up declining by more than 50 percent during 2014. After worries of weak demand and oversupply, the significant movements were triggered by OPEC's decision to not support oil prices by production cuts. Bunker prices followed oil prices, and bunkers with delivery in Singapore ended at USD 299 per metric tonne (2013: 616 $/mt) at year-end.

BUSINESS SEGMENTS

By end of 2013 the fleet consisted of six cabu vessels, five selfunloaders and eight container vessels. In addition, the Group has two Kamsarmax and three Cabu vessels under construction.

Cabu: The Cabu earnings remained stable despite a weak dry bulk market. Several contracts of affreightment were renewed in 2014 and new contracts concluded, securing continued good working relationships with key customers and contributing positively to the Cabu fleet's performance going forward. One older LR tanker, which was part of the Cabu pool, was green recycled in 2014.

Selfunloader: The selfunloader net revenues from the CSL pool weakened somewhat towards the end of the year, due to a combination of weather related delays and temporary negative effects from falling bunker prices. Still, rates remained well above the general dry bulk market. The vessels “MV Baldock” and “MV Barkald” were docked in 2014. During the docking of “MV Baldock” earlier damages to the rudder were repaired, leading to longer time at the yard. “MV Balto” changed the main engine torsional vibration damper during the year.

Container: The container earnings were negatively impacted by weak charter rates but all eight vessels have been employed on short-term time charters throughout the year. While the new vessels have been earning rates above the general market due to their fuel efficiency, rates have in general been near operating cost in the segment. The two 10-year old vessels “MV Baro” (previously “MV Amundsen”) and “MV Barry” both went through drydocking in 2014. The container vessels “MV Barry”, “MV Bardu” and “MV Balao” experienced incidents in the port of Lagos, Nigeria. The most serious event occurred when the “MV Barry” touched ground near Lagos and got its propeller damaged in October 2014.

MAIN RISKS

Operational risks are mainly related to the operation of vessels under the management of Klaveness Ship Management AS (sister company). The Group's vessels are on technical management to Klaveness Ship Management AS which ensures compliance with IMO, flag and port state regulations. Quality and safety audits are performed regularly and the crew and officers onboard are trained to ensure that regulatory requirements are met.

Operational risks are managed through quality assurance procedures and systematic training of seafarers and land based employees. All vessels sailing through piracy exposed areas take necessary steps to mitigate the risk of such attacks. Operational risks are also covered by insurance where relevant to cover loss of assets, revenues and contract commitments. The vessels are insured for loss of hire, protection and indemnity (P&I) and complete loss (hull and machinery). The latter is aligned with vessel values. The financial impact of a total loss of a vessel will not be material for the Group.

Ownership of vessels involves risks related to vessel values, future vessel employment, revenues and costs. These risks are partly managed through time charter contracts and contracts of affreightment covering a large part of the vessel capacity.

The Group's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of most entities in the Group. No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited. The bonds issued in NOK are partly hedged with a cross currency interest rate swap, reducing the total currency and interest exposure of the Group.

The Group has long term interest bearing debt that is exposed to floating interest rate. In order to hedge the risk, the Group has entered into interest rate swaps.

At the end of 2014, the Group had five new-buildings on order, whereof four have steel cutting in 2015. Risk of delays and failure of the yards to deliver exists. Klaveness has dedicated on-site personnel who supervise the building processes. Tier one Chinese banks provide refund guarantees.

EVENTS AFTER THE BALANCE SHEET DATE

The Group is refinancing two loan facilities in the first quarter of 2015, one revolving credit facility (RCF) of USD 75 million and one term loan facility of USD 140 million. The RCF has a tenor of 6 years and will replace the capacity of the existing RCF and the term loans for MV Balto, MV Balchen and MV Baldock. The new RCF will be secured in all five selfunloader vessels. The new term loan facility has a tenor of 7 years and will replace the capacity of the term loan for MV Bangor and MV Banyias`s share of the existing RCF and secure financing for all the newbuildings. The new bond issue and bank financing for the newbuildings has improved liquidity and reduced the Groups' liquidity risk.

There have been no other major transactions or events subsequent to the closing date that would have a negative impact on the evaluation of the financial position of Klaveness Ship Holding AS.

ENVIRONMENT

The vessels that are owned directly or indirectly by the Group and its subsidiaries, participate in shipping pools for operation and chartering. The pools are taking technical and operational precautions to protect the environment as embodied in ISM and MARPOL. The pools are further seeking to reduce the strain on the environment through efficiency of the voyage execution and by reducing ballast voyages.

There are no employees in the company, hence no actions were planned or implemented to promote equality or prevent discrimination. The board consists of two men and one woman.

The consolidated and parent accounts are prepared under the assumption of going concern. Nothing has occurred after the balance date, which may significantly influence the result or the balance sheet. The Board of Directors finds that the accounts represent a true and fair view of the company's equity and debt, financial position and result.

The Board of Directors in Klaveness Ship Holding AS

Oslo, 31 December 2014
Oslo, 16 March 2015

____________________	____________________
Lasse Kristoffersen Chairman of the Board	Bent Martini Board Member
____________________	____________________
Rebekka Glasser Herlofsen Board Member	Morten Skedsmo Managing Director

Klaveness Ship Holding AS

Consolidated Income Statement

USD '000	Note	Year ended 31 December 2014	2013
Operating revenue, vessels	Note 2	123 992	103 587
Gain from sale of fixed assets	Note 3	3 381	2 400
Other operating revenue		-	1 104
Total operating revenue		**127 372**	**107 091**
Operating expenses, vessels	Note 2, 4, 22	(55 098)	(39 467)
Loss from sale of assets	Note 3, 20	(3 076)	-
Group administrative services	Note 4, 22	(5 369)	(3 362)
Tonnage tax		(213)	(198)
Other operating and administrative expenses	Note 5	(1 047)	(411)
EBITDA		**62 569**	**63 653**
Ordinary depreciation	Note 8	(34 266)	(29 698)
Impairment loss (-) / reversal	Note 8, 9	1 538	3 840
EBIT		**29 842**	**37 795**
Finance income	Note 6	3 190	210
Finance costs	Note 6	(15 690)	(6 950)
Profit before tax		**17 342**	**31 055**
Income tax expenses	Note 7	(1 843)	(471)
Profit after tax		**15 499**	**30 584**
Attributable to:			
Equity holders of the parent company	Note 20	13 161	26 812
Non-controlling interests		2 338	3 772
Total		**15 499**	**30 584**
Earnings per share - basic and diluted (USD)	Note 20	13,16	26,81

Klaveness Ship Holding AS

Consolidated Statement of Other Comprehensive Income

USD '000	Note	2014	2013
Profit of the year		**15 499**	**30 584**
Other comprehensive income to be reclassified to profit or loss			
Net movement fair value on interest rate swaps	Note	(213)	226
Net movement fair value on cross-currency interest rate swap	Note	(18 392)	(3 152)
Reclassification to profit and loss of cash flow hedges		15 118	2 920
Income tax effect	Note	942	2
Net other comprehensive income to be reclassified to profit or loss		**(2 546)**	**(4)**
Other comprehensive income not to be reclassified to profit or loss		-	-
Net other comprehensive income not to be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the period, net of tax		**(2 546)**	**(4)**
Total comprehensive income/(loss) for the period, net of tax		**12 953**	**30 580**
Attributable to:			
Equity holders of the parent company		10 615	26 808
Non-controlling interests		2 338	3 772
Total		**12 953**	**30 580**

Klaveness Ship Holding AS

Consolidated Balance Sheet Statement

USD '000	Note	As at 31 December 2014	2013	1 January 2013
ASSETS				
Non-current assets				
Deferred tax asset	Note 7	6 308	296	283
Goodwill		-	-	42
Vessels	Note 8	477 515	423 593	209 413
Newbuilding contracts	Note 9	27 725	28 355	77 140
Investments in associated companies		-	-	22
Financial assets	Note 12, 13	13	226	-
Other long-term receivables	Note 10	1 920	2 400	-
Total non-current assets		**513 481**	**454 870**	**286 900**
Current assets				
Inventories		1 992	1 745	383
Accounts receivable		867	24	1 600
Receivables from related parties	Note 10	7 327	10 113	30 037
Prepaid expenses		790	1 126	2 058
Other short-term receivables	Note 10, 23	14 873	6 810	5 547
Cash and cash equivalents	Note 11	81 690	99 612	39 429
Total current assets		**107 538**	**119 430**	**79 055**
TOTAL ASSETS		**621 020**	**574 300**	**365 955**

Klaveness Ship Holding AS

Consolidated Balance Sheet Statement

		As at 31 December		
USD '000	Note	2014	2013	1 January 2013
EQUITY AND LIABILITIES				
Equity				
Share capital	Note 19	1 817	1 817	1 654
Share premium		16 861	16 861	2 024
Other paid-in capital		5 585	5 585	5 585
Other reserves		(2 550)	(4)	-
Retained earnings		243 621	233 796	205 131
Equity attributable to equity holders of the parent		**265 334**	**258 055**	**214 394**
Non-controlling interests		21 592	21 009	14 438
Total equity		**286 926**	**279 064**	**228 832**
Non-current liabilities				
Mortgage debt	Note 15	195 988	186 863	96 763
Bond loans	Note 16	78 138	48 524	-
Interest bearing debt to related parties	Note 15, 18	-	-	3 832
Other non-interest bearing liabilities		-	-	3 938
Financial liabilities	Note 12, 13	22 286	3 152	-
Total non-current liabilities		**296 412**	**238 539**	**104 533**
Current liabilities				
Short-term mortgage debt	Note 15	20 671	43 361	16 775
Accounts payable		1 245	1 654	5 236
Current debt to related parties	Note 15, 18	1 525	4 368	886
Tax payable	Note 7	6 977	516	4 473
Tonnage tax payable		213	198	174
Other current liabilities	Note 18	7 051	6 600	5 046
Total current liabilities		**37 682**	**56 697**	**32 590**
TOTAL EQUITY AND LIABILITIES		**621 020**	**574 300**	**365 955**

Oslo, 31 December 2014
Oslo, 16 March 2015

Lasse Kristoffersen
Chairman of the Board

Bent Martini
Board member

Rebekka Glasser Herlofsen
Board member

Morten Skedsmo
Managing Director

Klaveness Ship Holding AS

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent							
	Share capital	Share premium	Other paid in capital	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2013	**1 654**	**2 024**	**5 585**	**-**	**205 131**	**214 394**	**14 438**	**228 832**
Profit (loss) for the year					26 812	26 812	3 772	30 584
Other comprehensive income for the year				(4)		(4)		(4)
Total comprehensive income for the year				**(4)**	**26 812**	**26 808**	**3 772**	**30 580**
Payments to non-controlling interests							(9 522)	(9 522)
Issue of share capital 19 December 2013	163	14 837				15 000		15 000
Issue of share capital from non-controlling interests						-	12 500	12 500
Adjustment equity					1 759	1 759		1 759
Other changes					94	94	(179)	(85)
Equity at 31 December 2013	**1 817**	**16 861**	**5 585**	**(4)**	**233 796**	**258 055**	**21 009**	**279 064**
Profit (loss) for the year					13 161	13 161	2 338	15 499
Other comprehensive income for the year				(2 546)		(2 546)		(2 546)
Total comprehensive income for the year				**(2 546)**	**13 161**	**10 615**	**2 338**	**12 953**
Payments to non-controlling interests							(5 090)	(5 090)
Reallocation to non-controlling interests*					(3 335)	(3 335)	3 335	-
Equity at 31 December 2014	**1 817**	**16 861**	**5 585**	**(2 550)**	**243 621**	**265 334**	**21 592**	**286 927**

*A capital increase from majority in container vessels diluted the shares owned by non-controlling interests. The dilution ratio was based on fair value which resulted in a reallocation from majority to non-controlling interests.

Hedging reserve
The reserve contains total net changes in the fair value of financial instruments recognized to fair value with changes through OCI.

Klaveness Ship Holding AS

Consolidated Statement of Cash Flows

USD '000	Note	2014	2013
Profit before tax		17 342	31 055
Net gain/loss fixed assets		(304)	-
Ordinary depreciation	Note 7	34 266	29 698
Impairment loss/ reversal	Note 7, 8	(1 538)	(3 840)
Interest income	Note 5	(146)	(152)
Interest expenses	Note 5	12 115	6 035
Taxes paid for the period		(714)	(178)
Change in receivables		(5 550)	18 769
Change in current liabilities		(2 801)	(9 293)
Change in other working capital adjustments		180	526
Interest received		146	152
A: Net cash flow from operating activities		**52 994**	**72 772**
Acquisition of tangible assets		(7 788)	(34 500)
Installments and cost on newbuilding contracts		(87 246)	(143 984)
Payment receieved disposal of vessels		4 920	-
Payment received sale of newbuilding contracts		3 766	-
Sale of subsidiaries, net of cash		-	651
B: Net cash flow from investment activities		(86 349)	**(177 833)**
Proceeds from mortgage debt		65 500	131 513
Proceeds from bond loan		67 161	52 250
Transaction costs on issuance of loans		(1 320)	(2 373)
Repayment of mortgage debt		(65 997)	(27 963)
Cash proceeds from buy back bond loans		(18 763)	-
Repayment of debt to the yard		(13 783)	-
Interest paid	Note 5	(12 115)	(6 035)
Cash proceeds from issuing of shares		-	15 000
Cash proceeds from issuing of shares non-controlling interests		-	12 500
Dividends to non-controlling interests		(5 090)	(9 522)
C: Net cash flow from financing activities		**15 593**	**165 370**
Change in liquidity in the period (A + B + C)		(17 761)	60 309
Net foreign exchange difference		(161)	(126)
Net change in liquidity in the period		**(17 922)**	**60 183**
Cash and cash equivalents at beginning of period		99 612	39 429
Cash and cash equivalents at end of period	Note 10	81 690	99 612
Net change in cash and cash equivalents in the period		**(17 922)**	**60 183**
Undrawn facilities	Note 13	41 500	24 500

CORPORATE INFORMATION

Klaveness Ship Holding AS (”parent company”/KSH) is a private limited company domiciled and incorporated in Norway. The parent company has headquarter and is registered in Drammensveien 260, 0212 Oslo. The parent company’s consolidated accounts for the fiscal year 2014 include the parent company and its subsidiaries (referred to collectively as the Group) and associated companies.

The ultimate parent of the company is Rederiaksjeselskapet Torvald Klaveness. The consolidated financial statements for the ultimate parent is available at www.klaveness.com.

The consolidated financial statements for Klaveness Ship Holding AS for the fiscal year 2014 are approved in the board meeting at 16 March 2015.

The Group activities are described in note 2.

BASIS OF PREPARATION

The consolidated financial statements of the Group and the financial statements for the parent company have been prepared in accordance with International Financial Reporting Standards (”IFRS”) as endorsed by the European Union.

The consolidated financial statements are based on historical cost, except for derivative financial instruments which are measured at fair value.

An additional statement of financial position as at 1 January 2013 is presented in these consolidated financial statements and in the financial statements for the parent company due to first time adoption of IFRS. The effects of changes in accounting policies are presented in note 1.

FOREIGN CURRENCY TRANSACTIONS

The presentation currency for the Group is US Dollar (USD). The Group companies, including the parent company, have USD as their functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the functional currency rate prevailing at the balance sheet date. Exchange differences arising from translations into functional currency are recorded in the income statement.

Non-monetary assets and liabilities measured at historical cost in foreign currency are translated into the functional currency using the historical exchange rate. Non-monetary assets and liabilities recognized at fair value are translated using the exchange rate on the date of the determination of the fair value.

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was NOK/USD 6.3 in 2014 (2013: 5.8770). At year-end 2014, an exchange rate of NOK/USD 7.4299 (2013: 6.0815) was used for the valuation of balance sheet items.

CONSOLIDATION POLICIES

Subsidiaries

The Group’s consolidated financial statements comprise Klaveness Ship Holding AS (KSH) and companies in which KSH has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50 % of the shares in the company or through agreements are capable of exercising control over the company. Non-controlling interests are included in the Group’s equity.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and consolidation is continued until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same accounting period as the parent company, using consistent accounting principles for similar transactions and events under otherwise similar circumstances.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Common control transactions

Transactions between entities that are ultimately controlled by the same party are accounted for as common control transactions, excluded from the scope of IFRS 3 Business Combinations. Common control transactions are accounted for based on the pooling of interest method, with continuity on carrying amounts. Comparable figures are adjusted to reflect such structural changes.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over these policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Group's share of the net results of operations of the associate. Any change in other comprehensive income) ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Gains or losses on disposals of shares in subsidiaries to non-controlling interests are also recorded in equity.

If the Group loses control of a subsidiary during the reporting period, the assets and liabilities of the former subsidiary is derecognized from the consolidated accounts and recognized as an investment at fair value in accordance with relevant IFRSs. The carrying amounts of any non-controlling interests are also derecognized. Gains or loss associated with the loss of control is recognized in profit and loss.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparing financial statements in conformity with IFRS requires the management to make judgments, use of estimates and assumptions which affect the application of the accounting policies and the reported amounts of assets and liabilities, revenues and expenses.

The estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as freight rates, interest rates, foreign exchange rates, oil prices and more which are outside the Group's and parent company's control. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. Changes in accounting estimates are recognized in the period the changes occur. When changes to estimates also affect future periods the effect is distributed between of the current and future periods.

Significant estimates and assumptions

Management has made estimates and assumptions which have significant effect on the amounts recognized in the financial statements. In general, accounting estimates are considered significant if:

- the estimates require assumptions about matters that are highly uncertain at the time the estimates are made
- different estimates could have been used
- changes in the estimates have a material impact on Klaveness Ship Holding's financial position

Carrying amount of vessels, residual value, depreciation and impairment

In addition to the purchase price, the carrying amount of vessels is based on management's assumptions of useful life and residual value of the vessels. Useful life may change due to change in technological developments, competition, environmental and legal requirements, freight rates and steel prices.

The residual value of the vessel is calculated as the light displacement of the vessel multiplied with the estimated steel prices minus the estimated cost in connection with the scrapping. Residual values are challenging to estimate given the long lives of the vessels, the uncertainty as to future economic conditions and the future price of steel, which is considered as the main determinant of the residual price.

When value in use calculations are performed, management estimates the expected future cash flows from the assets or cash-generating unit (defined in the section of "judgments") and determine a suitable discount rate in order to calculate the present value of those cash flows. This will be based on management's evaluations, including estimating future performance, revenue generating capacity, and assumptions of future market conditions and appropriate discount rates. Changes in circumstances and management's evaluation and assumptions may give rise to impairment losses. While management believes that the estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the evaluations.

On a quarterly basis, management assesses indicators of impairment for non-financial assets and whether the assumptions in the value in use calculations are reasonable. Recoverable amount is set as the highest of broker values and value in use. If carrying value exceeds the estimated recoverable amount, impairment is recognized. Impairments are reversed in a later period if recoverable amount exceeds carrying amount.

Onerous contracts

At each reporting date, management assesses if there are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. A provision is recorded by estimating the present obligation under the contract.

The recognition of deferred tax assets

Deferred tax assets are only recognized if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Judgments

In the process of applying Klaveness Ship Holding's accounting policies, management has made the following judgments which have significant effect on the amounts recognized in the financial statements.

Impairment

The Group has defined the fleet of combination carriers (Cabu) as one cash generating unit (" CGU"), due to the Group's operational strategy to manage the fleet as a portfolio and thereby optimizing the portfolios' cash flow and the earnings for the entire Group. The Cabu vessels are sister vessels. For container vessels and selfunloader vessels the Group has defined that each vessel is a separate CGU as the cash flows from these vessels can be separated on an individual level.

Consolidation of Banasol Inc and Banastar Inc

The Group owns 50 % of Banasol Inc and 50 % of Banastar Inc. The remaining shares are owned by one shareholder, Veronica Co Ltd. The entities own one vessel each; MV Banasol and MV Banastar. Management has assessed the investments against control criterias in IFRS 10 whether the Group has rights to direct the relevant activities. The management is of the opinion that power is embedded in one or more contractual arrangements for the main activities; chartering activity and ship-owning activity. The assessment shows that all elements of control are present. The Group is considered to control the entities Banasol Inc and Banastar Inc which have been consolidated as subsidiaries into the Group's financial statements.

SEGMENT REPORTING

The operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group executive management who makes the strategic decisions.

The vessels are structured into segments based on type of freight the vessels transport. The internal financial reports are structured into five reporting segments with similar characteristics i) Combination Carriers (Cabu) ii) Selfunloader vessels iii) Container vessels iv) Dry bulk investments (Kamsarmax) and v) Other/administration. The shipping market in general offers a global service covering major trade routes. All segments have worldwide activities. Due to this, assets and liabilities is not allocated to geographical segments.

REVENUE RECOGNITION

Revenue is recognized when it is probable that transactions will generate future economic benefits that will flow to the company and the amount can be reliably estimated, regardless of when payment is being made. Revenues are recognized at fair value and presented net of value added tax and discounts.

The Group's shipowning companies

The Group's revenue in ship owning companies derives from chartering (hiring) out its vessels to operating companies. Vessels owned by the Group are either operated under time charter contracts or participate in a pool.

Revenues from time charters (TC) are accounted for as operating leases under IAS 17. The Group owns eight container vessels. The charter agreements are on time charter basis, implying chartering a complete vessel including crew. Revenues from predetermined time charters are recognized on a straight-line basis over the duration of the period of each charter and adjusted for off-hire days, as the service is performed.

Net-revenues from the pool participation are recognized in accordance with revenue recognition in the co-sailing pool (charterer). Profit from the co-sailing pool is allocated to each vessel participating in the pool, based on allocation keys (vessel earning points) stipulated in pool participation agreements. Revenues and costs associated with the vessels' voyages are accrued according to the share of voyage days that occur before closing (percentage of completion method). Voyage accounting consists of actual figures for completed voyages and estimates for voyages in progress. Voyages are normally discharge-to-discharge. Except for any period a vessel is declared off-hire due to technical or other owner's matters, a ship is always allocated to a voyage.

OPERATING EXPENSES

Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lubricant oils and management fees. When vessels are on hire, the majority of vessel operating expenses are reimbursed from the charterer. When the vessel is off hire, vessel operating expenses are mainly for owners account.

INCOME TAX

All the companies within the Group, with the exception of Klaveness Ship Holding AS (parent company) and KCL AB, are organized in compliance with the Norwegian tonnage tax regime ("NTT"). KSH and KCL AB are subject to ordinary taxation. Company tax in Norway is 27 % (2013: 28 %). Subsidiaries outside of Norway are governed by the tax laws and tax rates in the local jurisdiction. Some companies in the Group are subject to taxation in Norway based on controlled foreign company (CFC) rules where tax is charged at the investor level. All of these companies are subject to the Norwegian tonnage tax regime and owned by a company subject for tonnage tax regime.

The NTT entails no tax on operating profits or tax on dividends from companies within the scheme. Net financials, allowed for some special regulations, are taxed on an ongoing basis, currently at a rate of 27 %. A tonnage fee is charged per vessel depending on the size of the vessel owned or leased by companies taxed under the NTT. This tonnage tax is classified as an operating cost.

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 27 % on the basis of temporary differences between tax and accounting values of assets and liabilities that exist at the balance sheet date. Deferred taxes are recognized using the liability method in accordance with IAS 12. Deferred tax is only calculated for assets and liabilities for which future realization will lead to tax payable.

Temporary differences, both positive and negative, are balanced out within the same period. Deferred tax liabilities/deferred tax assets within the same tax system are recorded on a net basis. Income tax relating to items recognized directly in equity is included directly in equity and not in the statement of income.

VESSELS, NEWBUILDINGS AND DOCKING

Non-current assets such as vessels, the cost of dry-docking and newbuildings are carried at cost less accumulated depreciation and impairment charges. Cost is defined as directly attributable cost plus borrowing cost during the construction period.

Depreciation of vessels

Depreciation is calculated on a straight-line basis over the estimated useful life of a vessel taking its residual value into consideration. Useful life is estimated to be 20-25 years for the Group's fleet. Certain capitalized elements like costs related to periodic maintenance/dry-docking have shorter estimated useful lives and are depreciated until the next planned dry-docking, typically over a three to five years period. When newbuildings are delivered a portion of the cost is classified as dry docking.

Costs of day-to-day servicing, maintenance and repairs are expensed.

The useful life and residual values are reviewed at each balance sheet date. Residual Residual value is further described under "Significant estimates and assumptions".

Newbuildings

Vessels under construction are classified as non-current assets and recognized at the cost incurred in relation to the non-current asset when paid. Newbuildings are not depreciated until delivery. Borrowing costs directely attributable to the construction of vessels are added to the cost of the vessels, until such time as the vessels are ready for their intended use.

Impairment of vessels and newbuildings

On a quarterly basis the balances are assessed whether there is an indication that vessels and newbuilding contracts may be impaired. If the recoverable amount is lower than the book value, an impairment charge is recorded. Impairment losses are recognized in the profit and loss statement. An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. For further information regarding impairment considerations, refer to critical accounting estimates and judgments.

LEASING

The Group differentiates between financial leasing and operational leasing based on an evaluation of the lease contract at the time of inception. A lease contract is classified as a financial lease when the terms of the lease transfer substantially all risk and rewards of ownership to the lessee. All other leases are classified as operational leases. When a lease contract is classified as a financial lease where the Group is the lessee, the rights and obligations relating to the leasing contracts are recognized in the balance sheet as assets and liabilities. The interest element in the lease payment is included in the interest costs and the capital amount of the lease payment is recorded as repayment of debt. The lease liability is the remaining part of net present value of future payments. For operational leases, the rental amount is recorded as an ordinary operating cost.

The Group has leasing agreements related to the container vessels which all are classified as operational leases. Lease payments received are recognized in profit or loss on a straight-line basis over the term of the lease, typically 3-9 months.

FAIR VALUE MEASUREMENT

Financial instruments, such as, derivatives, are measured at fair value. The fair value of financial instruments traded in active markets is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. The fair value of financial instruments not traded in active markets is determined using appropriate evaluation techniques.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

FINANCIAL ASSETS

The Group and the parent company classify financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge. The classification depends on the purpose of the asset. Derivatives are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance sheet date. These are classified as non current assets. Loans and receivable are classified as other current assets or other non current assets in the balance sheet.

Loans and receivables are recognized initially at their fair value plus transaction costs and subsequently measured at amortised cost. The interest element is disregarded if it is insignificant, which is normally the situation for the Group. Should there be objective evidence of a decline in value, the difference between the carrying amount and the estimated recoverable amount is recognized as a loss in the period they arise.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or are transferred, and the group has transferred by and large all risk and return from the financial asset.

Hedge accounting – cash flow hedges

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks that are within the scope of IAS 39.

Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when fair value is positive and as financial liabilities when the fair value is negative.

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit and loss.

Amounts recognized as other comprehensive income are transferred to profit and loss when the hedged transaction affects profit and loss, such as when the hedged financial income or expense is recognized or when a forecast transaction occurs.

Derivative financial instruments that are designated as, and are effective hedging instruments are separated into a current and non-current portion consistent with the classification of the underlying item.

FINANCIAL LIABILITIES

Interest bearing debt and bond loans are recognized at fair value when the proceeds are received, net of transaction costs. In subsequent periods, loans are stated at amortized cost using the effective rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement as finance costs over the term of the loan. Loans are classified as current liabilities unless the group or the parent company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

This category generally applies to interest-bearing loans and borrowings. For more information refer note 15 and 16.

INVENTORIES

Inventories consist mainly of lubricant oil and are recognized at cost in accordance with the first in – first out method (FIFO). Inventories are valued at the lower of cost and net realizable value. Impairment losses are recognized if the net realizable value is lower than the cost price.

CASH AND CASH EQUIVALENTS

Cash includes cash in hand, bank deposits and other highly liquid investments with original maturities of three months or less.

EQUITY

Transaction costs related to an equity transaction are recognized directly in equity, net of tax.

DIVIDENDS

Dividend payments are recognized as a liability in the Group's financial statements from the date when the dividend is approved by the general meeting.

PROVISIONS

A provision is recognized when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount.

Provisions usually relate to legal claims.

Provisions for loss-making contracts are recognized when the Group's estimated revenues from a contract are lower than unavoidable costs which were incurred to meet the obligations pursuant to the contract (ref description of onerous contracts in section "Significant estimates and assumptions").

RELATED PARTIES

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. Related parties transactions are recorded to estimated fair value. Transactions with related parties are disclosed in note 22.

EVENTS AFTER BALANCE SHEET DATE

New information on the Group's financial position at the balance sheet date is taken into account in the annual financial statements. Subsequent events that do not affect the Group's position at the balance sheet date, but which will affect the Group's position in the future, are disclosed if significant.

CLASSIFICATION OF ITEMS IN THE BALANCE SHEET

Current assets and short-term liabilities include items due less than one year from the balance sheet date, as well as items due more than one year from the balance sheet date, that are related to the operating cycle.

Liabilities with maturity less than one year from the balance sheet date are classified as current. All other debt is classified as long-term debt. The first year's repayment of long-term debt is classified as current.

CASH FLOW STATEMENTS

The cash flow statements are based on the indirect method.

STANDARDS, AMENDMENTS AND INTERPRETATIONS

The financial statements have been prepared based on standards, amendments and interpretations effective for the year ending 31 December 2014. IASB has issued the following standards/amendments to the following standards that are not yet effective which may have an impact of these financial statements:

- IFRS 9 Financial Instruments (effective date 1 January 2018)

- IFRS 15 Revenue from contract with customers (effective date 1 January 2017)

The Group has not yet completed it's assessment if IFRS 9 Financial instruments or IFRS 15 Revenue from contracts with customers will have significant impact on the financial statements. Other issued standards and interpretations, that are not yet effective, are not applicable for the Group, and will not have an impact on the financial statements.

Consolidated Financial Statements

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Note 1 - Effects of changes in accounting policies

The Group applies IFRS as accounting policy for the first time for the 2014 financial statements. For all periods up to and including the year ended 31 December 2013, the Group has prepared its financial statements in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP).

The Group has elected to apply the following exceptions to the retrospective application of other IFRS:

The company has elected not to apply the current IFRS 3 in retrospect to business combinations before 1 January 2013. All business combinations before 1 January 2013 have been accounted for in accordance with applicable accounting policy (NGAAP) at the time of the particular business combination.

Change in accounting policy has no effect on the Financial Statements as of 1 January 2013.

Change in accounting policy has the following effects on the Financial Statements as of 31 December 2013:
- Recognition of derivatives to fair value with changes in fair value through OCI.

A) Recognition of fair value of interest rate swaps treated as cash flow hedge in accordance with IFRS (increase total comprehensive income by USD 226k)
B) Derecognition of currency adjustment of cross-currency interest rate swaps treated as cash flow hedge in accordance with IFRS (increase profit before tax by USD 2 920k)
C) Recognition of fair value of cross-currency interest rate swaps treated as cash flow hedge in accordance with IFRS (decrease total comprehensive income by USD 3 152k). The effect from change in exchange rate is reclassified from OCI to P&L (increase total comprehensive income/decrease profit before tax by USD 2 920k).
D) Net effect on fair value through other comprehensive income (decrease total comprehensive income by USD 4k, net after tax).

Reconciliation between previous GAAP and IFRS is presented below:

Consolidated Income Statement for the twelve months period ended 31.12.2013

USD '000	Reference	NGAAP	Remeasurement	IFRS
Profit after tax		**30 584**	**-**	**30 584**
Other comprehensive income	D)	-	(4)	(4)
Total comprehensive income		**30 584**	**(4)**	**30 580**

Consolidated Balance Sheet Statement as of 31.12.2013

USD '000	Reference	NGAAP	Remeasurement	IFRS
Deferred tax asset	E)	294	2	296
Fair value interest rate swap	A)	-	226	226
Other non-currnet assets		451 948	-	451 948
Non-current assets		**452 242**	**228**	**452 470**
Current assets		**121 830**	**-**	**121 830**
TOTAL ASSETS		**574 072**	**228**	**574 300**
Paid-in capital		22 717	-	22 717
Other reserves	D)	-	(4)	(4)
Retained earnings		235 343		235 343
Non-controlling interests		21 009		21 009
Equity		**279 069**	**(4)**	**279 064**
Bond loan	B)	51 444	(2 920)	48 524
Fair value cross currency interest rate swap	C)	-	3 152	3 152
Other non-current liabilities		186 863	-	186 863
Non-current liabilities		**238 307**	**232**	**238 539**
Current liabilities		**56 697**	**-**	**56 697**
TOTAL EQUITY AND LIABILITIES		**574 073**	**228**	**574 300**

Remeasurements made have no material effect on the consolidated cash flow statement for the period ended 31.12.13.

Note 2 - Segment reporting

The operating segments are reported in a manner consistent with the internal financial reporting provided to the executive management (chief operating decision-maker).

The financial reporting is divided into the following five operating segments:
- Combination Carriers (Cabu)
- Selfunloader vessels (SUL)
- Container vessels
- Dry bulk investments
- Other/administration

All segments have worldwide activities. The Group operates in an open international market where the various geographical areas are connected. The fleet has the flexibility to operate in all markets and are employed in a comprehensive pattern inside and between the regions in order to optimize income. Consequently, the Group's operating shipping activities are not attributed to specific geographical markets.

Cabus are spesialized vessels constructed to carry caustic soda and dry bulk. The Group owns six Cabu vessels which participate in a pool operated by Cabu Chartering AS (sister company). The Group has three cabu newbuildings under construction scheduled for delivery in 2016 and 2017.

SUL vessels are specialized bulk carriers equipped with a conveyor belt for discharging the cargo. The Group owns five SUL vessels which are part of a co-sailing pool managed by Canadian Steamship Lines Inc. (CSL).

The Container vessels are standard vessels which are operated on short term time-charter (TC) agreements.The Group owns eight container vessels.

The Group has invested in two 82,000 dwt standard dry bulk newbuilding contracts with delivery in 2015 and 2016.

The remaining of the Group's activities, eliminations and intra group transactions are shown in the "other/administration" column. The Group's administration costs and other shared costs have been allocated to segments. Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

Information regarding the Group’s reportable segments is presented below. Interest income and interest expense have not been allocated to segments, as the financing is managed on a group basis.

The Group had one customer in 2014 (2013: one) that represented more than ten percent of operating revenue in the Group.

Income statement by segments 1 January - 31 December 2014

(USD'000)	Combination carriers	Selfunloader vessels	Container vessels	Dry bulk investments	Other/ admin	Total consolidated
Operating revenue, vessels	53 218	47 510	23 265	-	(2)	123 991
Gain from sale fixed assets	-	-	-	3 381	-	3 381
Other operating revenue	-	-	-	-	-	-
Total operating revenue	53 218	47 510	23 265	3 381	(2)	127 372
Operating expenses, vessels	(16 028)	(17 316)	(22 025)	-	271	(55 098)
Loss from sale fixed assets	(3 076)	-	-			(3 076)
Group administrative services	(1 109)	(1 007)	(2 598)	(506)	(149)	(5 369)
Ordinary depreciation	(12 364)	(13 668)	(8 341)	-	107	(34 266)
Impairment	-	-	1 538	-		1 538
Other operating and adm expenses	-	(100)		(500)	(660)	(1 260)
Total operating expenses	(32 577)	(32 091)	(31 427)	(1 006)	(431)	(97 530)
Operating profit/EBIT	20 641	15 420	(8 162)	2 375	(433)	29 842

Balance sheet by segments 1 January - 31 December 2014

(USD '000)	Combination carriers	Selfunloader vessels	Container vessels	Dry bulk investments	Other/ admin	Total consolidated
ASSETS						
Vessels	168 968	98 598	209 949	-		477 515
Newbuilding contracts	21 946	-	-	5 944	-	27 890
Other non-current assets	-	-	13	1 920	193	2 126
Total non-current assets	190 914	98 598	209 962	7 864	193	507 531
Cash	24 586	15 965	2 186	4 194	34 759	81 690
Current assets	8 874	8 807	5 043	2 663	495	25 881
Total current assets	33 460	24 772	7 229	6 856	35 254	107 572
TOTAL ASSETS	**224 374**	**123 370**	**217 191**	**14 720**	**35 447**	**615 103**
EQUITY AND LIABILITIES						
Total equity	163 817	67 002	106 929	14 720	(64 623)	287 846
Interest bearing debt	50 535	48 453	97 603	-	-	196 591
Bond loans	-	-	-	-	78 138	78 138
Other non-current financial liabilities	772	-	-	-	21 514	22 286
Total non-current liabilities	51 307	48 453	97 603	-	99 652	297 015
Short-term interest bearing debt	6 342	4 826	9 504	-	-	20 672
Other current liabilities	2 908	3 089	3 156	-	418	9 571
Total current liabilities	9 250	7 915	12 660	-	418	30 242
TOTAL EQUITY AND LIABILITIES	**224 374**	**123 370**	**217 191**	**14 720**	**35 447**	**615 103**
Capital exp. Vessels	(1 419)	(3 109)	(3 260)			(7 788)
Capital exp. NB	(21 462)	-	(61 150)	(2 770)	-	(85 382)
Cash from operation	31 586	25 978	(4 619)	2 375	(540)	54 781

Cash from operation is reported excluding capital expenditures on newbuildings and acquisition of second hand vessels, as this is considered not part of normal operation, and including minority interests.

Income statement by segments 1 January - 31 December 2013

USD'000	Combination carriers	Selfunloader vessels	Container vessels	Dry bulk invstments	Other/ admin	Total consolidated
Operating revenue, vessels	58 393	38 938	6 264	-	(8)	103 587
Gain from sale of fixed assets	-	-	-	2 400	-	2 400
Other operating revenue	-	-	-	-	1 104	1 104
Total operating revenue	58 393	38 938	6 264	2 400	1 096	107 091
Operating expenses, vessels	(16 968)	(15 248)	(10 170)	-	2 919	(39 467)
Group administrative services	(840)	(1 103)	(1 676)	-	257	(3 362)
Ordinary depreciation	(16 131)	(10 831)	(3 814)	-	1 078	(29 698)
Impairment	-	-	3 840	-		3 840
Other operating and adm expenses	-	3 097	-	-	(3 706)	(609)
Total operating expenses	(33 939)	(24 085)	(11 820)	-	548	(69 296)
Operating profit/EBIT	24 454	14 853	(5 556)	2 400	1 644	37 795

Balance sheet by segments 1 January - 31 December 2013

USD'000	Combination carriers	Selfunloader vessels	Container vessels	Dry bulk investments	Other/ admin	Total consolidated
Vessels	117 561	179 478	126 517	-	37	423 593
Newbuilding contracts	-	-	23 015	5 340	-	28 355
Other non-current assets	-		226	0	294	520
Total non-current assets	117 561	179 478	149 758	5 340	331	452 468
Cash	53 860	2 462	1 074	700	41 517	99 612
Current assets	18 731	2 077	1 400	-	10	22 218
Total current assets	72 591	4 538	2 474	700	41 527	121 830
TOTAL ASSETS	**190 152**	**184 016**	**152 232**	**6 040**	**41 858**	**574 298**
EQUITY AND LIABILITIES						
Total equity	121 334	93 149	70 271	6 040	(11 733)	279 062
Long-term interest bearing debt	42 645	85 606	58 078	-	534	186 863
Bond loan	-	-	-	-	48 524	48 524
Other non-current financial liabilities	-	-	-	-	3 152	3 152
Total non-current liabilities	42 645	85 606	58 078	-	52 210	238 539
Short-term interest bearing debt	19 675	3 981	19 705	-	-	43 361
Other current liabilities	6 498	1 279	4 178	0	1 381	13 336
Total current liabilities	26 173	5 261	23 883	0	1 381	56 697
TOTAL EQUITY AND LIABILITIES	**190 152**	**184 016**	**152 232**	**6 040**	**41 858**	**574 298**
Capital exp. Vessels	(3 800)	-	(34 500)	-		(38 300)
Capital exp. Newbuildings	-	(51 463)	(130 609)	(5 300)		(187 372)
Cash from operation	36 785	25 684	(5 582)	2 400	566	59 853

Cash from operation is reported excluding capital expenditures on newbuildings and acquisition of second hand vessels, as this is considered not part of normal operation, and including minority interests.

Note 3 - Gain/ (loss) sale of fixed assets

USD'000	2014	2013
Sale of Kamsarmax newbuildings contracts	3 381	2 400
Gain from sale of fixed assets	**3 381**	**2 400**

USD'000	2014	2013
Green recycling MV Baru	(3 076)	-
Loss from sale of fixed assets	**(3 076)**	**-**

The kamsarmax newbuildings represent a newbuilding programme of in total eight vessels, whereas the Group at year end 2014 is in ownership of two of the vessels under construction (see note 9).

In Q4 2013, the Group sold two Kamsarmax newbuilding contracts to an external. The net gain on this transaction was USD 2.4 million.

In Q1 2014, one newbuilding contract was sold to an external party with a gain of USD 0.5 million. Another contract was sold to an external party with a net gain of USD 2.9 mill recognized in 2014.

MV Baru was recycled in Q1 2014 which resulted in a loss of USD 3.1 million. As compensation for the cancelled TC-contract the Group has received USD 2.2 million from Cabu Chartering AS (sister company) which has been recognized as operating revenue.

Note 4 - Operating expenses

USD '000	2014	2013
Technical expenses	16 746	12 297
Crew costs	20 965	14 804
Insurance	5 093	3 080
Crewing agency fee to Klaveness Ship Management AS (note 22)	1 679	1 170
Ship management fee to Klaveness Ship Management AS (note 22)	4 048	2 876
IT fee to AS Klaveness Chartering (note 22)	562	-
Commission fee	873	-
Other operating expenses	5 133	5 239
Total operating expenses	**55 098**	**39 467**

Costs related to technical management, maintenance and crewing services are recognised as operating expenses. Technical expenses are costs related to spare parts, consumables, cargo handling, power supply, navigation and communication. Crew costs include sea personnel expenses such as wages, social costs, travel expenses and training.

USD '000	2014	2013
Commercial management fee to Klaveness Chartering AS (KC) (note 22)	4 717	1 499
Accounting fee and other administrative fees to KC (note 22)	652	1 863
Group administrative services	**5 369**	**3 362**

Note 5 - Other operating and administrative expenses

The Group has no employees and has thus no wage expenses or pension liabilities. Services including management, technical, commercial and crewing are acquired from other companies within Rederiaksjeselskapet Torvald Klaveness (RASTK), see note 22. The managing director and members of the Board of Directors are employees of other companies within RASTK. No special remuneration has been paid to the various members of the Board of Directors, beacuse such positions of office are a part of their

Remuneration to the auditor

USD'000	2014	2013
Statutory audit	155	115
Other assurance services	13	26
Tax advisory fee	-	-
Other assistance	-	-
Total expensed audit fee	**168**	**141**

Auditor's fees are stated excluding VAT.

Note 6 - Finance income and finance costs

USD'000	2014	2013
Interest received from related parties	1	1
Other interest income	145	151
Other financial income	115	58
Gain / (loss) on foreign exchange	2 930	-
Total finance income	**3 190**	**210**

USD'000	2014	2013
Interest paid to related parties	1	64
Interest expenses mortgage debt	6 471	3 895
Interest expenses bond loan	5 643	2 076
Fair value changes interest rate swaps (note 12)	742	-
Other financial expenses	2 800	645
Gain / (loss) on foreign exchange	-	270
Total finance costs	**15 657**	**6 950**

Interest expenses of USD 0.9 million is capitalized as borrowing costs into newbuildings in 2014 (2013: USD 2.5 million) (see note 9). Refer to note 15 and note 16 for further disclosures of the Group's debt.

Note 7 - Taxes

Tonnage tax
Companies subject to tonnage tax regimes are exempt from ordinary tax on their shipping income. All the Norwegian companies within the Group, with the exception of the parent company, are subject to tonnage taxation. The companies within this system have to pay a tonnage fee based on the size of the vessels. The fee is recognized as an operating expense. Financial income is taxed according to the ordinary Norwegian tonnage tax regime, and it is only a portion of the interest and currency expenses that gives the right to tax deductions.

Ordinary taxation
The ordinary rate of corporation tax in Norway is 27 % for 2014 (2013: 28 %). Subsidiaries outside of Norway are governed by the tax laws and tax rates in the local jurisdiction (Klaveness Cement Logistics AB subject to tax rate of 22 % in Sweden). Tax expenses outside Norway is not material.

Some companies in the Group are subject to taxation in Norway based on controlled foreign company (CFC) rules where tax is charged at the investor level. All of these companies are subject to the Norwegian tonnage tax regime and owned by a company subject for tonnage tax regime.

USD '000 Income taxes for the year	2014	2013
Income taxes payable	6 977	516
Change in deferred tax	(4 219)	(11)
Adjustment correction of last year's tax expense	(851)	-
Tax adjustments - others	(65)	(34)
Total tax expense / income (-) reported in the income statement	**1 843**	**471**
Net (gain)/loss on revaluation of cash flow hedges	(942)	(2)
Deferred tax charged to OCI	**(942)**	**(2)**

USD '000		2014		2013
Tax payable	**Income**	**Tax effect**	**Income**	**Tax effect**
Profit / loss (-) before taxes	17 342	4 682	31 055	8 695
Income from shipping activity, tonnage tax system	(14 811)	(3 999)	(32 044)	(8 972)
Increase in income due to high equity	-	-	36	10
Change in temporary differences	13 410	3 621	817	229
Permanent differences	-	-	(31)	(9)
Change in tax losses carried forward	2 218	599	895	251
Exchange rate differences	7 408	2 074	1 148	321
Group contribution	-	-	(31)	(9)
Tax payable in the balance sheet**	**25 567**	**6 977**	**1 844**	**516**
Effective tax rate		40 %		2 %

USD '000	Temporary	2014	Temporary	2013
Temporary differences - ordinary taxation	**difference**	**Tax effect**	**difference**	**Tax effect**
Gains and losses accounts	(489)	(132)	(747)	(202)
Currency gain/loss not realised	5 938	1 603	754	204
Unrealised gain/loss IRS	(424)	(114)	36	10
Unrealised gain/loss CCIRS	(21 544)	(5 817)	(3 152)	(851)
Deficit carried forward	(3 348)	(904)	(1 130)	(305)
Net temporary differences - deferred tax liability/asset (-)	**(19 867)**	**(5 364)**	**(4 239)**	**(1 146)**
Tax (income)/expense during the period recognised in OCI		(944)		(2)
Deferred tax liability/asset (-) in balance sheet*		**(6 308)**		**(1 148)**

*At year-end 2014 the Group has recorded a deferred tax asset of USD 6.3 million. At year-end 2013 the company recorded a defered tax asset of USD 296k. Temporary difference related to the CCIRS for 2013 has been adjusted in 2014 (USD 3 152k). Recognised deferred tax asset is expected to be utilized in the future upon realisation of the financial asset/liability.

**Group contribution of USD 22.3 million from Klaveness Ship Holding AS to Klaveness Finans AS (sister company) has not been recognised as a liability in the financial statements as of 31.12.2014 as the group contribution is not yet approved by the company's shareholders. The group contribution is provided with tax effect and will decrease tax payable by USD 6 million for 2014.

Note 8 - Vessels

2014	Selfun-loaders	Cabu carriers	Container	Total vessels*
Cost price 1.1	244 437	244 758	161 157	650 352
Delivery of newbuildings	-	-	88 269	88 269
Additions (mainly upgrading and docking of vessels)	3 109	1 419	5 230	9 758
Disposals	(4 798)	(39 511)	(377)	(44 686)
Costprice 31.12	**242 748**	**206 666**	**254 279**	**703 693**
Acc. Depreciation 1.1	61 298	113 618	2 338	177 254
Depreciation for the year	13 620	12 364	8 282	34 266
Reclass/disposal	(4 798)	(17 914)	(377)	(23 089)
Acc. depreciation losses 31.12	**70 120**	**108 068**	**10 243**	**188 431**
Acc. impairment losses 1.1	3 660	13 578	32 266	49 504
Impairment for the year	-	-	(1 538)	(1 538)
Impairment reclassed from newbuildings	-	-	3 398	3 398
Disposal	-	(13 578)	-	(13 578)
Acc. impairment losses 31.12	**3 660**	**-**	**34 126**	**37 786**
Carrying amounts 31.12.2014	**168 968**	**98 598**	**209 910**	**477 476**
No. of vessels	5	6	8	
Useful life	20	20	25	
Depreciation schedule	Straight-line	Straight-line	Straight-line	

2013	Selfun-loaders	Cabu carriers	Container	Total vessels*
Cost price 1.1	129 630	243 881	-	373 511
Additions (mainly upgrading and docking of vessels)	114 807	3 844	161 157	279 808
Disposals	-	(2 967)	-	(2 967)
Costprice 31.12	**244 437**	**244 758**	**161 157**	**650 352**
Acc. depreciation losses 1.1	50 242	100 281	-	150 523
Depreciation for the year	11 056	16 304	2 338	29 698
Disposal	-	(2 967)	-	(2 967)
Acc. depreciation losses 31.12	**61 298**	**113 618**	**2 338**	**177 254**
Acc. impairment losses 1.1	-	13 578	-	13 578
Impairment for the year	3 660	-	-	3 660
Impairment reclassed from newbuildings	-	-	32 266	32 266
Acc. impairment losses 31.12	**3 660**	**13 578**	**32 266**	**49 504**
Carrying amounts 1.1.2013	**79 389**	**130 024**	**-**	**209 413**
Carrying amounts 31.12.2013	**179 479**	**117 562**	**126 553**	**423 593**
No. of vessels	5	7	8	
Useful life	20	20	25	
Depreciation schedule	Straight-line	Straight-line	Straight-line	

*Carrying value of vessels includes dry-docking. Carrying amounts at year end of dry-docking was USD 12.1 million (2013: USD 10.4 million, 1.1.13: USD 8.8 million).

Pledged vessels
All owned vessels are pledged to secure the various loan facilities (refer to note 15 for further information).

Disposals of vessels
The tanker MV Baru was green recycled in March 2014 which resulted in a loss of MUSD 3.1 million. As compensation of the cancelled TC-contract the Group has received USD 2.2 million from Cabu Chartering AS (sister company) which has been recognized as operating revenue.

Reallocation of cost price
In Q1 2014 the Group took delivery of the last three identical container vessels (Baleares class) that were part of the newbuilding contract with Yangzijiang. The two last vessels included a discount in contractprice. As these three vessels (MV Baleaeres, MV Bardu and MV Banak) were negotiated based on the same contract and are identical container vessels, the Group has considered the vessels as one contract and cost price has been reallocated accordingly for each vessel with no effect on total vessel values, depreciation and impairment. As broker values for the vessels are higher than booked value, the previous impairment on Baleares of USD 3.4 million has been reversed in 2014.

Impairment assessment
The Group has performed an impairment test where the value in use is calculated using estimated cash flows.

The estimated cash flows are based on management's best estimate and reflect the Group's expectations of the market in the different segments. The net present value of future cash flows is based on a pre-tax weighted average cost of capital (WACC) of 8.5 % in 2014 (2013: 8.5 %) Cash flows are estimated over the remaining life of the vessel, with an estimated residual value at the end of the economic life based on USD 400 per light displacement ton. If scenario's of sale of a vessel before end of useful life is used, estimated salesprice is based on average 10-years salesprice of identical vessel types of same age. From 2019 and onwards, the cash flows are based on a zero-growth scenario, however an escalating factor of an in average 2.6 % inflation rate has been included for all operating expenses for all years until scrapping/sale.

Container vessels
The Group has calculated value in use of each vessel by discounting expected future cash flows. Recoverable amount has been calculated by weighing different scenarios in line with the Groups business strategy. Dependent on how the market develops, the different scenarios include 1) ownership of the vessels over the remaining lifetime; 2) sale of vessels in five years; and 3) sale of the vessels in ten years. The management is of the opinion that this method will take into account uncertainties in the estimates used in the cash flow model and the fact that shipping is a cyclical industry.
Recoverable amount has been set as the highest of estimated value in use and broker values. Recoverable amount has been compared to booked values.

In 2014, impairment of USD 0.3 million and USD 0.7 million are recognized respectively for Baro and Barry and an impairment of USD 0.9 million for Balsa. As decribed above (reallocation of cost price) the Group recognized a reversal of impairment of USD 3.4 million in 2014, which results in net reversal of USD 1.5 million for 2014.

A negative shift in the estimated TC rate from 2015 and onwards of USD 1 000 per day, all other factors held constant, would not result in any impairment loss. A negative shift in the estimated TC rate from 2015 and onwards of USD 2 000 per day, all other factors held constant, an impairment of USD 1.8 million would be recognised for one of the container vessels. A 1.0 per cent point increase in the estimated cost of capital would not result in any impairment loss (each vessel considered as a seperate cash generating unit).

Cabu carriers
Cash flow projections for the cabu vessels over the remaining economic life of the vessels show a net present value which is higher than the booked value of the fleet (considered as one cash generating unit). Broker values are obtained, however the valuation is based on standard dry bulk vessels so that specialized features of the cabu vessels are not taken into account. No impairment has been recognized for the cabu vessels at 31 December 2014 (2013: 0).

A negative shift in the estimated TC rate from 2015 and onwards of USD 1 000 per day, all other factors held constant would not result in any impairment loss. A negative shift in the estimated TC rate from 2015 and onwards of USD 2 000, all other factors held constant, would not result in any impairment loss. A 1.0 per cent point increase in the estimated cost of capital, from 8.5 % to 9.5 % would not result in any impairment loss.

Selfunloaders
Cash flow projections for the selfunloader vessels over the remaining economic life of the vessels show a net present value which is higher than the booked value of each vessel (considered as one cash generating unit). Broker values are obtained, however the valuation is based on standard dry bulk vessels so that specialized features of the selfunloader vessels are not taken into account. No impairment has been recognized for the selfunloader vessels at 31 December 2014 (2013: USD 3.7 million).

A negative shift in the estimated TC rate from 2015 and onwards of USD 1 000 per day, all other factors held constant, would result in an impairment loss of USD 0.9 million for one of the vessels. A negative shift in the estimated TC rate from 2015 and onwards of USD 2 000 per day, all other factors held constant ,would result in an impairment loss of USD 3.7 million for one of the vessels. A 1.0 per cent point increase in the estimated cost of capital, from 8.5 % to 9.5 % would not result in any impairment loss.

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/ reversal	2014	2013
Impairment of vessels	(1 860)	(3 660)
Reversal impairment newbuildings (see note 9)	3 398	7 500
Total impairment loss (-) / reversal	**1 538**	**3 840**

Note 9 - Newbuildings

As of 31 December 2014, the Group has a newbuilding programme consisting of construction of three identical combination carriers (Zhejiang OuHua Shipbuilding Co. Ltd in China) and two identical kamsarmax bulk carriers (Jiangsu Yangzijiang Shipbuilding Co. Ltd. in China). The combination carriers are scheduled for delivery in 2016 and 2017, and the kamsarmax vessels in 2015 and 2016.

The kamsarmax newbuildings are part of a newbuilding programme of in total eight vessels. One of the contracts have been sold in 2014, whereas five contracts has been novated to other companies (see note 3), leaving the Group with an ownership of in total two newbuilding contracts at year-end 2014.

During 2013 and 2014, the Group has taken delivery of in total six container vessels. The last three was delivered during the first quarter of 2014. The original newbuilding contract for one of these vessels was swapped against a different newbuilding contract with an earlier delivery and a further option to decleare two more vessels. The transaction resulted in a reversal of impariment of USD 7.5 million in 2013 (see note 8).

The selfunloader vessels Balto and Balchen were delivered to the Group in March 2013 and in September 2013 respectively. The vessels are employed in the spot co-sailing pool CSL.

As per year end 2014, no indicators of impairment was identified, and no impairment is recognized in the financial statements.

2014

Investments in newbuildings	Container	Cabu	Kamsarmax	Total
Cost 1.1	23 015	-	5 340	28 355
Borrowing cost	927	-	-	927
Yard installments paid	61 153	21 462	2 770	85 385
Other capitalized cost	876	484	504	1 864
Impairment loss (-)/reversal	3 398	-	-	3 398
Sale of newbuilding contracts	-	-	(2 670)	(2 670)
Transfered to vessels under operation	(89 369)	-	-	(89 369)
Net carrying amount at 31 December	**-**	**21 946**	**5 944**	**27 890**

2013

Investments in newbuildings	Container	SUL	Kamsarmax	Total
Cost 1.1	13 797	63 343	-	77 140
Borrowing cost	1 299	1 194	-	2 494
Yard installments paid	119 770	45 923	5 340	171 033
Other capitalized cost	9 540	4 346	-	13 886
Impairment loss (-)/reversal	7 500	-	-	7 500
Transfered to vessels under operation	(128 891)	(114 807)	-	(243 698)
Net carrying amount at 31 December	**23 015**	**-**	**5 340**	**28 355**

Note 10 - Receivables

USD'000 Other long-term receivables	2014	2013	1 Jan 2013
Sale of newbuilding contracts	1 920	2 400	-
Other long-term receivables	**1 920**	**2 400**	**-**

USD'000 Receivables from related parties	2014	2013	1 Jan 2013
Klaveness Ship Management AS	198	190	770
Cabu Chartering AS	7 129	9 923	11 040
Klaveness Finans AS (group contribution without tax effect)	-	-	18 227
Receivables from related parties	**7 327**	**10 113**	**30 037**

USD'000 Other short-term receivables	2014	2013	1 Jan 2013
Accrued income	2 845	3 822	2 345
Accrued interest income	302	482	148
Claims	6 167	609	765
Related party	-	399	-
Sale of newbuilding contracts	480	-	-
Other short-term receivables	5 113	1 499	2 289
Other short-term receivables	**14 907**	**6 810**	**5 547**

Note 11 - Cash and cash equivalents

The Group has bank deposits in the following currencies:

USD'000	2014	2013	1 Jan 2013
Bank deposits, NOK	1 525	104	2 796
Bank deposits, USD	79 611	99 007	34 399
Bank deposits, SEK	94	115	236
Cash	459	386	1 998
Total cash and cash equivalents	**81 690**	**99 612**	**39 429**

The equivalent of USD 94k of the bank deposit in SEK is restricted (2013: USD 112k).

Note 12 - Financial assets and liabilities

The Group has entered into interest rate swap agreements designated as cash flow hedges to partly hedge interest rate exposure related to the Group's long term mortgage debt. The purpose of these interest rate swaps is to limit the interest rate exposure related to the loans. When interest rate swaps qualify for hedge accounting, the fair value movement is recognised in other comprehensive income until realization of the hedged transaction, ref note 13 for further information. Fair value of interest rate swaps which qualify for hedge accounting is USD 13k (asset) as of year end 2014 (2013: USD 226k).

The Group has in 2014 entered into some interest rate swaps for speculative purposes. Fair value of these amounts to USD -742k (liability) as of year end 2014. Fair value movement in these swaps are recognized through P&L (note 6).

To hedge the Group's bond loans in NOK, the Group has entered into three cross currency interest rate swap agreements to secure the loan amount into USD. The interest rate and currency swap agreements are designated as cash flow hedges and are effective hedging instruments. Changes in fair value are recognised in other comprehensive income and will affect profit and loss upon maturity of the bond loans in 2018 and 2020.

Interest rate swap agreements on mortgage loans have a duration until 2018 when the underlying loans expire. Interest rate swap agreements for speculative purposes have a duration until 2023. The cross currency interest rate swaps are a full hedge on both exchange rate and interest rate for the duration of the bond loans, which mature in May 2018 and March 2020. Hence all swap agreements have been classified as non-current.

Non-current financial assets at 31 December

	2014	2013	1 Jan 2013
Financial instruments at fair value through OCI			
Interest rate swaps	13	226	-
Financial assets	**13**	**226**	**-**

Non-current financial liabilities at 31 December

	2014	2013	1 Jan 2013
Financial instruments at fair value through OCI			
Cross currency interest rate swap	21 544	3 152	-
Financial instruments at fair value through P&L			
Interest rate swaps	742	-	
Financial liabilities	**22 286**	**3 152**	**-**

For further information on interest rate swaps and cross-currency interest rate swaps see note 13.

Note 13 - Financial Risk Management

Capital management
The capital structure of the Group is intended to ensure financial stability for the purpose of reducing its cost of capital and maintain sufficient financial stability to reach its strategic goals. The target for the Group's capital structure states that cash should always be adequate to cover all ongoing business, liquidity fluctuations due to market volatility and investment needs. Targets has been defined for the ratio of net interest-bearing debt to EBITDA (adjusted EBITDA for vessels delivered or sold) and equity ratio. The gearing ratio, i.e. net interest-bearing debt to EBITDA was 3.9 at 31 December 2014 (2013: 2,64) and equity ratio as of 31 December 2014 was 45 % (2013: 50 %). Net interest bearing debt is calculated as all interest bearing debt less cash and cash equivalents, however restricted cash and money market fund is not included as cash or cash equivalents.The Group's covenants are described in note 15.

The capital structure composition and dividend payments are considered in view of debt service ability, capital commitments and expectations of future cash flows. Available cash, loan covenants and the balance sheet composition is monitored to make sure that the company has the necessary financial strength to continue as a going concern.

The Group aims to spend free cash flows as follows:
- Investments in developing new and existing business.
- Repayment of net interest-bearing debt in periods when financial gearing ratio of the Group is above the capital structure target.
- Distribution to the Company's shareholders by means of dividends.

The main priority of maintaining a strong financial position is to secure the ongoing business activity of the Group and the ability to do new business and to ensure access to funding at favourable terms. The Group's capital structure consists of mortgage debt (note 15), bond loans listed at Nordic ABM (note 16), cash and cash equivalents (note 11) and equity attributable to the shareholders.

Financial risk
The Group is exposed to operational risk, market risk (including but not limited to, currency risk, freight rate and vessel values), credit/counterparty risk and liquidity risk. The Group's excecutive management oversees the management of these risks, and is supported by a risk department and a treasury department that advise on market risks and financial risks and the appropriate financial risk governance framework for the Group. The risk department provides assurance to the excecutive management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities (FX/IR) for financial risk management purposes (incl. hedging) are carried out by the treasury department that have the appropriate skills, experience and supervision. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Operational risk
Operational risks are mainly related to the operation of vessels under the management of Klaveness Ship Management AS (sister company). The Group's vessels are on technical management to Klaveness Ship Management AS which ensures compliance with IMO, flag and port state regulations. Quality and safety audits are performed regularly and the crew and officers onboard are trained to ensure that regulatory requirements are met.

Operational risk is managed through quality assurance procedures and systematic training of seafarers and land based employees. All vessels sailing through piracy exposed areas take necessary steps to mitigate the threat of such attacks. Operational risk is also covered by insurance where relevant to cover loss of assets, revenues and contract commitments. The vessels are insured for loss of hire, protection and indemnity (P&I) and complete loss (hull and machinery). The latter is aligned with vessel values. The financial impact of a total loss of a vessel will not be material for the Group.

Market risk
Ownership of vessels involves risks related to vessel values, future vessel employment, revenues and costs. These risks are partly managed through short-term/long-term time charter contracts and contracts of affreightment covering a large part of the vessel capacity.

Foreign currency risk and interest rate risk
The Group's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of most entities in the Group. No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited. The bonds issued in NOK are partly hedged with a cross currency interest rate swap, reducing the currency and interest exposure.

The Group has long term interest bearing debt that is exposed to floating interest rate. In order to hedge the risk, the company has entered into interest rate swaps. At year end 2014, 14 % (2013: 13 %) of the floating interest loans are hedged. Long term mortgage debt bear interest at LIBOR plus a fixed margin. The following table sets out the outstanding swapped amounts as of 31 December 2014. The Group evaluates on an ongoing basis the need to further hedge interest rate exposure.

31.12.2014

USD'000 Loan facilities	Outstanding notional amounts of the swap	Swapped portion of credit facilities	Maturity	Fixed interest
Balao/Ballenita (SEB)	15 000	56 %	27.06.2018	1,370 %
Balsa/Baleares (DNB/Danske Bank)	7 500	50 %	24.09.2018	1,505 %
Balsa/Baleares (DNB/Danske Bank)	7 500	50 %	24.09.2018	1,437 %
Outstanding notional amounts	30 000			

31.12.2013

USD'000 Loan facilities	Outstanding notional amounts of the swap	Swapped portion of credit facilities	Maturity	Fixed interest
Balao/Ballenita (SEB)	15 000	79 %	27.06.2018	1,370 %
Balsa/Baleares (DNB/Danske Bank)	7 500	96 %	24.09.2018	1,505 %
Balsa/Baleares (DNB/Danske Bank)	7 500	96 %	24.09.2018	1,437 %
Outstanding notional amounts	30 000			

As of 31 December 2014, fair value of the interest rate swaps (IRS)which qualify for hedge accounting was positive by USD 13k (2013: USD 226k) and fair value of cross currency interest rate swap (CCIRS) negative by USD 21.5 million (2013: USD 3.2 million). Changes in the fair values of the IRS and CCIRS are recognized as other comprehensive income (OCI).

Below table sets out the split of other comprehensive income for the years ended 31 December 2014 and 2013, respectively:

Other comprehensive income / (loss) for the period, net of tax	2014	2013
Net movement fair value on interest rate swaps	(213)	226
Net movement fair value on CCIRS	(18 392)	(3 152)
Reclassification to profit and loss	15 118	2 920
Income tax effect	941	2
Other comprehensive income / (loss) for the period, net of tax	**(2 546)**	**(4)**

The table below shows estimated changes in profit before tax for the Group from reasonable possible changes in interest rates in 2014 and 2013, with all other variables held constant. The changes are estimated based on given capital structure as of year end.

USD '000	Change in interest rate	2014	2013
USD LIBOR	+1,50%	2 809	2 945
	+ 0,75%	1 404	1 472
	- 0,75%	(1 404)	(1 472)
	- 1,50%	(2 809)	(2 945)
NIBOR	+1,50%	197	-
	+ 0,75%	99	-
	- 0,75%	(99)	-
	- 1,50%	(197)	-

Counterparty/credit risk

Counterparty risk is generated by service deliveries to customers (CoA's) and risk related to the charterers of the vessels will not meet its obligations under the charter party contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables). The permitted exposure for each contractual partner is defined through a rating process in the risk department. The Group recognize claims to the extent the Group has legal right to insurance coverage or it is highly probable that the claim will result in cash inflows from the insurance company. Counterparty risk against insurance institutions exists.

Although all container vessels are currently on short-term charter parties, the commercial manager monitors the counterparties regularly and assesses whether any provisions for future losses should be made as per end of the reporting period.

Further, the Group is exposed to credit risk through its deposits. Deposits are made with financial institutions that have A/AA rating.

Total credit risk at year-end 2014 amounts USD 98 million (book value of receivables and bank deposits).

Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfill its liabilities when they fall due.
The Group has capital commitments relating to borrowings and newbuildings. Liquidity risk is managed by the Group's treasury department. The Group keeps its liquidity reserves mainly in cash and bank deposits. The liquidity risk is considered to be limited as the deposits are considered sufficient for all needs in the forseeable future. The Group's bank financing and bonds are subject to financial and non-financial covenant clauses.The table below illustrates the timing and magnitude of the Group's financial liabilities.

Maturity profile to financial liabilities at 31 December 2014

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Interest bearing debt and bond loan includes interest payments and interest and currency hedge. Maturity profile for loan facilities that are refinanced during the first quarter of 2015 (note 24) are included in line with original loan agreement.

Maturity profile financial liabilities at 31 Dec 2014	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	25 594	71 208	131 297	8 154	236 253
Bond loan (incl interests)	5 882	11 764	43 458	63 307	124 411
Accounts payable	1 245	-	-	-	1 245
Current debt to related parties	1 525	-	-	-	1 525
	34 246	**82 972**	**174 755**	**71 461**	**363 434**

Maturity profile financial liabilities at 31 Dec 2013	< 1 year	1-5 years	> 5 years	Total
Mortgage debt (incl interests)	36 179	216 567	-	252 746
Bond loan	3 322	67 202	-	70 524
Debt to shipyard	14 242	-	-	14 242
Accounts payable	1 654	-	-	1 654
Current debt to related parties	4 368	-	-	4 368
	59 765	**283 769**	**-**	**343 534**

Commitments newbuildings

The commitments related to newbuildings are set out below. The combination carriers are scheduled for delivery in 2016 and 2017, and the kamsarmax vessels in 2015 and 2016 (see note 9).

Remaining installments at 31 December 2014	2015	2016	2017	Total
Combination carriers	14 337	50 392	39 810	104 538
Kamsarmax	24 030	24 030	-	48 060
Total commitments newbuildings	**38 367**	**74 422**	**39 810**	**152 598**

Note 14 - Fair value measurement

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial assets included in the financial statements.

	Carrying amount			Fair value		
	2014	**2013**	**1 Jan 2013**	**2014**	**2013**	**1 Jan 2013**
Financial assets at fair value through OCI						
Derivates in effective cash flow hedges	13	226	-	13	226	-
Total financial instruments at fair value	**13**	**226**	**-**	**13**	**226**	**-**
Loans and receivables at amortised cost						
Other long-term receivables	1 920	2 400	-	1 920	2 400	-
Accounts receivable	867	24	1 600	867	24	1 600
Receivables from related parties	7 327	10 113	30 037	7 327	10 113	30 037
Total loans and receivables	**10 114**	**12 537**	**31 637**	**10 114**	**12 537**	**31 637**
Cash and cash equivalents*	**81 690**	**99 612**	**39 429**	**81 690**	**99 612**	**39 429**
Total	**91 817**	**112 375**	**71 066**	**91 817**	**112 375**	**71 066**
Total current	89 884	109 749	71 066	89 884	109 749	71 066
Total non-current	1 933	2 626	-	1 933	2 626	-

* including restricted cash (note 11)

	Carrying amount			Fair value		
	2014	**2013**	**1 Jan 2013**	**2014**	**2013**	**1 Jan 2013**
Financial liabilities at fair value through OCI						
Derivates in effective cash flow hedges	21 544	3 152	-	21 544	3 152	-
Financial liabilities at fair value through P&L						
Other derivatives	742	-	-	742	-	-
Total financial liabilities at fair value	**22 286**	**3 152**	**-**	**22 286**	**3 152**	**-**
Other financial liabilities at amortised cost						
Accounts payable	1 245	1 654	5 236	1 245	1 654	5 236
Other financial liabilities	1 525	4 368	8 656	1 525	4 368	8 656
Interest bearing debt	217 473	230 224	113 538	230 678	230 224	113 538
Bond loan	78 138	48 524	-	75 903	49 682	-
Total financial liabilities at amortised cost	**298 381**	**284 770**	**127 430**	**309 351**	**285 928**	**127 430**
Total	**320 667**	**287 922**	**127 430**	**331 637**	**289 080**	**127 430**
Total current	81 895	49 383	22 877	81 895	49 383	22 877
Total non-current	238 772	238 539	104 553	249 742	239 697	104 553

The fair value of the financial assets and liabilities is recognised as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transactions. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:
- Cash and restricted cash, trade receivables, trade payables and other current liabilities are recognized at their carrying amounts largely due to the short term maturities of these instruments.
- Fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Since the NOK 300 mill and NOK 400 mill bonds are listed on Nordic ABM (ticker KSH01 PRO, KSH02 PRO), fair value of the bonds is disclosed based on traded information.
- The Group enters into derivative financial instrument with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present calculations. The models incorporate various inouts including the credit quality of counterparties, forein exchange spot and forward rates and interest rate curves. Valuation is performed by banks.

Fair value hierarchy
The Group use financial hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the Group's assets and liabilities at 31 December 2014:

31.12.2014

Assets	Level 1	Level 2	Level 3	**Total**
Derivatives used for hedging				
Derivates in effective cash flow hedges		13		**13**

Liabilities	Level 1	Level 2	Level 3	**Total**
Financial liabilities at fair value through profit or loss				
Interest rate swaps		742		**742**
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	75 903			**75 903**
Mortgage debt			230 678	**230 678**
Derivatives used for hedging				
Derivates in effective cash flow hedges		21 544		**21 544**

The table below presents fair value measurements to the Group's assets and liabilities at 31 December 2013:

31.12.2013

Assets	Level 1	Level 2	Level 3	**Total**
Derivatives used for hedging				
Derivates in effective cash flow hedges		226		**226**

Liabilities	Level 1	Level 2	Level 3	**Total**
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	49 682			**49 682**
Mortgage debt			227 304	**227 304**
Derivatives used for hedging				
Derivates in effective cash flow hedges		3 152		**3 152**

The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date and are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example over -the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity sepcific estimates. If all significant inputs required to fair value an instrument are observable, the instruments are included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. During the reporting periods of 2013 and 2012, there were no transfers between any of the levels. Refer to Note 12 and 13 for the disclosures of non-current and current portion of the liabilities measured at fair value.

Note 15 - Interest bearing debt

The below table presents the Group's carrying amount of interest bearing debt by non-current and current portions for year ended 31 December 2014 and 2013, respectively. All debt except for the bond loans (NOK) are denominated in USD, ref note 16 for further information on bond loans.

As of 31 December 2014, the Group had a total of USD 317.2 million in interest bearing debt (incl capitalized fees, interest hedge and currency hedge) of which USD 296.5 million was classified as non-current debt and USD 20.7 million was classified as current debt. An overview of the loan facilities in the Group is presented below. Mortgage debt are subject to an interest rate of 3M LIBOR plus a margin of in range 0.7-3.25. Loan facilities that are subject to refinancing in Q1-2015 are described in note 24.

Mortgage debt	Description	Maturity	Carrying amount	Fair value
Baldock	DnB/USD 13.5 mill	Oct 2016*	7 000	7 000
Revolving credit facility	DnB/USD 52.5 mill	March 2015*	-	-
Balto/Balchen	DnB/ING/USD 75 mill	March 2018*	46 279	46 279
Barry/Baro/Bardu/Banak	DnB/USD 54.6 mill	March 2019		55 236
Balao/Ballenita	SEB/USD 30.158 mill	June 2018	26 950	29 018
Balsa/Baleares	DnB/Danske Bank/USD 35 mill	Sept 2018	30 056	32 601
Banasol	SEB/USD 12 mill	April 2018	8 500	9 093
Banastar	SEB/USD 12 mill	April 2018	8 500	9 093
Bangor	Danske Bank/USD 16 mill	March 2017*	11 600	11 600
Bantry	Danske Bank/18.9 mill	March 2017	14 569	15 249
Bakkedal	Nordea/USD 16 mill	July 2021	13 708	15 509
Mortgage debt 31 December 2014			**167 163**	**230 678**

* Loan facility refinanced Q1-2015 (see note 24 for further information).

2014 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	146 492	20 671	167 163
Transaction costs mortgage debt	(604)	-	(604)
Bond loan	79 409	-	79 409
Transaction costs bond loan	(1 271)	-	(1 271)
Cross currency interest rate swap	21 544	-	21 544
Total interest bearing debt	**245 570**	**20 671**	**266 241**

2013 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	188 191	29 578	217 769
Transaction costs mortgage debt	786	-	786
Bond loan	49 330	-	49 330
Transaction costs bond loan	(2 920)	-	(2 920)
Cross currency interest rate swap	3 152	-	3 152
Debt to shipyard	-	13 783	13 783
Total interest bearing debt	**238 539**	**43 361**	**281 900**

1 Jan 2013 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	96 763	16 775	113 538
Transaction costs mortgage debt	-	-	-
Total interest bearing debt	**96 763**	**16 775**	**113 538**

The Group has undrawn committed borrowing facilities available at 31 December, for which all conditions have been met, as follows:

	Credit		Drawn up		Available	
2014	**NOK mill**	**USD mill**	**NOK mill**	**USD mill**	**NOK mill**	**USD mill**
Revolving credit facility		41,5		-		41,5
Bond loan KSH01	500		300		200	
Buy back KSH01			-100			
Bond loan KSH02	600		400		200	
Buy back KSH01			-10			
Total	1100	41,5	590	-	400	41,5

	Credit		Drawn up		Available	
2013	**NOK mill**	**USD mill**	**NOK mill**	**USD mill**	**NOK mill**	**USD mill**
Revolving credit facility	-	57,5	-	33,0	-	24,5
Bond loan KSH 01	300	49,0	300	49,0	-	-
Total	300	106,5	300	82,0	-	24,5

Covenants

Existing credit facilities impose restrictions which may limit or prohibit the ability for some of the entities in the Group to incur additional indebtness, sell shares in subsidiaries, commit to new capital expenditure, pay dividends, engage in mergers and de-mergers or purchase and sell vessels without the consent of lenders (non-financial covenants). In addition, lenders may accelerate the maturity of the indebtness under financing agreements and foreclose upon the collateral securing the indebtness upon the occurence of certain events of defaults. Various debt agreements of the Group contain covenants which require the compliance of certain financial covenants. With regards to such covenants, the Group has to maintain a minimum market value of the vessels relative to outstanding loan amount, in the range 110-130 %, minimum equity on Group level of USD 125 mill, a minimum equity ratio of 30 %, maximum gearing ratio measured by net interest-bearing debt/EBITDA of 5.0 and a minimum free cash position of USD 10 mill. Certain cross-defaults exists.

The Group was in compliance with these covenants at 31 December 2014 and 31 December 2013.

Securities

As a security for the mortgage debt, the company has included a first priority security in all vessels ,and insurances in the vessels and assignment of the earnings of the vessels in favour of the debtors.

Book value of collateral, mortgaged and leased assets:	2014	2013	1 Jan 2013
Vessels	477 515	423 593	209 413
Total book value of collateral, mortgaged and leased assets	477 515	423 593	209 413

Note 16 - Bond loans

The Group has entered into two bond agreements in May 2013 and in March 2014.

The bond loans are listed on Nordic ABM and has a bullet structure with no repayment until maturity in respectively May 2018 and March 2020. Bond loans are subject to an interest rate of 3M NIBOR plus a margin of in range 4.25-4.75. Both bond loans are issued by Klaveness Ship Holding AS and the company has the right to call the entire/or parts of the bonds at any time as follows:

KSH01
- May 2015 - May 2016: Call option of 104.5 % of the par value plus accrued interests
- May 2016 - May 2017: Call option of 103 % of the par value plus accrued interests
- May 2017 - May 2018 (maturity): Call option of 101.5 % of the par value plus accrued interests

KSH02
- March 2018 - March 2019: Call option of 102.5 % of the par value plus accrued interests
- March 2019 - March 2020 (maturity): Call option of 101 % of the par value plus accrued interests

As the Group's base currency is USD, cross currency interest rate swaps (CCIRS) from NOK to USD, and from floating to fixed interest rate of the range 6,01% - 6,39 %, has been entered into. The CCIRS covers 100 % of the NOK 300 mill bond and 75 % of the NOK 400 mill bond at 31 December 2014.

The bond entered into in May 2013 has a borrowing limit of NOK 500 million and bond entered into in March 2014 has a borrowing limit of NOK 600 million.

Covenants are described in note 15.

Bond loan	Face value NOK'000	Year of maturity	Carrying amount (USD'000) 2014	2013
KSH01				
Original loan amount	300 000	08.05.2018	52 250	52 250
Buy back	(100 000)		(17 417)	-
Exchange rate adjustment			(7 915)	(2 920)
Capitalized expenses			(423)	(806)
			26 495	48 524
KSH02				
Original loan amount, fixed	300 000	20.03.2020	50 500	-
Original loan amount, unfixed	100 000	20.03.2020	16 828	
Buy back	(10 000)		(1 355)	
Exchange rate adjustment			(13 482)	-
Capitalized expenses			(848)	-
			51 644	-
Debt as of 31 December	**590 000**		**78 138**	**48 524**

Note 17 - Commitments and guarantees

Capital commitments
The Group has capital commitments relating to borrowings and newbuildings. For information of maturity profile for mortgage debt and bond loan, see note 13. Commitments related to newbuildings are presented in note 13. Available facilities is presented in note 15.

Commitments TC contracts (Group as lessor)
The Group has its container vessels on short-term time charter parties (3-9 months) accounted for as operational leases. The Group enters into a time charter contract with a charterer, to charter out a vessel for a stated period of time against a stated rate of hire per day.

The company's future operating net lease revenue from the time charter contracts are shown in the table below:

Operational lease	**2014**	**2013**
Due in < 1 year	6 100	25 000
1-5 years	-	-
From 5 years	-	-
Future net lease TC revenue	**6 100**	**25 000**

Guarantees
Below is a list of guarantees given.

Guarantee to	**Description**	**Amount**
YZJ Yard	Two gurantees for second and third installments for shipbuilding contracts YZJ2013-1116/1117	Each of USD 5.340k + interest

In connection with the sale of one of the Kamsarmax newbuilding contracts, the Group (represented by Klaveness Bulk AS) is responsible part in respect to the yard, Jiangsu New Yangzi Shipbuilding. A payment guarantee for outstanding installments is given by the parent company of the buyer. The Group has provided a re-payment guarantee acceptable to the buyers for the refund of any installments paid prior to delivery in case of termination/recission of the contract.

Note 18 - Other liabilities

Non-current liabilities related parties	2014	2013	1 Jan 2013
Klaveness Finans AS	-	-	3 832
Non-current liabilities related parties	**-**	**-**	**3 832**

Current liabilities related parties	2014	2013	1 Jan 2013
Klaveness Ship Management AS	1 248	1 705	57
AS Klaveness Chartering	175	2 294	521
Cabu Chartering AS	103	360	308
Klaveness Finans AS	-	9	-
Current liabilities related parties	**1 525**	**4 368**	**886**

Other current liabilities	2014	2013	1 Jan 2013
Accrued expenses	1 068	1 653	1 107
Crew accrued wages	2 494	1 995	2 177
Accrued interest	1 218	1 079	467
Other	1 771	1 873	1 295
Total other current liabilities	**6 551**	**6 600**	**5 046**

Note 19 - Share capital, shareholders, dividends and reserves

		Shares	Notional	Share capital (NOK)
01.01.2013		1 000	10 000	NOK 10 million
13.03.2013	Increase notional	1 000	11 000	NOK 11 million
19.12.2013	Increase notional	1 000	12 000	NOK 12 million
31.12.2013		1 000	12 000	NOK 12 million
31.12.2014		1 000	12 000	NOK 12 million

All shares are issued and fully paid.
All shares are owned by Rederiaksjeselskapet Torvald Klaveness.

No dividends are paid or proposed for the years 2014 and 2013. However, group contribution of USD 22.3 million from Klaveness Ship Holding AS to Klaveness Finans AS has not been recognised as a liability in the financial statements as of 31.12.2014 as the group contribution is not yet approved by the company's shareholders. The group contribution of USD 22.3 is provided with tax effect (see note 7). Klaveness Ship Holding AS will receive USD 17.2 in group contribution without tax effect from Klaveness Finans AS (not recognised as receivable as of 31.12.14 as not yet approved by the general meeting).

Note 20 - Earnings per share

The Group has no financial instruments or issued share options with a future dilution effect.

USD'000	2014	2013
Profit attributable to equity holders of parent	15 080	26 812
Average number of shares outstanding	1 000	1 000
Earnings per share	**15,08**	**26,81**

Earnings per share is based on a weighted average number of ordinary shares outstanding during the year.

Note 21 - List of subsidiaries

Klaveness Ship Holding AS comprises several subsidiaries. Presented below is a list of all subsidiaries. Unless otherwise stated, the companies are located in Oslo, Norway.

Company name	Ownership interest per 31 Dec 2014	Ownership interest per 31 Dec 2013
T Klaveness Shipping AS	100 %	100 %
Klaveness Selfunloaders AS	100 %	100 %
Klaveness Cement Logistics AB (Sweden)	100 %	100 %
Klaveness Container Holding AS	-	86,20 %
Klaveness Container AS	86,20 %	-
Klaveness Bulk Holding AS	-	100 %
Klaveness Bulk AS	100 %	-
Banasol Inc (Liberia)	50 %	50 %
Cabu Bangor Inc. (Liberia)	100 %	100 %
Banastar Inc. (Liberia)	50 %	50 %
Cabu V Investment Inc. (Liberia)	95 %	95 %
Cabu VI Investment Inc. (Liberia)	81 %	81 %

For companies listed above, no changes in owner structure in 2014 or 2013 except:
* Klaveness Container Holding AS (2013: 100 %) has merged with Klaveness Container AS in 2014
** Klaveness Bulk Holding AS (2013: 86.2 %) has merged with Klaveness Bulk AS in 2014

The Group has a 50 % share in Banasol Inc and Banastar Inc, however the Group has power to direct the relevant activities based on contractual agreements for the main activities; chartering activity and ship-owning activity.

The share capital of T Klaveness Shipping AS was on 19 March 2013 paid as a contribution in kind from the parent company Rederiaksjeselskapet Torvald Klaveness (RASTK) to Klaveness Ship Holding AS. The accounts for T Klaveness Shipping AS has for the year 2013 been included from 1 January 2013 in accordance with the continuity principle as the contribution in kind took place as part of an internal restructuring within the RASTK Group.

In June 2013, the Group realised its interest of 60 % ownership in the German company Baltrader Schiffahrtsgesellschaft GmbH & Co. The investement was consolidated as a subsidiary at Group level, and a gain on the sale of USD 0.3 million is included in other operating revenue.

Note 22 - Transactions with related parties

The ultimate owner of the Klaveness Ship Holding AS Group is Rederiaksjeselskapet Torvald Klaveness (RASTK), which owns 100 % of the shares in Klaveness Ship Holding AS.

The Group has undertaken several agreements and transactions with related parties in the RASTK Group. The level of fees are based on market terms and are in accordance with the arm's length principle.

AS Klaveness Chartering (KC) delivers services to the Group performed by corporate functions like management, legal, accounting & controlling, risk management and commercial management. All of the corporate functions in KC will be demerged to Klaveness AS with effect from 1 January 2015.

Klaveness Ship Management AS delivers ship management services for all of the vessels in the Group. Ship Management fees cover services like technical management, crewing management, IT and energy management. For the newbuildings in the Group, Klaveness Ship Management performs supervision and project management services.

USD'000 Supplier	Type of agreement	2014	2013
AS Klaveness Chartering (sister company)	Business administration fee	(652)	(1 863)
AS Klaveness Chartering (sister company)	Commercial management fee	(4 717)	(1 499)
AS Klaveness Chartering	IT fee	(562)	-
Klaveness Ship Management AS (sister company)	Ship Mangement fee	(5 727)	(4 046)

Note 23 - Contingent liabilities

Regular claims are made against the Group as a result of its ordinary operations. Provisions are made in the financial statements whenever the probable outcome of these disputes are expected to be in disfavour of the Group.

Claims consists of insurance claims for incidents, and yard claims related to the new buildings delivered in 2013 and 2014. Of the total claim of USD 6.1 million, USD 4.5 million is related to insurance claims, and USD 1.6 million is related to yard claims. The majority of the claims is expected to be settled before year end

Note 24 - Events after the balance sheet date

The Group has refinanced two loan facilities in the first quarter of 2015. One revolving credit facility (RCF) of USD 75 million and one term loan facility of USD 140 million. The RCF has a tenor of 6 years and will replace the capacity of the existing RCF and the term loans for MV Balto, MV Balchen and MV Baldock. The new RCF will be secured in all five selfunloader vessels. T Klaveness Shipping AS, Klaveness Selfunloaders AS and Klaveness Ship Holding AS will be joint borrowers.

The new term loan facility has a tenor of 7 years and will replace the capacity of the term loan for MV Bangor and MV Banyias`s share of the existing RCF and secure financing for all the newbuildings. T.Klaveness Shipping AS, Klaveness Bulk AS and Cabu Bangor Inc. will be joint borrowers.