FINANCIAL STATEMENTS

KLAVENESS SHIP HOLDING CONSOLIDATED

Annual report 2015

Torvald Klaveness

KLAVENESS SHIP HOLDING AS CONSOLIDATED

Board of Directors' report 2015

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 2015 comprises the Company and its subsidiaries.

2015 HIGHLIGHTS

Klaveness Ship Holding AS and subsidiaries (The Group) delivered a negative profit before tax from continuing operations of USD 25.1 million in 2015 (2014: positive profit USD 3.0 million). Weak markets in container and dry-bulk resulted in impairment of vessel values of in total USD 25.5 million (2014: reversal of USD 1.5 million). High solidity and good liquidity was maintained in 2015. A sale of the five selfunloader vessels was concluded in December 2015, and all vessels were delivered to their new owners in January 2016. Net proceeds of USD 144 million were realized after the sale. The selfunloader segment is presented as discontinued operations with effect on comparative figures in the consolidated income statement. Profit after tax for the year from discontinued operations amounts to USD 21.7 million, an increase of USD 7 million compared to 2014 (USD 14.3 million). The increase is explained by a reduction in depreciation costs of USD 3 million and reversal of prior periods impairment cost (net effect USD 3.0 million). Depreciation for the selfunloader vessels has decreased in 2015 as impairment was recognized for one of the selfunloader vessels in Q1 2015 and depreciation was stopped for all five vessels in October when the sale was concluded.

Three combination carriers were ordered from Jiangsu New Yangzi Shipbuilding Co., Ltd in China towards the end of the year, scheduled to be delivered in 2018 and 2019. A cancellation of the second of two kamsarmax vessels contracted at the same yard was also concluded towards the end of the year. The newbuilding program now consists of six combination carriers, while one kamsarmax vessel was delivered in February 2016.

The Group refinanced two loan facilities in the first quarter of 2015. One secured revolving credit facility (RCF) with DNB/SEB of USD 75 million and one secured term loan facility of USD 140 million with Nordea/Danske. In January 2016, following the sale of the selfunloader vessels, the RCF was repaid and terminated. The term loan facility has a tenor of 7 years and replaced the capacity of the loans for MV Bangor and MV Barcarena and secured financing for the four out of in total seven newbuildings, of wich one was delivered in February 2016.

Cash flow from operations (incl. discontinued operations) was USD 67.5 million (USD 53.0 million). The balance sheet remains solid with a book equity including minority interest of USD 279.8 million at year-end corresponding to an equity ratio of 47 percent.

The Group's specialized vessels continued to perform well in 2015, delivering revenues in line with previous years. The container market weakened again in 2015, but Klaveness' container vessels were employed throughout the year with few idle days and at rates above the general market due to their fuel efficiency.

Klaveness experienced a fatal incident involving crew on shore leave. While on their way back to the vessel, two officers were hit by a container truck on the pier. One person unfortunately passed away, while the other is still recovering in hospital. As a result of this incident Klaveness has re-emphasized the safety precautions for shore leave and has implemented and reinforced several precautionary measures.

There were a few operational issues and vessel incidents in 2015, the most severe being a damage to Balder when being passed by the hurricane Joaquin in Inagua, Bahamas.

NET RESULT AND FINANCIAL POSITION CONSOLIDATED ACCOUNTS

Operating revenue from continuing operations for 2015 was USD 76.6 million (2014: USD 79.9 million) and total operating costs (incl. impairment and depreciations) amounted to USD 89.7 million (2014: USD 65.5 million). The increase in total costs relates to impairment loss in 2015 related to the vessels of in total negative USD 25.5 (2014: positive: USD 1.5 million). EBITDA was USD 32.2 million for 2015, slightly weaker than EBITDA of USD 33.4 million for 2014. Net financial items were negative by USD 12.0 million in 2015 (2014: negative USD 11.3 million). Interest expenses on mortgage debt and bond loans (USD 11.1 million) are in line with last year (USD 10.9 million). 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. Net profit after tax from continuing operations ended negative USD 20.9 million for 2015, down from positive USD 1.2 million for 2014.

Profit from discontinued operations increased to USD 21.7 million for 2015, from USD 14.3 million in 2014 (impacts described above). USD 0.7 million (2014: USD 2.3 million) of total profit after tax is attributable to non-controlling interests related to external investors in some of the cabu and container companies.

Total assets decreased by USD 21.1 million in 2015 from USD 621 million at year end 2014 to USD 599.9 million. Non-current assets decreased by USD 185.2 million mainly as a result of reclassification of selfunloader vessels as held for sale (USD 163.7 million), reclassification of receivable of USD 1.9 million as short term, depreciation (USD 19.9 million) and impairment (USD 25.5 million) of the vessels. Payments of in total USD 26.8 million have been transferred as yard instalments on vessels under construction and increase non-current assets. Cash and bank deposits were USD 82.4 million by the end of 2015, up from USD 81.7 million at year end 2014. The cash flow from operating activities was USD 67.5 million in 2015, while cash flow from investing activities was negative by USD 34.2 million. The latter consists mainly of investments in newbuildings and upgrading of existing vessels. The cash flow from financing activities was negative USD 32.0 million and comprises net of drawdown on new loan facilities , repayment of mortgage debt including interests and distributions to the shareholders. Interest-bearing debt decreased by approx. USD 10 million during 2015 and amounted to USD 305.2 million at year end 2015, including liabilities directly associated with assets held for sale. Following the completion of the selfunloader sale in January 2016, the interest-bearing debt decreased by USD 46.3 million.

Total equity decreased by USD 7.1 million in 2015 due to total comprehensive income of USD 0.6 million, payments to non-controlling interests of USD 2.8 million and group contribution of USD 3.7 million. The book equity ratio by year end 2015 was 47 percent in line with 2014 (47 percent).

NET RESULT AND FINANCIAL POSITION STATUTORY ACCOUNTS

Operating result of the standalone financial statements of the parent company Klaveness Ship Holding AS consists of administrative expenses of USD 0.4 million (2014: USD 1.2 million). The financial result consists mainly of interest expenses on bond loans of USD 6.0 million (USD 5.6 million), net impairment of shares in subsidiaries of USD 38.1 million (USD 3 million) and net gain on foreign exchange of USD 2 million (USD 3 million). No dividends from subsidiaries have been recognized in 2015 (2014: USD 51.5 million). Impairment in shares is mainly due to weak markets in container and dry bulk with declining vessel values in 2015 which resulted in impairment of the shares in Klaveness Container AS and Klaveness Bulk AS of USD 49.1 million. Sale of selfunloader vessels in a subsidiary (Klaveness Selfunloaders AS) resulted in reversal of prior years impairment of USD 11.1 million in the shares in T Klaveness Shipping AS as salesprice was above booked values of the vessels.

Net profit for the year is negative USD 36.1 million (2014: USD 43.6 million). Klaveness Ship Holding AS statutory balance sheet has decreased by USD 47.3 million from 2014 to 2015, mainly due to impairment of shares in subsidiaries (net effect USD 38.0 million) and a decline in cash of USD 25.8 million while loan to related parties within the Group has increased by USD 14.1 million.

Non-current liabilities of USD 99.8 million are in line with last year, as 85 % of the bond loans are hedged, which aredue in 2018 and 2020.

Net operating cash flow from the parent company was negative in 2015, USD 14.9 million (2014: negative USD 12.2 million), mainly due to change in receivables due to loan given to Klaveness Container AS for financial support to enable the company to meet its financial obligations and to continue as a going concern. Net cash flow from investment activities was zero in 2015 (2014: negative USD 47.1 million due to investment in subsidiaries). Net cash flow from financing activities amounted to negative USD 10.9 million (2014: positive USD 52.5 million/bond issue) and consists of payments of group contribution and interest paid.

FINANCING AND GOING CONCERN

The Group has refinanced two loan facilities in the first quarter of 2015. One secured revolving credit facility (RCF) with DNB/SEB of USD 75 million and one secured term loan facility of USD 140 million with Nordea/Danske Bank. The RCF (outstanding amount of USD 46.2 million as of 31 December 2015) was repaid and terminated in January 2016 when sale of the vessels were concluded. The new term loan facility has a tenor of 7 years and replaced the capacity of the term loan for MV Bangor, MV Barcarena`s share of the previous RCF and secured financing for the four out of in total seven newbuildings.

According to IAS 1, the Group was not in compliance with loan to value covenant for mortgage debt related to the Bakkedal facility at year end 2015. Hence the mortgage debt of USD 12.5 million has been classified as current. Cash has been posted as extra security in 2016 and compliance was achieved well within the end of the grace period, thus it was not considered as an event of default. The Group has constructive dialogues with the bank as to amend the clause for the future

The accounts are reported under the assumption of a going concern and the Board considers the financial position of Klaveness Ship Holding including subsidiaries at year-end to be solid. There have been no 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.

THE MARKETS

The dry bulk freight rates weakened to an all-time low level in 2015, and secondhand vessel values declined to their lowest level since 1998. On the positive side, global grain trade surged to an all-time high level, and the fleet growth slowed considerably. However, while the fleet growth of less than 3 percent was the lowest in 12 years, total demand growth was close to zero. The weak demand growth was mainly driven by negative growth in global coal imports and slowing growth in global iron ore and in minor bulk trades. The 2015 average of the 4 TC Routes for the Baltic Panamax Index and the 6 TC Routes for Baltic Supramax Index thus decreased further and ended at 5,505 and 6,922 USD per day, respectively. Volatility was low for all segments except for a period in the third quarter when earnings briefly increased, mainly on the back of a strong and prolonged South American grain export season.

The market for container feeder vessels strengthened in the first half of 2015, but deteriorated sharply towards the end of the year. The cellular containership fleet reached a total capacity of 19.9 million TEU at the end of 2015, growing by 8.5 percent over a period of 12 months. A record level of 214 new containerships entered the market in 2015, the majority being vessels above 6,000 TEU in size. This high growth in container capacity combined with a lower than expected growth in containerized volumes being between 1-2 percent, resulted in an unsustainable market. Idle containership capacity soared to 1.36 million TEU at the end of 2015, compared to only 0.23 million TEU when entering 2015. The rate for a standard 2,500 TEU vessel peaked around 12,500-13,500 $/d in the first half, but ended the year at the lowest level since April 2013 around 6,000 $/d.

Due to continued oversupply, crude oil prices declined further in 2015 and ended 35 percent down compared to the 2014 closing price. Bunker prices followed crude oil prices, and bunkers with delivery in Singapore ended the year at 160 USD per mt, down from 299 USD per mt one year earlier.

BUSINESS SEGMENTS

By the end of 2015 the fleet consisted of six combination carriers (cabus), five selfunloaders and eight container vessels. In addition, the Group has one kamsarmax and six combination carriers under construction.

Cabu: The cabu vessels are combination vessels that transport both dry cargo and caustic soda in the Far East, the Middle East, Australia, Brazil and North America. The cabu pool consists of six cabu vessels. One external investor holds 50 percent in two vessels and 19 percent in one vessel. The pool result for 2015 remained stable at a satisfactory level. The vessels are largely employed on long and medium term contracts of affreightment with customers in the Australian and Brazilian alumina industry and this accounted in 2015 for about 47 percent of the available vessel days, while dry bulk cargoes, which are mainly north-bound from Australia to the Far East or Middle East and from Brazil to the US Gulf accounted for about 53 percent of the available vessel days in 2015. Bakkedal, Banasol and Bantry dry-docked during 2015.

The three cabu vessels ordered at Zhejiang OuHua Shipbuilding Co. Ltd. estimated to be delivered in late 2016 and early 2017 will enter the cabu pool when delivered from the shipyard. In addition, three new combination carriers were ordered from Jiangsu New Yangzi Shipbuilding Co., Ltd in China in 2015 with delivery scheduled in 2018 and early 2019.

Two contracts of affreightment for shipment of caustic soda were renewed in 2015, contributing positively to the cabu fleet's performance going forward.

Container: During 2015 the Group was operating a fleet of 8 geared container vessels in the feeder segment (1,700 TEU - 3,100 TEU) all through-out the year on shorter time charter contracts of 3-6 months to major Liner Operators. The 6 modern vessels obtained good fuel efficiency premiums during the first half of 2015, but as the fuel price dropped significantly during the last 6 months of 2015 this premium was reduced, reflecting the lower savings for the charterers. Barry had approximately 38 days off-hire due to an incident in Lagos late 2014.

Dry bulk investments: One of the kamsarmax vessels under construction was cancelled before year-end, while the other kamsarmax vessel was delivered in late February 2016.

Selfunloader (discontinued operations): In late 2015 Klaveness reached an agreement to sell its five selfunloading bulk carriers to affiliates of Algoma Central Corporation and The CSL Group Inc. The vessels were delivered to new owners in January 2016. The transaction valued the five vessels at USD 190 million in total. The vessels have all been employed in the CSL International Pool in 2015. One of the vessels, Balder, was dry-docked during the year.

MAIN RISKS

The Group's business is exposed to risks in many areas. The Board places high attention on risk analysis and mitigating actions.

Market risks in the shipping markets relate primarily to changes in the freight rates, fuel prices, vessel values and counterparty risk. These risks are monitored and managed.

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. To reduce currency and interest rate risk, the company has entered into interest rate swaps converting floating interest payments to fixed rate and the bonds issued in NOK are partly hedged with cross currency interest rate swaps, reducing the currency and interest exposure. The mark-to-market of the currency and interest instruments was negative in 2015 due to a weakening NOK versus USD and a continued low LIBOR.

Operational risks are mainly related to the operation of vessels. The Group's vessels are on technical management to Klaveness Ship Management AS (affiliated company) 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. The vessels sail in waters exposed to piracy. All vessels sailing through exposed areas take precautionary steps to mitigate the threat 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 and loan agreement covenants. The financial impact of a total loss of a vessel will not be material for the Group.

Quarterly risk reviews ensure that risk-mitigating actions are executed, and that new risks are identified, analyzed and managed. The organization is continuously working to learn from incidents and accidents by developing procedures and training accordingly.

At the end of 2015, the company had seven newbuildings on order.. Klaveness has dedicated on-site personnel who supervise the building processes, and the orders are split between two yards. Tier one Chinese banks provide refund guarantees.

There were no major unforeseen events of a financial nature during 2015. However, continued low container and dry bulk markets resulted in vessel impairments. The liquidity risk of the company is good. Financing is in place for four out of seven newbuildings, there is a relatively stable cash flow from the cabu vessels and the sale of the selfunloader vessels contributed with approximately USD 144 million in cash. Current cash and projected operating cash flow are considered sufficient to cover the company’s current liabilities.

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 2015
Oslo, 18 March 2016

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	2015	2014
		Year ended 31 December	
Continuing operations			
Operating revenue, vessels	Note 2	76 598	76 482
Gain from sale of fixed assets	Note 4	-	3 381
Total operating revenue		**76 598**	**79 863**
Operating expenses, vessels	Note 5	(38 661)	(37 857)
Loss from sale of assets	Note 4	(186)	(3 076)
Group administrative services	Note 5	(5 021)	(4 518)
Tonnage tax	Note 8	(124)	(154)
Other operating and administrative expenses	Note 6	(369)	(875)
EBITDA		**32 235**	**33 383**
Ordinary depreciation	Note 9	(19 850)	(20 598)
Impairment loss (-) / reversal	Note 9, 10	(25 505)	1 538
EBIT		**(13 120)**	**14 323**
Finance income	Note 7	2 573	3 190
Finance costs	Note 7	(14 522)	(14 497)
Profit before tax from continuing operations		**(25 069)**	**3 016**
Income tax expenses	Note 8	4 168	(1 843)
Profit after tax from continuing operations		**(20 901)**	**1 173**
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations	Note 3	21 652	14 327
Profit for the year		**751**	**15 499**
Attributable to:			
Equity holders of the parent company		99	13 161
Non-controlling interests		651	2 338
Total		**751**	**15 499**

Klaveness Ship Holding AS

Consolidated Statement of Other Comprehensive Income

USD '000	Note	2015	2014
Profit/ (loss) of the year		**751**	**15 499**
Other comprehensive income to be reclassified to profit or loss			
Net movement fair value on interest rate swaps	Note 13, 14	(113)	(213)
Net movement fair value on cross-currency interest rate swap	Note 13, 14	(12 144)	(18 392)
Reclassification to profit and loss	Note 13, 14	10 468	15 118
Income tax effect	Note 8	447	942
Net other comprehensive income to be reclassified to profit or loss		**(1 341)**	**(2 545)**
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		**(1 341)**	**(2 545)**
Total comprehensive income/(loss) for the period, net of tax		**(591)**	**12 954**

Attributable to:		
Equity holders of the parent company	(1 242)	10 615
Non-controlling interests	651	2 338
Total	**(591)**	**12 954**

Klaveness Ship Holding AS

Consolidated Balance Sheet Statement

		As at 31 December	
USD '000	**Note**	**2015**	**2014**
ASSETS			
Non-current assets			
Deferred tax asset	Note 8	7 620	6 308
Vessels	Note 9	274 748	477 515
Newbuilding contracts	Note 10	45 886	27 725
Financial assets	Note 13	-	13
Other long-term receivables	Note 11	-	1 920
Total non-current assets		**328 253**	**513 481**
Current assets			
Inventories		1 887	1 992
Accounts receivable		782	867
Receivables from related parties	Note 11	5 938	7 327
Prepaid expenses		1 478	790
Other short-term receivables	Note 11	15 365	14 873
Cash and cash equivalents	Note 12	82 447	81 690
Total current assets		**107 896**	**107 539**
Assets held for sale	Note 3	163 730	-
TOTAL ASSETS		**599 879**	**621 020**

Klaveness Ship Holding AS

Consolidated Balance Sheet Statement

		As at 31 December	
USD '000	**Note**	**2015**	**2014**
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 20	1 817	1 817
Share premium		16 861	16 861
Other paid-in capital		5 585	5 585
Other reserves		(3 891)	(2 550)
Retained earnings		239 975	243 621
Equity attributable to equity holders of the parent		**260 347**	**265 334**
Non-controlling interests		19 491	21 592
Total equity		**279 838**	**286 926**
Non-current liabilities			
Mortgage debt	Note 16	132 524	195 988
Bond loans	Note 17	66 073	78 138
Financial liabilities	Note 13	35 756	22 286
Total non-current liabilities		**234 353**	**296 412**
Current liabilities			
Short-term mortgage debt	Note 16	26 652	20 671
Accounts payable		1 810	1 245
Current debt to related parties		874	1 525
Tax payable	Note 8	1 459	6 977
Tonnage tax payable		181	213
Other current liabilities	Note 19	8 440	7 051
Total current liabilities		**39 416**	**37 682**
Liabilities directely associated with the assets held for sale	Note 3	46 271	-
TOTAL EQUITY AND LIABILITIES		**599 879**	**621 020**

Oslo, 31 December 2015

Oslo, 18 March 2016

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 2014	**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)
Other changes					(3 335)	(3 335)	3 335	-
Equity at 31 December 2014	**1 817**	**16 861**	**5 585**	**(2 550)**	**243 621**	**265 335**	**21 592**	**286 926**
Profit (loss) for the year					99	99	651	751
Other comprehensive income for the year				(1 341)		(1 341)		(1 341)
Total comprehensive income for the year				**(1 341)**	**99**	**(1 242)**	**651**	(591)
Payments to non-controlling interests						-	(2 752)	(2 752)
Group contribution with tax effect					(2 173)	(2 173)	-	(2 173)
Group contribution without tax effect					(1 572)	(1 572)	-	(1 572)
Equity at 31 December 2015	**1 817**	**16 861**	**5 585**	**(3 891)**	**239 975**	**260 348**	**19 491**	**279 838**

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	2015	2014
Profit before tax from continuing operations		(25 069)	3 016
Profit before tax from discontinuing operations*		21 652	14 327
Profit before tax		(3 417)	17 343
Tonnage tax expensed		173	213
Net gain/loss fixed assets	Note 10	2 956	(304)
Ordinary depreciation	Note 9	30 383	34 266
Impairment loss/ reversal	Note 9, 10	22 552	(1 538)
Amortization of upfront fees bank loans		877	2 290
Financial derivatives unrealised loss / gain		1 226	742
Gain /loss on foreign exchange		(1 884)	(2 930)
Interest income	Note 7	(313)	(146)
Interest expenses	Note 7	12 302	12 115
Taxes paid for the period		(1 295)	(714)
Change in receivables		2 902	(5 550)
Change in current liabilities		1 303	(2 801)
Change in other working capital		(614)	(135)
Interest received		313	146
A: Net cash flow from operating activities		**67 464**	**52 996**
Acquisition of tangible assets	Note 9	(5 972)	(7 788)
Installments and cost on newbuilding contracts	Note 10	(28 197)	(87 246)
Payment receieved disposal of vessels		-	4 920
Payment received sale of newbuilding contracts		-	3 766
B: Net cash flow from investment activities		**(34 169)**	**(86 349)**
Proceeds from mortgage debt		69 622	65 500
Proceeds from bond loan		-	67 161
Transaction costs on issuance of loans		(1 380)	(1 320)
Repayment of mortgage debt		(80 346)	(65 997)
Cash proceeds from buy back bond loans		-	(18 763)
Repayment of debt to the yard		-	(13 783)
Interest paid	Note 7	(12 302)	(12 115)
Group contribution		(4 794)	-
Dividends to non-controlling interests		(2 752)	(5 090)
C: Net cash flow from financing activities		**(31 952)**	**15 593**
Net change in liquidity in the period (A + B + C)		1 343	(17 760)
Net foreign exchange difference		(586)	(161)
		757	**(17 922)**
Cash and cash equivalents at beginning of period		81 690	99 612
Cash and cash equivalents at end of period	Note 12	82 447	81 690
Net change in cash and cash equivalents in the period		**757**	**(17 922)**
Undrawn facilities**	Note 16	146 277	41 500

* Net cash flow from operating/investment/financing activities includes discontinued operation - see note 3.
** Includes undrawn part of a Revolving credit facility and committed but undrawn part of loans for the vessels under construction.

Klaveness Ship Holding AS

Consolidated Financial Statements

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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 2015 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 2015 are approved in the board meeting at 18 March 2016.

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.

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 8.0640 in 2015 (2014: 6.30000). At year-end 2015, an exchange rate of NOK/USD 8.7986 (2014: 7.4299) 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.

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. Useful life may change due to change in technological developments, competition, environmental and legal requirements, freight rates and steel prices.

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. If the Group has loss carried forward in any subsidiaries, these deferred tax assets is not recognized if it's not possible to predict with reasonable certainty whether adequate taxable profit will be available in the future against which losses 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.

Sale of selfunloader vessels

A sale of the five selfunloader vessels was concluded in December 2015, and all vessels were delivered to their new owners in January 2016. The Management has considered whether the transaction has one or three different buyers. As the sale was fronted by one nominee, the three buyers are related parties and the fact that prerequisite for a sale was all five vessels or none, the management concluded on one buyer. Based on this, the sale has been treated as sale of group of assets disposed together, ref reversal of prior year impairment (note 3).

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 % (25 % from 2016). 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 25 % (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.

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 as lessor 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

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. Financial assets 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 interest 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 16 and 17.

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 2015. 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 2018)

- IFRS 16 Leases (effective date 1 January 2019)

The Group has evaluated if IFRS 9 Financial instruments, IFRS 15 Revenue from contracts with customers and/or IFRS 16 Leases will have significant impact on the financial statements. IFRS 15 is not expected to have material impact for the Group, but there may be minor timing differences in the period over which revenue is recognized compared to current principle of discharge to discharge.

Other newstandards are anticipated to not have material impact on the financial statements of the Group, beyond disclosures. 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.

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 four (2014: five) operating segments:
- Combination carriers (cabu and cleanbulk)
- Container vessels
- Dry bulk investments
- Other/administration
- Selfunloader vessels (SUL) (discontinued operations in 2015, see note 3)

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.

Combination carriers are specialized vessels. Cabus are constructed to carry caustic soda and dry bulk. The Group owns six cabu vessels which participate in a pool operated by Cabu Chartering AS (related party). The Group has three cabu newbuildings under construction scheduled for delivery in 2016 and 2017. In December 2015 the Group ordered three combination carriers from Jiangsu New Yangzi Shipbuilding Co., Ltd in China, thereby increasing the number of combination carriers on order to six.

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. The first vessel was delivered from the yard in February 2016. The second newbuilding contract was cancelled in 2015.

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 Group has reached an agreement to sell its five selfunloader vessels with completion of the transaction in Q1 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 2015 (2014: one) that represented more than ten percent of operating revenue in the Group

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	2015	2014
Due in < 1 year	9 152	6 100
1-5 years	-	-
From 5 years	-	-
Future net lease TC revenue	**9 152**	**6 100**

Note 2 - Segment reporting (cont.)

Income statement by segments 1 January- 31 December 2015*

(USD'000)	Combination carriers	Container vessels	Dry bulk investments	Other/ admin	Total consolidated
Operating revenue, vessels	50 991	25 616	-	-	76 607
Other operating revenue	(2)	(7)	-	-	(9)
Total operating revenue	**50 989**	**25 609**	**-**	**-**	**76 598**
Operating expenses, vessels	(14 905)	(20 889)	(2 866)	-	(38 661)
Loss from sale	-	-	(186)	-	(186)
Ordinary depreciation	(10 773)	(9 077)	-	-	(19 850)
Impairment	-	(17 511)	(7 994)	-	(25 505)
Tonnage tax	(62)	(62)	-	-	(124)
Other operating and adm expenses	(2 202)	(2 376)	(402)	(411)	(5 391)
Total operating expenses	**(27 942)**	**(49 915)**	**(11 448)**	**(411)**	**(89 717)**
Operating profit/EBIT	**23 047**	**(24 306)**	**(11 448)**	**(411)**	**(13 120)**

*Discontinued operations - see note 3.

Balance sheet by segments 1 January - 30 December 2015

(USD '000)	Combination carriers	Container vessels	Dry bulk investments	Other*/ admin	Total consolidated
ASSETS					
Vessels	91 229	183 518	-		274 748
Newbuilding contracts	45 526	-	360	-	45 886
Other non-current assets		-		7 620	7 620
Total non-current assets	136 756	183 518	360	7 620	328 253
Cash	64 769	1 902	42	15 733	82 447
Current assets	11 748	6 202	2 307	5 192	25 448
Total current assets	76 517	8 104	2 349	20 925	107 896
Assets held for sale (note 3)	-	-	-	163 730	163 730
TOTAL ASSETS	**213 273**	**191 622**	**2 709**	**192 275**	**599 879**
EQUITY AND LIABILITIES					
Total equity	143 867	89 559	2 530	43 884	279 839
Interest bearing debt	44 546	87 978	-	-	132 524
Bond loans	-	-	-	66 073	66 073
Other non-current financial liabilities	1 968	-	-	33 788	35 756
Total non-current liabilities	46 514	87 978	-	99 861	234 353
Short-term interest bearing debt	17 148	9 504	-	-	26 652
Other current liabilities	5 743	4 582	179	2 260	12 765
Total current liabilities	22 891	14 086	179	2 260	39 416
Liabilities directly associated with assets held for sale (note 3)	-	-	-	46 271	46 271
TOTAL EQUITY AND LIABILITIES	**213 273**	**191 622**	**2 709**	**192 275**	**599 879**

* Includes assets and liabilities related to assets held for sale/discontinued operations.

Capital expenditure Vessels	(3 601)	-	-	-	
Capital expenditure newbuildings	(23 383)	-	(5 542)	-	
Cash from operation	30 219	2 282	(3 454)	(411)	

Note 2 - Segment reporting (cont.)

Income statement by segments 1 January - 31 December 2014*

(USD'000)	Combination carriers	Container vessels	Dry bulk investments	Other/ admin	Total consolidated
Operating revenue, vessels	53 218	23 265	-	-	76 483
Gain from sale fixed assets	-	-	3 381	-	3 381
Total operating revenue	53 218	23 265	3 381	(1)	79 863
Operating expenses, vessels	(16 028)	(22 025)	-	271	(37 782)
Loss from sale fixed assets	(3 076)	-	-	-	(3 076)
Group administrative services	(1 609)	(3 098)	(513)	(149)	(5 369)
Ordinary depreciation	(12 364)	(8 341)	-	107	(20 598)
Impairment	-	1 538	-	-	1 538
Other operating and adm expenses	150	170	480	656	1 456
Total operating expenses	(32 927)	(31 757)	(33)	885	(63 830)
Operating profit/EBIT	20 291	(8 492)	3 348	884	16 032

*Discontinued operations - see note 3.

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	-	-	5 779	-	27 725
Other non-current assets	-	-	13	1 920	6 308	8 241
Total non-current assets	190 914	98 598	209 962	7 699	6 308	513 481
Cash	24 586	15 965	2 186	4 194	34 759	81 690
Current assets	8 874	8 807	5 043	2 663	462	25 848
Total current assets	33 460	24 772	7 229	6 856	35 221	107 539
TOTAL ASSETS	**224 374**	**123 370**	**217 191**	**14 555**	**41 529**	**621 020**
EQUITY AND LIABILITIES						
Total equity	163 817	67 002	106 229	14 555	(64 677)	286 926
Interest bearing debt	50 335	48 253	97 400	-	-	195 988
Bond loans	-	-	-	-	78 138	78 138
Other non-current financial liabilities	772	-	-	-	21 514	22 286
Total non-current liabilities	51 107	48 253	97 400	-	99 652	296 412
Short-term interest bearing debt	6 342	4 826	9 503	-	-	20 671
Other current liabilities	2 908	3 089	3 156	-	7 858	17 011
Total current liabilities	9 250	7 915	12 659	-	7 858	37 682
TOTAL EQUITY AND LIABILITIES	**224 374**	**123 370**	**217 191**	**14 555**	**41 529**	**621 020**
Capital expenditure Vessels	(1 419)	(3 109)	(3 260)	-	-	(7 788)
Capital expenditure newbuildings	(21 462)	-	(61 150)	(2 770)	-	(85 382)
Cash from operation	31 586	25 978	(4 619)	2 375	(540)	54 780

Note 3 - Discontinued operations

On 10 November 2015, the Group announced that the Group has reached an agreement to sell its five selfunloader vessels. The vessels were delivered to their new owners in January 2016.

With selfunloader vessels classified as discontinued operations, the selfunloader segment is no longer presented in the segment note (note 2). Profit after tax from discontinued operation is presented separately in the consolidated income statement for 2015 and 2014. Book value of the five selfunloader vessels and liability related to financing of the selfunloader vessels are presented on a seperate line in the financial position as of 31 December 2015. Outstanding amount (USD 46.2 mill) on the revolving credit facility (RCF) with DNB/SEB (USD 75 mill) was repaid in January 2016 and the loan facility was terminated. Net proceeds from the sale amounted USD 144 million.

The results of selfunloader vessels for the year are presented below:

USD '000	2015	2014
Operating revenue, vessels	47 512	47 510
Other operating revenue	(12)	-
Total operating revenue	**47 500**	**47 510**
Operating expenses, vessels	(16 195)	(17 241)
Ordinary depreciation	(10 533)	(13 668)
Impairment reversal	2 953	-
Tonnage tax	(51)	(59)
Group administrative services	(791)	(851)
Other operating and adm expenses	(32)	(172)
Operating profit/EBIT	**22 852**	**15 520**
Finance income	-	-
Finance costs	(1 200)	(1 193)
Profit/(loss) before tax	**21 652**	**14 326**
Income tax expenses	-	-
Profit/(loss) after tax from discontinued operations	**21 652**	**14 326**

Sales price of the five vessels (USD 190 million) are higher than book value for all the five selfunloaders (USD 163.7 million). Impairment related to one of the vessels have been reversed in the P&L for 2015 (USD 2.9 million).

The major classes of assets and liabilities of assets held for sale as at 31 December are, as follows:

USD '000	2015	2014
Assets		
Assets held for sale	163 730	-
Liabilites		
Liabilities directly associated with assets held for sale	46 271	-

Cash flows from disconitued operations are not presented separately in the cash flow statement. Cash flows from discontinued operations are as follows:

USD '000	2015	2014
Net cash flow from operating activities	25 589	10 341
Net cash flow from investment activities	(66 009)	(11 590)
Net cash flow from financing activities	46 067	-
Net cash flow from discontinued operations	**5 647**	**(1 249)**

Note 4 - Gain/ (loss) sale of fixed assets

USD'000	2015	2014
Sale of Kamsarmax newbuildings contracts	(186)	3 381
Gain from sale of fixed assets	**(186)**	**3 381**

USD'000	2015	2014
Green recycling MV Baru	-	(3 076)
Loss from sale of fixed assets	**-**	**(3 076)**

In Q1 2014, one newbuilding contract (kamsarmax newbuilding programme) 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. Loss of USD 186k in 2015 relates to adjustment of gain recognised 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 5 - Operating expenses

USD '000	2015	2014
Technical expenses	12 007	10 693
Crew costs	14 253	14 666
Insurance	3 019	3 194
Crewing agency fee to Klaveness Ship Management AS (note 22)	1 224	1 145
Ship management fee to Klaveness Ship Management AS (note 22)	2 845	2 798
IT fee to AS Klaveness Chartering (note 22)	392	412
Commission fee	793	873
Cancellation newbuilding (note 10)	2 770	-
Other operating expenses	1 359	4 077
Total operating expenses	**38 661**	**37 857**

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	2015	2014
Commercial management fee to Klaveness AS (KC) (note 22)	4 492	3 936
Accounting fee and other administrative fees to KC (note 22)	529	582
Group administrative services	**5 021**	**4 518**

Note 6 - 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 regular employment.

Remuneration to the auditor

USD'000	2015	2014
Statutory audit	101	117
Other assurance services	84	11
Tax advisory fee	-	-
Other assistance	-	-
Total expensed audit fee	**186**	**128**

Auditor's fees are stated excluding VAT.

Note 7 - Finance income and finance costs

USD'000	2015	2014
Interest received from related parties	1	1
Other interest income	312	145
Other financial income	181	115
Gain / (loss) on foreign exchange	2 079	2 930
Total finance income	**2 573**	**3 190**

USD'000	2015	2014
Interest paid to related parties	-	1
Interest expenses mortgage debt	5 106	5 279
Interest expenses bond loan	5 996	5 643
Fair value changes interest rate swaps (note 15)	1 226	742
Other financial expenses	2 194	2 832
Total finance costs	**14 522**	**14 497**

Interest expenses of USD 0.6 million is capitalized as borrowing costs into newbuildings in 2015 (2014: USD 0.9 million) (see note 10). Refer to note 16 and note 17 for further disclosures of the Group's debt.

Note 8 - 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 2015 (2016: 25 %). 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	2015	2014
Income taxes payable	1 459	6 977
Change in deferred tax	(1 808)	(4 219)
Tax adjustments previous year*	(4 766)	(851)
Adjustment correction of OCI included in tax expense prior years	947	-
Tax adjustments - others	-	(65)
Total tax expense / income (-) reported in the income statement	**(4 168)**	**1 843**
Net (gain)/loss on revaluation of cash flow hedges	(447)	(942)
Deferred tax charged to OCI	**(447)**	**(942)**

USD '000	2015		2014	
Tax payable	Income	Tax effect	Income	Tax effect
Profit / loss (-) before taxes, incl OCI	(5 206)	(1 406)	17 342	4 682
Income from shipping activity, tonnage tax system	(3 873)	(1 046)	(14 811)	(3 999)
Change in temporary differences	12 060	3 256	13 410	3 621
Permanent differences	-	-	-	-
Change in tax losses carried forward	5 662	1 529	2 218	599
Exchange rate differences	(3 240)	(875)	7 408	2 074
Tax payable in the balance sheet	**5 404**	**1 459**	**25 567**	**6 977**
Effective tax rate		-28 %		40 %
Tonnage tax (included in operating profit)		181		213
Total tax payable in the balance sheet		**1 640**		**7 190**

USD '000	Temporary	2015	Temporary	2014
Temporary differences - ordinary taxation	difference	Tax effect	difference	Tax effect
Gains and losses accounts	(331)	(83)	(489)	(132)
Currency gain/loss not realised	7 059	1 765	5 938	1 603
Unrealised gain/loss IRS	(2 010)	(503)	(424)	(114)
Unrealised gain/loss CCIRS	(33 297)	(8 324)	(21 544)	(5 817)
Tax losses carried forward	(9 010)	(2 253)	(3 348)	(904)
Deferred tax asset not recognised in the balance sheet	7 114	1 778	-	-
**Net temporary differences - deferred tax liability/asset (-) ** **	**(30 476)**	**(7 620)**	**(19 867)**	**(5 365)**

*Adjustment correction of last year's tax expense (USD 4.8 million) relates to a deviation between tax payable in the financial statement in 2014 and tax payable according to the tax filing. Tax payable is offset by group contribution (Klaveness Finans AS). The reversal does not have any cash flow impact.

**At year-end 2015 the company has chosen not to record deferred tax asset of USD 1.78 million. Temporary differences relates to financial losses carried forward in which possibility to net against future gain is uncertain. At year-end 2015 the Group has recorded a deferred tax asset of USD 7.6 million. At year-end 2014 the company recorded a defered tax asset of USD 5.4 million. Recognised deferred tax asset is expected to be utilized in the future upon realisation of the financial asset/liability.

Note 9 - Vessels

2015

Vessels	**Combination carriers**	**Container**	**Total vessels***
Cost price 1.1	206 666	254 279	460 945
Delivery of newbuildings	-	-	-
Additions (mainly upgrading and docking of vessels)	3 601		3 601
Disposals			-
Costprice 31.12	**210 267**	**254 279**	**464 546**
Acc. Depreciation 1.1	108 068	10 243	118 311
Depreciation for the year	10 931	8 918	19 850
Reclass/disposal	-	-	-
Acc. depreciation losses 31.12	**118 999**	**19 161**	**138 161**
Acc. impairment losses 1.1	-	34 126	34 126
Impairment for the year	-	17 511	17 511
Reversal impairment	-	-	-
Disposal	-	-	-
Acc. impairment losses 31.12	**-**	**51 637**	**51 637**
Carrying amounts 31.12.2015	**91 268**	**183 480**	**274 748**
No. of vessels	6	8	14
Useful life	20	25	
Depreciation schedule	Straight-line	Straight-line	

*) carrying value of vessels includes dry-docking

2014

Vessels	**Selfun-loaders**	**Combination 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 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**	**209 949**	**477 515**
No. of vessels	5	6	8	19
Useful life	20	20	25	
Depreciation schedule	Straight-line	Straight-line	Straight-line	

*) carrying value of vessels includes dry-docking

Note 9 - Vessels (cont.)

Pledged vessels
All owned vessels vessls are pledged to secure the various loan facilities (refer to note 16 for further information).

Disposals of vessels
Selfunloader vessels are presented as discontinued operation - see note 3 for furter information.

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 2015 (2014: 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. If vessels are planned for sale, estimated salesprice is based on average 10-years salesprice of identical vessel types of same age. From 2020 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. Value in use 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.

On a total basis calculated VIU for all eight vessels amounts USD 183.1 which is in line with broker values of in total USD 182.8 million. Six out of eight container vessels have been impaired to broker values at year end 2015 as a result of the weakening of the container market. Total impairment for the container vessels amount USD 17.5 million (2014: net reversal of USD 1.5 million due to reallocation of costprice). Book value of container vessels at year end 2015 amounts USD 183.5 million.

Combination 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 2015 (2014: 0).

A negative shift in the estimated TC rate from 2016 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 2016 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.

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/ reversal	**2015**	**2014**
Impairment of vessels	(17 511)	(1 860)
Impairment of newbuildings (note 10)	(7 990)	-
Reversal impairment newbuildings	-	3 398
Total impairment loss (-) / reversal	**(25 501)**	**1 538**

Note 10 - Newbuildings

In December 2015, the Group entered into a contract with Jiangsu New Yangzi Shipbuilding Co., Ltd in China for an order of three 83,500 DWT combination carriers. The vessels will be delivered during the second half of 2018. The contract includes options for further vessels.

The Group already has three 80,500 DWT combination carriers under construction at Zhejiang OuHua Shipbuilding Co. Ltd. in China which will be delivered late 2016 and early 2017.

The first Kamsarmax vessel was delivered on 23 February 2016. The second of the 82,000 DWT Kamsarmax vessels under construction was cancelled in 2015. Installments related to the cancelled kamsarmax have been expensed through P&L in 2015 (USD 2.8 million, note 5).

Declining dry bulk rates and value in use calculations for the kamsarmax newbuilding indicated a need for impairment. At year end 2015, an impairment of USD 8 million was recognized in the financial statements, based on fair value less cost to sell, estimated by use of broker estimates.

2015

Investments in newbuildings	Combination carriers	Dry bulk investment	Total
Cost 1.1	21 946	5 779	27 725
Borrowing cost*	618	106	724
Yard installments paid	21 462	5 340	26 802
Other capitalized cost	1 302	93	1 395
Impairment loss (-)/reversal	-	(7 990)	(7 990)
Cansellation of newbuilding contracts	-	(2 770)	(2 770)
Net carrying amount at 31.12.2015	**45 328**	**558**	**45 886**

2014

Investments in newbuildings	Container	Combination carriers	Dry bulk investment	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	339	1 699
Impairment loss (-)/reversal	3 398	-	-	3 398
Sale of newbuilding contracts	-	-	(2 670)	(2 670)
Transferred to vessels under operation	(89 369)	-	-	(89 369)
Net carrying amount at 31 December	**-**	**21 946**	**5 779**	**27 725**

* Borrowing costs are capitalised to the extent that they are directely related to the acquisition of the vessel. See note 16 for further information of financing of newbuildings.

Note 11 - Receivables

USD'000 Other long-term receivables	2015	2014
Sale of newbuilding contracts	-	1 920
Other long-term receivables	**-**	**1 920**

USD'000 Receivables from related parties	2015	2014
Klaveness Ship Management AS	57	198
Cabu Chartering AS	5 881	7 129
Receivables from related parties	**5 938**	**7 327**

USD'000 Other short-term receivables	2015	2014
Accrued income	3 408	2 845
Accrued interest income	3	302
Claims	4 448	6 167
Sale of newbuilding contracts	4 414	3 238
Prepaid insurance	1 719	-
Other short-term receivables	1 374	2 355
Other short-term receivables	**15 365**	**14 907**

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 4.4 million, USD 3.0 million is related to insurance claims, and USD 1.4 million is related to yard claims. The majority of the claims is expected to be settled in 2016.

Note 12 - Cash and cash equivalents

The Group has bank deposits in the following currencies:

USD'000	2015	2014
Bank deposits, NOK	6 308	1 525
Bank deposits, USD	75 677	79 611
Bank deposits, SEK	88	94
Cash	374	459
Total cash and cash equivalents	**82 447**	**81 690**

The equivalent of USD 88k of the bank deposit in SEK is restricted (2014: USD 94k), and USD 12.2 million of bank deposit in USD is restricted - see note 24.

Note 13 - 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 15 for further information. Fair value of interest rate swaps which qualify for hedge accounting is USD 100k (liability) as of year end 2015 (2014: USD 13k/asset).

The Group has entered into some interest rate swaps for speculative purposes. Fair value of these amounts to USD 1 968k (liability) as of year end 2015 (USD 742k/liability). Fair value movement in these swaps are recognized through P&L (note 7).

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

	2015	2014
Financial instruments at fair value through OCI		
Interest rate swaps	-	13
Financial assets	**-**	**13**

Non-current financial liabilities at 31 December

	2015	2014
Financial instruments at fair value through OCI		
Cross currency interest rate swap	33 688	21 544
Interest rate swaps	100	-
Financial instruments at fair value through P&L		
Interest rate swaps	1 968	742
Financial liabilities	**35 756**	**22 286**

For further information on interest rate swaps and cross-currency interest rate swaps see note 14.

Note 14 - 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 to reach its strategic goals. The target for the Group's capital structure states that cash should always be adequate to cover all current business, liquidity fluctuations due to market volatility and investment needs. Targets have 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 3.8 at 31 December 2015 (2014: 3.9) and equity ratio as of 31 December 2015 was 47 % (2014: 45 %). 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 16.

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
- Distribution to the Group'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 16), bond loans listed at Nordic ABM (note 17), cash and cash equivalents (note 12) and equity attributable to the shareholders.

Financial risk
The Group is exposed to operational risk, market risk (including but not limited to freight rates and vessel values, currency (FX) and interest rate (IR) risks, credit/counterparty risk and liquidity risk. The Group's executive management oversees the management of these risks, and is supported by a risk management department and a treasury department that provide risk advisory and maintain an appropriate financial risk governance framework for the Group. The risk department provides assurance to the executive 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. Derivative activities (FX/IR) for financial risk management purposes (incl. hedging) are carried out by the treasury department that has 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, freight rates and costs. These risks are managed through short-term/long-term time charter contracts and contracts of affreightment covering a large part of the Group's fleet capacity for neareby years.

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 all significant 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 (85 % of total bond debt) 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 2015, 19 % (2014: 14 %) 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 2015. The Group evaluates on an ongoing basis the need to further hedge interest rate exposure.

Note 14 - Financial Risk Management (cont.)

31.12.2015

USD'000 Loan facilities	Outstanding notional amounts of the swap	Swapped portion of credit facilities	Maturity	Fixed interest
Balao/Ballenita (SEB)	15 000	62 %	27.06.2018	1,370 %
Balsa/Baleares (DNB/Danske Bank)	7 500	54 %	24.09.2018	1,505 %
Balsa/Baleares (DNB/Danske Bank)	7 500	54 %	24.09.2018	1,437 %
Outstanding notional amounts	30 000			

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			

As of 31 December 2015, fair value of the interest rate swaps (IRS)which qualify for hedge accounting was negative by USD 100k (2014: positive by USD 13k) and fair value of cross currency interest rate swap (CCIRS) negative by USD 33.7 million (USD 21.5 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 2015 and 2014, respectively:

Other comprehensive income / (loss) for the period, net of tax	2015	2014
Net movement fair value on interest rate swaps	(113)	(213)
Net movement fair value on CCIRS	(12 144)	(18 392)
Reclassification to profit and loss	10 468	15 118
Income tax effect	447	941
Other comprehensive income / (loss) for the period, net of tax	**(1 341)**	**(2 546)**

The table below shows estimated changes in profit before tax for the Group from reasonable possible changes in interest rates in 2015 and 2014, 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	2015	2014
USD LIBOR	+1,50%	2 641	2 809
	+ 0,75%	1 321	1 404
	- 0,75%	(1 321)	(1 404)
	- 1,50%	(2 641)	(2 809)
NIBOR	+1,50%	166	197
	+ 0,75%	83	99
	- 0,75%	(83)	(99)
	- 1,50%	(166)	(197)

Counterparty/credit risk

Counterparty risk is generated by contractual defaults by cargo customers (CoA's) and charterers of the vessels, 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 executed by the risk department. The Group recognizes 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, a counterparty or a bankruptcy estate. Counterparty risk against insurance institutions exists. There is also counterparty risk associated with yeards and vessel delivery and replacement costs thereof. Installments are secured with refund guarantees from top-tier Chinese banks.

Further, the Group is exposed to credit risk through its deposits. Deposits are currently made with investment grade financial institutions with A rating or higher from public rating agency.

Total unrisked credit risk at year-end 2015 amounts USD 98 million (book value of receivables and bank deposits).

Note 14 - Financial Risk Management (cont.)

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 2015

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 financial liabilities at 31 Dec 2015	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)*	79 385	35 205	8 610	15 313	138 512
Bond loan (incl interests)	5 869	45 524	66 392	-	117 785
Accounts payable	1 810	-	-	-	1 810
Current debt to related parties	874	-	-	-	874
	87 937	**80 729**	**75 002**	**15 313**	**258 981**

* Includes liabilities directely associated with the assets held for sale (USD 46 million) repaid in 2016 (< 1 year). The Bakkedal facility (USD 12.5 million) is classified as short term (<1 year), see note 16 and note 24.

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**

Commitments newbuildings

The commitments related to newbuildings are set out below. The three cabus (combination carriers) are scheduled for delivery in 2016 and 2017, the three cleanbulks (combination carriers) are scheduled for delivery in second half of 2018 and first quarter of 2019, and the kamsarmax vessel in 2016 (note 10).

Remaining installments at 31 December 2015	2016	2017	2018	2019	Total
Combination carriers	57 786	45 340	72 720	33 740	209 586
Kamsarmax	18 690	-	-	-	18 690
Total commitments newbuildings	**76 476**	**45 340**	**72 720**	**33 740**	**228 276**

Note 15 - 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.

USD'000	Carrying amount 2015	Carrying amount 2014	Fair value 2015	Fair value 2014
Financial assets at fair value through OCI				
Derivates in effective cash flow hedges	-	13	-	13
Total financial instruments at fair value	**-**	**13**	-	**13**
Loans and receivables at amortised cost				
Other long-term receivables	-	1 920	-	1 920
Accounts receivable	782	867	782	867
Receivables from related parties	5 938	7 327	5 938	7 327
Total loans and receivables	**6 720**	**10 114**	6 720	**10 114**
Cash and cash equivalents*	**82 447**	**81 690**	**82 447**	**81 690**
Total	**89 167**	**91 817**	**89 167**	**91 817**
Total current	89 167	89 884	89 167	89 884
Total non-current	-	1 933	-	1 933

* including restricted cash (note 12)

USD'000	Carrying amount 2015	Carrying amount 2014	Fair value 2015	Fair value 2014
Financial liabilities at fair value through OCI				
Derivates in effective cash flow hedges	33 788	21 544	33 788	21 544
Financial liabilities at fair value through P&L				
Other derivatives	1 968	742	1 968	742
Total financial liabilities at fair value	**35 756**	**22 286**	**35 756**	**22 286**
Other financial liabilities at amortised cost				
Accounts payable	1 810	1 245	1 810	1 245
Other financial liabilities	874	1 525	874	1 525
Interest bearing debt	159 176	217 473	159 176	230 678
Bond loan	66 073	78 138	66 345	75 903
Liabilities directely associated with assets held for sale	46 271	-	46 271	-
Total financial liabilities at amortised cost	**274 204**	**298 381**	**274 477**	**309 351**
Total	**309 960**	**320 667**	**310 233**	**331 637**
Total current	75 607	81 895	75 607	81 895
Total non-current	234 353	238 772	234 625	249 742

Note 15 - Fair value measurement (cont.)

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.
- Fair value of the bonds are listed on Nordic ABM (ticker KSH01 PRO, KSH02 PRO is disclosed based on traded information.
- Fair value of derivatives are basd on mark to market reports recieved from 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 2015:

31.12.2015

Assets	Level 1	Level 2	Level 3	Total
No financial assets measured at fair value				-

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Interest rate swaps		1 968		**1 968**
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	66 345			**66 345**
Mortgage debt			159 176	**159 176**
Derivatives used for hedging				
Derivates in effective cash flow hedges		33 788		**33 788**

The table below 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 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 2015 and 2014, there were no transfers between any of the levels. Refer to Note 13 and 14 for the disclosures of non-current and current portion of the liabilities measured at fair value.

Note 16 - Interest bearing debt and financial instruments

The below table presents the Group's carrying amount of interest bearing debt by non-current and current portions foryear ended 31 December 2015 and 2014, respectively. All debt except for the bond loans (NOK) are denominated in USD, ref note 17 for further information on bond loans.

As of 31 December 2015, the Group had a total of USD 305.2 million in interest bearing debt (incl capitalized fees, interest hedge and currency hedge and liabilities directely associated with assets held for sale) of which USD 232.3 million was classified as non-current debt and USD 72.9 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 2-3.25.

The Group has refinanced two loan facilities in the first quarter of 2015. One secured revolving credit facility (RCF) of USD 75 million (note 3) and one term loan facility of USD 140 million.

The RCF has a tenor of 6 years and replaced the capacity of the existing RCF and the term loans for MV Balto, MV Balchen and MV Baldock. The new RCF is secured in all five selfunloader vessels. T Klaveness Shipping AS, Klaveness Selfunloaders AS and Klaveness Ship Holding AS are joint borrowers. The facility was repaid in January 2016, see note 3.

The new term loan facility has a tenor of 7 years and replaced the capacity of the term loan for MV Bangor, MV Barcarena`s share of the existing RCF and secured financing for the four out of in total seven newbuildings. T.Klaveness Shipping AS, Klaveness Bulk AS and Cabu Bangor Inc. are joint borrowers.

Mortgage debt	Description	Maturity	Carrying amount	Fair value
Barry/Baro/Bardu/Banak	DnB/USD 54.6 mill	March 2019	45 567	45 482
Balao/Ballenita	SEB/USD 30.158 mill	June 2018	24 383	24 362
Balsa/Baleares	DnB/Danske Bank/USD 35 mill	Sept 2018	27 653	27 640
Term Loan Facility	Nordea/Danske Bank, USD 140 mill.	April 2022	22 431	22 260
Banasol	SEB, USD 12 mill.	April 2018	7 500	7 431
Banastar	SEB, USD 12 mill.	April 2018	7 500	7 431
Bantry	Danske Bank, USD 18.9 mill.	March 2017	12 206	12 153
Bakkedal	Nordea, USD 16 mill.	Sept 2021	12 542	12 417
Mortgage debt 31 December 2015			**159 782**	**159 176**

Fair value is estimated to carrying amount less financing costs as the difference between market margin and carrying margin is considered to be immaterial.

2015 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	133 130	26 652	159 782
Transaction costs mortgage debt	(606)	-	(606)
Liabilities directely associated with the assets	-	46 271	46 271
Bond loan	67 056	-	67 056
Transaction costs bond loan	(983)	-	(983)
Cross currency interest rate swap	33 688	-	33 688
Total interest bearing debt	**232 285**	**72 923**	**305 208**

2014 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	196 592	20 671	217 263
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	**295 670**	**20 671**	**316 341**

Note 16 - Interest bearing debt and financial instruments (cont.)

The Group has undrawn committed bank facilities available at year end 2015, for which all conditions have been met and tap issues are possible under the bond agreements.

2015	Credit NOK mill	USD mill	Drawn up NOK mill	USD mill	Available NOK mill	USD mill
Term loan Facility*		140		22		118
Revolving Credit Facility (RCF)**		75		46		29
Bond loan KSH01	500		300		300	
Buy back KSH01			(100)			
Bond loan KSH02	600		400		210	
Buy back KSH02			(10)			
Total	1 100	215	590	69	510	146

* Committed to newbuildings
**The RCF was repaid and facility terminated in January 2016, see note 3.

2014	Credit NOK mill	USD mill	Drawn up NOK mill	USD mill	Available NOK mill	USD mill
Revolving credit facility		42		-		42
Bond loan KSH01	500		300		300	
Buy back KSH01			(100)			
Bond loan KSH02	600		400		210	
Buy back KSH02			(10)			
Total	1 100	42	590	-	510	42

Hedging

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. Fair value of interest rate swaps which qualify for hedge accounting is USD 100k (liability) as per 31.012.2015 (2014: USD 13k (asset)).

To hedge the Group's bond loans, the Group has entered into three cross currency interest rate swap agreements. 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.

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-default provisions exist.

According to IAS 1, the Group was not in compliance with loan to value covenant for mortgage debt related to the Bakkedal facility at year end 2015. Hence the mortgage debt of USD 12.5 million has been classified as current. Cash has been posted as extra security in 2016 and compliance was achieved well within the end of the grace period, thus it was not considered as an event of default (note 24). The Group has constructive dialogues with the bank as to amend the clause for the future. .For all other covenants, The Group was in compliance at 31 December 2015 and 31 December 2014.

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

Book value of collateral, mortgaged and leased assets	2015	2014
Vessels*	438 478	477 515
Total book value of collateral, mortgaged and leased assets	438 478	477 515

*Includes vessels held for sale

Note 17 - Bond loans

The Group entered into two bond agreements in May 2013 (KSH01) and in March 2014 (KSH02).

The bond loans are listed on Nordic ABM and has a bullet structure with no repayment until maturity in May 2018 and March 2020 respectively. Bond loans are subject to an interest rate of 3M NIBOR plus a margin of 4.25 and 4.75. Both bond loans are issued by Klaveness Ship Holding AS.

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% - 6,37 %, has been entered into. The CCIRS covers 100 % of the oustanding NOK 200 mill in the KSH-01 bond and 75 % of the NOK 400 mill KSH-02 bond at 31 December 2015, 85 % of total bond debt is hedged.

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 16.

Bond loan	Face value NOK'000	Year of maturity	Carrying amount (USD'000) 2015	2014
KSH01				
Original loan amount	300 000	08.05.2018	52 250	52 250
Buy back	(100 000)		(17 417)	(17 417)
Exchange rate adjustment			(12 102)	(7 915)
Capitalized expenses			(333)	(423)
			22 398	26 495
KSH02				
Original loan amount, fixed	300 000	20.03.2020	50 500	50 500
Original loan amount, floating	100 000	20.03.2020	16 828	16 828
Buy back	(10 000)		(1 355)	(1 355)
Exchange rate adjustment			(21 648)	(13 482)
Capitalized expenses			(650)	(848)
			43 675	51 643
Debt as of reporting period	**590 000**		**66 073**	**78 138**

Note 18 - 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 14. Commitments related to newbuildings are presented in note 14. Available facilities is presented in note 16.

Guarantees

Below is a list of guarantees given at year-end 2015.

Guarantee to	Description	Amount
DNB	Senior Secured Term Loan Facility Agreement financing container vessels ("Barry" / "Baro" /"Bardu" / "Banak")	Outstanding loan amount (max USD 54.6 million) + interest, expenses and exposure under derivatives
SEB	Senior Secured Term Loan Facility financing container vessels ("Balao" / "Ballenita")	Outstanding loan amount (max USD 30.158.333) + interest, expenses and exposures under derivatives
DNB/Danske Bank	Senior Secured Term Loan Facility Agreement financing container vessels ("Balsa" / "Baleares")	USD 35.000.000 + interest, expenses and exposure under derivatives
DNB	Cross Currency Interest Rate Swap on Klaveness Ship Holding bond issue	Exposure under the derivative
Kamsarmax One Shipping Ltd.	Moa for sale of YZJ2013-1116	USD 9.150.000 + interest
DNB	Guarantee for a loan agreement of USD 75 million to finance the Selfunloader vessels	USD 46.3 million have been drawn on the facility as of 31 December 2015.
Nordea	Guarantee for a loan agreement of USD 140 million to finance MV Barcarena, three Cabu newbuildings and one dry-bulk newbuildings	USD 22.5 million have been drawn as of 31 December 2015.
Danske Bank	Bank guarantee for loan facility related to the vessel MV Bantry.	USD 18.9 mill + interest
Algoma Shipping Ltd	Guarantee re sale of MV Balchen and MV Baldock	Limited to USD 1.0 million
Marbulk Shipping Ltd	Guarantee re sale of MV Balder	Limited to USD 500 thousand
Hull 2227	Guarantee re sale of MV Balto and MV Barkald	Limited to USD 1.0 million
YZJ Yard	Three guarantees for third and fourth installments for shipbuilding contracts YZJ2015-1222, YZJ2015-1223 and YZJ2015-1224.	USD 29 million + interest
Klaveness Container AS	Financial support to the company to enable it to meet its financial obligations as and when they fall due so that the company will continue as a going concern.	Unconditional up to the first event of March 7, 2017.

Note 19 - Other liabilities

Other current liabilities	2015	2014
Accrued expenses	3 029	1 068
Crew accrued wages	2 469	2 494
Accrued interest	1 081	1 218
Other	1 861	2 271
Total other current liabilities	**8 440**	**7 051**

Note 20 - Share capital, shareholders, dividends and reserves

	Shares	Notional	Share capital (NOK)
31.12.2015	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 2015 and 2014. However, group contribution of USD 1.9 million from Klaveness Finans AS (KF) to Klaveness Ship Holding AS (KSH) has not been recognised as an asset in the financial statements as of 31 December 2015 as the group contribution is not yet approved by the company's shareholders (2014: USD 22.3 million in group contribution from KSH to KF not recognised as liability). The group contribution of USD 1.9 milloin is provided with tax effect (see note 8). Klaveness Ship Holding AS will provide USD 16.6 million in group contribution without tax effect to Klaveness Finans AS (not recognised as liability as of 31 December 2015 as not yet approved by the general meeting).

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 2015	Ownership interest per 31 Dec 2014
T Klaveness Shipping AS	100 %	100 %
Klaveness Selfunloaders AS	100 %	100 %
Klaveness Cement Logistics AB (Sweden)	100 %	100 %
Klaveness Container AS	86,20 %	86,20 %
Klaveness Bulk AS	100 %	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 2015 or 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.

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.

Klaveness AS delivers services to the Group performed by corporate functions like management, legal, accounting & controlling, risk management and commercial management. In 2014 these services were performed by AS Klaveness Chartering (KC).

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

USD'000			
Supplier	**Type of agreement**	**2015**	**2014**
Klaveness AS (sister company)	Business administration fee	(529)	(582)
Klaveness AS (sister company)	Commercial management fee	(4 492)	(3 936)
Klaveness AS (sister company)	IT fee	(392)	(412)
Klaveness Ship Management AS (sister company)	Ship Mangement fee	(4 069)	(3 943)

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.

Note 24 - Events after the balance sheet date

To assure continued compliance with loan to value for mortgage debt for Barcarena, Bangor, Bakkedal and Bantry, USD 12.3 million has been set aside as security pending agreement with relevant banks on amended terms. The amended terms for Bantry is in the process of documentation, while there is a constructive dialogue with the banks relating an amendment for the other vessels.

A sale of the five selfunloader vessels was concluded in December 2015, and all vessels were delivered to their new owners in January 2016. Net proceeds of USD 144 million, after downpayment of related interest-bearing debt, was realized after the sale. The RCF was terminated after the downpayment in 2016.

The kamsarmax newbuilding, Bavang, was delivered 23 February 2016 from New Yangzi Shipbuilding Co Ltd.

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2015.

Klaveness Ship Holding AS

Income Statement

USD '000	Note	Year ended 31 December 2015	2014
Total operating revenue		**-**	**-**
Management fee	Note 2, 13	(299)	(366)
Other administrative services	Note 2, 13	(76)	(850)
Total operating expenses		**(375)**	**(1 216)**
Operating profit		**(375)**	**(1 216)**
Finance income	Note 3	3 150	55 406
Finance costs	Note 3	(44 755)	(10 032)
Profit/ (loss) before tax		**(41 980)**	**44 157**
Income tax expenses	Note 4	5 899	(570)
Profit/ (loss) after tax		**(36 081)**	**43 587**

Klaveness Ship Holding AS

Statement of Other Comprehensive Income

USD '000	Note	2015	2014
Profit of the year		**(36 081)**	**43 587**
Other comprehensive income to be reclassified to profit or loss			
Net movement fair value on cross-currency interest rate swaps	Note 9	(12 144)	(18 392)
Reclassification to profit and loss of cash flow hedges		10 468	15 118
Income tax effect	Note 4	419	884
Net other comprehensive income to be reclassified to profit or loss		**(1 257)**	**(2 390)**
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		**(1 257)**	**(2 390)**
Total comprehensive income/(loss) for the period, net of tax		**(37 338)**	**41 197**

Klaveness Ship Holding AS

Balance Sheet Statement

		As at 31 December	
USD '000	**Note**	**2015**	**2014**
ASSETS			
Non current assets			
Deferred tax asset	Note 4	8 081	6 592
Investments in subsidiaries	Note 5	414 876	452 929
Loan to related parties	Note 6	-	10 034
Total non current assets		**422 957**	**469 556**
Current assets			
Loan to related parties	Note 6	24 227	-
Receivables from related parties	Note 6	914	-
Other short-term receivables		65	50
Cash and cash equivalents	Note 7	8 417	34 258
Total current assets		**33 624**	**34 308**
TOTAL ASSETS		**456 580**	**503 863**

Klaveness Ship Holding AS

Balance Sheet Statement

USD '000	Note	As at 31 December 2015	2014
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 8	1 817	1 817
Share premium		16 862	16 862
Other paid-in capital		5 585	5 585
Other reserves		342 361	343 617
Retained earnings		(10 338)	29 606
Total equity		**356 287**	**397 486**
Non-current liabilities			
Bond loans	Note 17 Group, Note 10, 11	66 073	78 138
Financial liabilities	Note 9, 11	33 688	21 544
Total non-current liabilities		**99 761**	**99 682**
Current liabilities			
Current debt to related parties	Note 6	107	209
Tax payable	Note 4	-	6 014
Other current liabilities		425	472
Total current liabilities		**533**	**6 694**
TOTAL EQUITY AND LIABILITIES		**456 580**	**503 863**

Oslo, 31 December 2015

Oslo, 18 March 2016

Lasse Kristoffersen
Chairman of the Board

Bent Martini
Board member

Rebekka Glasser Herlofsen
Board member

Morten Skedsmo
Managing Director

Klaveness Ship Holding AS

Statement of Changes in Equity

USD'000	Share capital	Share premium	Other paid in capital	Hedging reserves	Other reserves	Retained earnings	Total equity
Equity at 1 January 2014	**1 817**	**16 862**	**5 585**	**(170)**	**346 177**	**(13 982)**	**356 289**
Profit (loss) for the year						43 587	43 587
Other comprehensive income for the year				(2 390)			(2 390)
Total comprehensive income for the year				**(2 390)**		**43 587**	**41 197**
Equity at 31 December 2014	**1 817**	**16 862**	**5 585**	**(2 560)**	**346 177**	**29 606**	**397 486**
Profit (loss) for the year						(36 081)	(36 081)
Other comprehensive income for the year				(1 257)			(1 257)
Total comprehensive income for the year				**(1 257)**		**(36 081)**	**(37 338)**
Net group contribution receieved/(paid) without tax effect						(1 572)	**(1 572)**
Net group contribution receieved/(paid) with tax effect						(2 184)	**(2 184)**
Currency effect group contribution						(107)	**(107)**
Equity at 31 December 2015	1 817	16 862	5 585	(3 816)	346 177	(10 338)	**356 287**

Hedging reserve

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

Other reserves

The revaluation reserves are used to record shares in T Klaveness Shipping AS which was paid as contribution in kind measured at fair value.

Klaveness Ship Holding AS

Statement of Cash Flows

USD '000	Note	2015	2014
Profit before tax		(41 980)	44 157
Share of profit from subsidiaries		-	(51 533)
Amortization of upfront fees and bank loans		331	541
Gain/loss on foreign exchange		(1 884)	(2 991)
Finance income	Note 3	(1 222)	(372)
Interest expenses	Note 3	6 095	5 675
Impairment shares in subsidiaries	Note 5	38 054	3 047
Tax paid for the period		-	-
Change in receivables		(15 122)	(9 936)
Change in current liabilities		(148)	(109)
Change in other working capital		(211)	(1 005)
Interest received	Note 3	1 222	372
A: Net cash flow from operating activities		**(14 865)**	**(12 154)**
Capital increase in subsidiaries		-	(47 063)
B: Net cash flow from investment activities		**-**	**(47 063)**
Proceeds from bond loans	Note 17 Group	-	63 959
Transaction costs on issuance of bond loans	Note 17 Group	-	(1 000)
Interest paid	Note 3	(6 095)	(5 675)
Cash proceeds from buy back bond loans	Note 17 Group	-	(18 763)
Payments of group contribution		(4 794)	-
Dividends received from subsidiaries	Note 1	-	51 533
Debt converted to equity		-	(37 533)
C: Net cash flow from financing activities		**(10 889)**	**52 521**
Net change in liquidity in the period (A + B + C)		(25 754)	(6 695)
Net foreign exchange difference		(87)	(15)
Net change in liquidity in the period		**(25 841)**	**(6 711)**
Cash and cash equivalents at beginning of period		34 258	40 970
Cash and cash equivalents at close of period	Note 7	8 417	34 258
Net change in cash and cash equivalents in the period		**(25 841)**	**(6 711)**
Undrawn facilities		-	-

BASIS OF PREPARATION

The financial statements of Klaveness Ship Holding AS (referred to as the company/the parent company) have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Accounting principles for the consolidated statement of Klaveness Ship Holding AS also apply to the parent company – see accounting policies presented as part of the consolidated Group accounts.

The main activity of the company is to be a holding company of shipowning subsidiaries.

DIVIDEND INCOME/GROUP CONTRIBUTION

Dividend income is recognized when the right to receive payment is established, which is when the dividend is approved by the general meeting of the subsidiary.

DIVIDEND DISTRIBUTION/GROUP CONTRIBUTION

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders.

SHARES IN SUBSIDIARIES

Shares in subsidiaries in the parent accounts are recorded at acquired cost. These investments are reviewed for impairment when there are indicators that carrying amount may not be recoverable.

CONTRIBUTION IN KIND

When shares are transferred as contribution in kind the capital increase is measured at fair value. Fair value is estimated based on the fair value of underlying assets and liabilities.

USE OF ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financialyear. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Shares in subsidiaries and intercompany receivables are subject to impairment testing at the end of each reporting period. Valuation is subject to assessment of the recoverability in the underlying investment or receivable. Management's assessment can affect the level of impairment loss, or reversal of such, that is recognized in profit or loss.

Note 2 - Operating expenses

The Company has no employees and has thus no wage expenses or pension liabilities. Management services are acquired from other companies within the Group of Rederiaksjeselskapet Torvald Klaveness (RASTK), see note 13. The managing director and members of the Board of Directors are employees of other companies within RASTK. The cost of management is included in the management fee. No special remuneration has been paid to the members of the Board of Directors, because such positions are part of their regular employment.

USD '000	2015	2014
Accounting fee and other administrative fees related company (note 13)	299	366
Management fee	**299**	**366**

USD '000	2015	2014
Project fee to AS Klaveness Chartering	-	129
Project expenses	-	184
Statutory audit	23	25
Other assurance services from auditor	58	1
Consultants	-	503
Other administrative costs	(5)	8
Other administrative services	**76**	**850**

Auditor's fees are stated excluding VAT.

Note 3 - Finance income and finance costs

USD'000	2015	2014
Income from investments in subsidiaries	-	51 533
Interest received from related parties	578	310
Other interest income	63	62
Guarantee fee from related parties	581	395
Other financial income	1	115
Gain / (loss) on foreign exchange	1 927	2 991
Total finance income	**3 150**	**55 406**

USD'000	2015	2014
Interest paid to related parties	99	32
Interest expenses bond loan	5 996	5 643
Impairment shares in subsidiaries (note 5)	38 054	3 047
Other financial expenses	607	1 309
Total finance costs	**44 755**	**10 032**

Refer to note 16 in the Group accounts for further disclosures of the company's debt.

Note 4 - Taxes

Income tax for the year	2015	2014
Income taxes payable	-	6 014
Change in deferred tax	(2 015)	(4 593)
Effect of group contribution	-	-
Adjustment correction of OCI included in tax expense prior years	947	
Adjustment correction of last year's tax expense**	(4 831)	(851)
Total tax expense/(income) reported in the income statement	**(5 899)**	**570**
Net (gain)/loss on revaluation of cash flow hedges	(419)	(884)
Deferred tax charged to OCI	**(419)**	**(884)**

Calculation of tax payable	2015	2014
Profit/ (loss) before tax, incl OCI	(43 656)	44 158
Permanent differences	38 589	(42 052)
Change in temporary differences	9 471	20 166
Currency effects	(6 342)	-
Tax basis before group contribution	(1 938)	22 272
Income taxes payable	-	6 014

Reconciliation of actual tax expense against expected tax cost in accordance with the ordinary Norwegian income tax rate of 27 %	2015	2014
Profit /(loss) before tax, incl OCI	(43 656)	44 158
Estimated tax at 27% statutory rate	(11 787)	11 923
27 % tax on permanent differences	10 419	(11 354)
Exchange rate differences	(1 712)	852
Change in tax rate from 27 % to 25 %	646	-
Adjustment correction of OCI included in tax expense prior years	947	
Adjustment correction of last year's tax expense**	(4 831)	-
Income tax expenses	**(6 318)**	**1 421**
***Profit and loss effect**	**(5 899)**	
***OCI effect**	**(419)**	
Effective tax rate	14,5 %	3,2 %

Temporary differences - ordinary taxation	Temporary difference	2015 Tax effect	Temporary difference	2014 Tax effect
Gains and losses account	(331)	(83)	(489)	(132)
Currency gain/loss not realised	3 243	811	881	238
Unrealised gain/loss interest rate swaps	391	98	238	64
Unrealised gain/loss CCIRS	(33 688)	(8 422)	(21 544)	(5 817)
Loss carried forward	(1 938)	(484)	-	-
Deferred tax liability/ asset (-) recognised in balance sheet*	**(32 323)**	**(8 081)**	**(20 914)**	**(5 647)**

*Recognised deferred tax asset is expected to be utilized in the future upon realisation of the financial asset/liability (CCIRS).

** Adjustment correction of last year's tax expense (USD 4.8 million) relates to a deviation between tax payable in the financial statement in 2014 and tax payable according to the tax filing. Tax payable is offset by group contribution. The reversal does not have any cash flow impact.

No dividends are paid or proposed for the years 2015 and 2014. However, group contribution of in total USD 1.9 million (with tax effect) from Klaveness Finans AS to Klaveness Ship Holding AS, and USD 21.4 (net received amount without tax effect) to/from other group companies have not been recognised as assets in the financial statements as of 31.12.2015 as the group contribution is not yet approved by the company's shareholders.

Note 5 - Investments in subsidiaries

	Business office, country	Voting share/ ownership	Book value 31.12.2015	Book value 31.12.2014
T Klaveness Shipping AS**	Oslo, Norway	100 %	360 427	344 416
Klaveness Selfunloaders AS***	Oslo, Norway	100 %	-	4 963
Klaveness Cement Logistics AB	Stockholm, Sweden	100 %	425	425
Klaveness Container AS*	Oslo, Norway	86,2 %	53 556	95 924
Klaveness Bulk AS*	Oslo, Norway	100 %	467	7 200
Investments in subsidiaries			**414 876**	**452 929**

*Klaveness Container Holding AS and Klaveness Bulk Holding AS have in 2014 merged with its subsidiaries, respectively Klaveness Container AS and Klaveness Bulk AS, with accounting effect as of 01.01.2014. The merger has been treated in accordance with pooling of interest method.

** Shares in T Klaveness Shipping AS were paid as contribution in kind at fair value with effect as of 01.01.2013 (see note 1).

*** In the first quarter of 2015, shares in Klaveness Selfunloaders AS (KSUL) (100 %) have been transferred as contribution in kind to another 100 % owned subsidiary, T Klaveness Shipping AS (TKS). The transaction is part of an internal restructuring and qualifies for the use of pooling of interest method. Contribution in kind is based on carrying amounts. Costprice of the shares in KSUL (USD 5 million) has been reallocated to costprice shares in TKS.

Investments in subsidiaries are recorded at cost. Due to sale of selfunloader vessels in a subsidiary company (Klaveness Selfunloaders AS) at salesprice above booked values, a reversal of impairment of USD 11.1 million (2014: impairment of USD 3.0 million) related to the shares in T Klaveness Shipping AS has been recognized in the income statement for 2015. Impairments have been recognised for the shares in Klaveness Container AS (USD 42.4 million) and Klaveness Bulk AS (USD 6.7 million) as booked value of equity is lower than book value of the shares. Weak markets in container and dry bulk resulted in impairments of vessels in these subsidiaries with negative effect on equity. Impairments in shares amounts to in total USD 38 million in 2015 (2014: 3 million), see note 3.

Note 6 - Intragroup balances

At the end of the year, the Company had the following intragroup balances with related parties:

USD'000 Company	Relationship	2015	2014
Klaveness Container AS	Subsidiary	22 027	10 034
Klaveness Bulk AS	Subsidiary	2 200	-
Loan to related parties		**24 227**	**10 034**

Loan to Klaveness Container AS falls due in September 2016. Interests are calculated based on 3M LIBOR + margin and are to be paid at maturity.

Loan to Klaveness Bulk AS falls due in December 2016. Interests are calculated based on 3M LIBOR + margin and are to be paid at maturity.

USD'000 Company	Relationship	2015	2014
T Klaveness Shipping AS	Subsidiary	914	
Receivables from related parties		**914**	**-**

USD'000 Company	Relationship	2015	2014
T Klaveness Shipping AS	Subsidiary	-	32
AS Klaveness Chartering	Related company	-	76
Klaveness Ship Management AS	Related company	15	101
Klaveness AS	Related company	92	-
Current debt to related parties		**107**	**209**

Note 7 - Cash and cash equivalents

The company has bank deposits in the following currencies:

USD'000	2015	2014
Bank deposits, NOK	6 212	1 433
Bank deposits, USD	2 205	7 825
Investment account, USD	-	25 000
Total cash and cash equivalents	**8 417**	**34 258**

The company has no restricted bank deposits.

Note 8 - Share capital, shareholders, dividends and reserves

	Shares	Notional	Share capital (NOK)
31.12.2015	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 2015 and 2014. However, group contribution of in total USD 23.3 million (net received amount of all group contributions) (USD 5 million/liability) is not recognised as an asset in the financial statements as of 31.12.2015 (31.12.2014) as the group contribution is not yet approved by the company's shareholders (see note 4).

Note 9 Financial liabilities

The company has entered into three cross currency interest rate swap agreements in USD to hedge the bond loans in NOK. The interest rate and currency swap agreements are designated as cash flow hedges and are effective hedging instruments. Change in fair value is recognised in other comprehensive income.

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 (see Group note 16). Hence all swap agreements have been classified as non-current.

Financial liabilities at 31 December	2015	2014
Financial instruments at fair value through OCI		
Cross currency interest rate swap	33 688	21 544
Financial liabilities	33 688	21 544

For further information on interest rate swaps and cross-currency interest rate swaps see note 10.

Note 10 - Financial risk management

Capital management
Capital management of the Company is overseen on Group level, see note 13 in the consolidated accounts of Klaveness Ship Holding AS. The Company is in compliance with all covenants as of 31 December 2015 - see note 16 in the consoidated accounts of Klaveness Ship Holding AS.

Operational risk
The company's activity is to be a holding company of subsidiaries and its main risk is related to the financial situation of the subsidiary companies. If the subsidiary experiences losses over time, the investment may be impaired. Impairment evaluations are carried out at each closing date. As the ultimate holding company of all shipowning companies, the company is also subject to development costs related to research and development within the Torvald Klaveness Group.

Foreign currency risk and interest rate risk
As of 31 December 2015, fair value of cross currency interest rate swap (CCIRS) is negative by USD 33.7 million (2014: negative by USD 21.5 million). Changes in the fair values of the CCIRS are recognized as other comprehensive income (OCI). Below table sets out the split of other comprehensive income for the years ended 31 December 2015 and 2014.

The company's functional currency is US Dollar (USD). The company has some costs incurred in other currencies (mainly NOK). 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 (85 %) with a cross currency interest rate swap, reducing the currency and interest exposure.

Other comprehensive income	2015	2014
Net movement fair value on CCIRS	(12 144)	(18 392)
Net movement reclassification to profit and loss	10 468	15 118
Income tax effect	419	884
Other comprehensive income / (loss) for the period, net of tax	**(1 257)**	**(2 390)**

The table below shows estimated changes in profit before tax for the company from reasonable possible changes in interest rates in 2015 and 2014, 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 - unsecured bond loan	2015	2014
NIBOR	+1,50%	153	197
	+ 0,75%	77	99
	- 0,75%	(77)	(99)
	- 1,50%	(153)	(197)

USD '000	Change in interest rate - loan to related parties	2015	2014
LIBOR	+1,50%	363	151
	+ 0,75%	182	75
	- 0,75%	(182)	(75)
	- 1,50%	(363)	(151)

Counterparty/credit risk
Counterparty risk is related to intercompany balances and risk related to guarantees provided to banks on behalf of loan facilities in subsidiaries (Klaveness Container AS, see note 12). Guarantees have been provided by both Klaveness Ship Holding AS and T. Klaveness Shipping AS (subsidiary). There is a risk that subsidiaries do not generate cash flow to be able to meet financial obligations when they fall due. Loan facilities in which guarantee has been provided fall due in 2018 and 2019. Liquidity buffers in the benefactors are expected to be sufficiently large to cater for such events.

The company is exposed to credit risk through its deposits. Deposits are currently made with financial institutions that have A/AA rating.

Liquidity risk
Liquidity risk is the risk that the company may not be able to meet its obligations when they fall due. 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 company's bond loans are subject to financial and non-financial covenant clauses given on Group level (Consolidated Klaveness Ship Holding AS, se Group note 15 regarding information about covenants). Bond loans fall due in 2018 and 2020. Due to the financial situation , debt maturity profile and liquidity reserve in the Group at year-end, liquidity risk is considered to be low. The Group as such furthermore benefits from being well diversified on funding sources.

Maturity profile presented below includes interest payments and CCIRS hedge.

Maturity profile to financial liabilities at 31 Dec 2015	< 1 year	1-3 years	3-5 years	> 5 years	Total
Bond loan	5 869	45 524	66 392	-	**117 784**
Current debt to related parties	107	-	-	-	**107**
Other current liabilities	425	-	-	-	**425**
	6 401	**45 524**	**66 392**	**-**	**118 317**

Note 11 - Fair value measurement

Fair value measurement
Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments included in the financial statements.

	Carrying amount		Fair value	
	2015	2014	2015	2014
Loans and receivables at amortised cost				
Loan to related parties	24 227	10 034	24 227	10 034
Receivables from related parties	914	-	914	-
Total loans and receivables	**25 141**	**10 034**	**25 141**	**10 034**
Cash and cash equivalents	**8 417**	**34 258**	**8 417**	**34 258**
Total assets	**33 559**	**44 292**	**33 559**	**44 292**
Total current	33 559	34 258	33 559	34 258
Total non-current	-	10 034	-	10 034

	Carrying amount		Fair value	
	2015	2014	2015	2014
Financial liabilities at fair value through OCI				
Derivates in effective cash flow hedges	33 688	21 544	33 688	21 544
Total financial liabilities at fair value	**33 688**	**21 544**	**33 688**	**21 544**
Other financial liabilities at amortised cost				
Current debt to related parties	107	209	107	209
Bond loan	66 073	78 138	66 345	75 903
Total other financial liabilities at amortised cost	**66 180**	**78 347**	**66 453**	**76 112**
Total liabilities	**99 868**	**99 891**	**100 141**	**97 656**
Total current	107	209	107	209
Total non-current	99 761	99 682	100 033	97 447

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 transaction. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:
- Cash and restricted cash, trade receivables, trade payables and other current liabilities are deemed to have equal fair value and book value due to the short term maturities of these instruments.
- 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 company enters into derivative financial instruments 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 inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Valuation is performed by the banks, and assessed by the company.
- Fair value of loans to/from related parties is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The fair value of current borrowings equals their carrying amount as the impact of discounting and differences in margin is not significant.

Note 11 - Fair value measurement (cont.)

Fair value hierarchy

The company uses hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the company's assets and liabilities at 31 December. The company had no assets measured at fair value at year end.

31.12.2015

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	66 345			**66 345**
Derivatives used for hedging				
Derivates in effective cash flow hedges		33 688		**33 688**

31.12.2014

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	75 903			**75 903**
Derivatives used for hedging				
Derivates in effective cash flow hedges		21 544		**21 544**

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 specific 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 are not based on observable market data, the instrument is included in level 3. Refer to Note 9 for the disclosures of non-current and current portion of the liabilities measured at fair value.

Note 12 - Commitments and guarantees

Capital commitments

The company has capital commitments related to borrowings. For information of maturity profile for bond loans, see note 10.

Guarantees

Below is a list of guarantees provided by the company at 31 December 2015.

Guarantee to	Description	Amount
DNB	Bank guarantee for senior secured term loan facility in Klaveness Container AS, related to the vessels MV Barry, MV Baro, MV Bardu and MV Banak.	USD 54.6 mill + interest
SEB	Bank guarantee for senior secured term loan facility in Klaveness Container AS, related to the vessels MV Balao and MV Ballenita.	USD 30.158 mill + interest, and exposure under derivate lines USD 3.016 mill
DNB/Danske Bank	Bank guarantee for senior secured term loan facility in Klaveness Container AS, related to the vessels MV Balsa and MV Baleares.	USD 35 mill + interest
Kamsarmax One Shipping Ltd.	MoA for sale of YZJ2013-1116	USD 9.150 mill + 5 % interest
Jiangsu New Yangzi Shipbuilding Co. Ltd	On behalf of T Klaveness Shipping AS, 3rd and 4th Installments, shipbuilding contract YZJ2015-1222	USD 9.7 mill + 5 % interest
Jiangsu New Yangzi Shipbuilding Co. Ltd	On behalf of T Klaveness Shipping AS, 3rd and 4th Installments, shipbuilding contract YZJ2015-1223	USD 9.7 mill + 5 % interest
Jiangsu New Yangzi Shipbuilding Co. Ltd	On behalf of T Klaveness Shipping AS, 3rd and 4th Installments, shipbuilding contract YZJ2015-1224	USD 9.7 mill + 5 % interest
Klaveness Container AS	Financial support to the company to enable it to meet its financial obligations as and when they fall due so that the company will continue as a going concern.	Unconditional up to the first event of March 7, 2017.

Note 13 - Transactions with related parties

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

The company 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. Loan to related parties - see note 6.

Klaveness AS (AS Klaveness Chartering) delivers services to the company performed by corporate functions like management, legal, accounting & controlling and risk management department. All of the employees in AS Klaveness Chartering was demerged to Klaveness AS with effect from 1 January 2015.

Supplier	Type of agreement	2015	2014
AS Klaveness Chartering (related company)	Business administration fee	-	366
AS Klaveness Chartering (related company)	Project fee	-	129
Klaveness AS	Business administration fee	299	-

Note 14 - Events after the balance sheet date

There are no events after the balance sheet date that have a material effect on the statutory accounts of the company as of 31.12.2015.

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To the Annual Shareholders' Meeting of
Klaveness Ship Holding AS

AUDITOR'S REPORT

Report on the financial statements

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

The Board of Directors' and Managing Director's responsibility for the financial statements

The Board of Directors and Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 18 March 2016
ERNST & YOUNG AS

Kristin Hagland
State Authorised Public Accountant (Norway)