Clipper Fleet Management A/S

Sundkrogsgade 19
2100 Copenhagen Ø, Denmark

Central Business Registration No: 17 26 11 42

Annual report 2016
(23rd financial year)

The Annual General Meeting adopted the annual report on May 30, 2017

Chairman of the General Meeting

Contents

Company details

Company

Clipper Fleet Management A/S
Clipper House
Sundkrogsgade 19
2100 Copenhagen Ø, Denmark

Central Business Registration No: 17 26 11 42
Registered in: City of Copenhagen

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Board of Directors

Frank Gülnar Jensen (chairman)
Peter Norborg
Flemming Lorents Steen

Executive Board

Erik Ankjær Carlsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Clipper Fleet Management A/S for the financial year January 1 to December 31, 2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the annual report gives a true and fair view of the Company's financial position at December 31, 2016 and of its financial performance for the financial year January 1 to December 31, 2016.

We believe that the management commentary contains a fair view of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, May 30, 2017

Executive Board

Erik Ankjær Carlsen
Chief Executive Officer

Board of Directors

Frank Gülnar Jensen chairman	Peter Norborg	Flemming Lorents Steen

Independent auditor's report

To the shareholder of Clipper Fleet Management A/S

Opinion

We have audited the financial statements of Clipper Fleet Management A/S for the financial year January 1 to December 31, 2016, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at December 31, 2016 and of the results of its operations for the financial year January 1 to December 31, 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, May 30, 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke
State-Authorised
Public Accountant

Bjarne Iver Jørgensen
State-Authorised
Public Accountant

Management commentary

Activities

The Company's primary activities involve acting as technical manager of vessels owned by Clipper as well as external vessels, including carrying out technical management of project vessels and bulk vessels on international trades.

Furthermore, the Company is a holding company for Clipper Fleet Management India Pte. Ltd and K/S CEC Delta and its accompanying general partner company.

Development in activities and finances

The loss for the year is USD 1.012k. The result of the year is not satisfactory.
The Company has received a capital increase of USD 3.743k from its parent company and has now a positive equity of USD 2.339k as of December 31, 2016.

The Company expects to improve the operating result for 2017.

Events after the balance sheet date

No events have occurred after the balance date to this date, which would influence the evaluation of this annual report.

Accounting policies

The annual report of Clipper Fleet Management A/S has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises.

As the Company's functional currency is USD, the annual report has been presented using USD as the reporting currency. The exchange rate used for DKK against USD is 7.05 at December 31, 2016 (2015: 6.83).

Referring to section 112(1) of the Danish Financial Statements Act, Clipper Fleet Management A/S has not prepared consolidated financial statements.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event and it is probable that future economic benefits will flow out of the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recognized in the income statement as financial income or financial expenses.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognized in the balance sheet and loss as financial income or financial expenses.

For the foreign subsidiaries, the income statement is translated using average exchange rates for the year and the items of the balance sheet are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at balance sheet date, exchange rates as well as the difference from translating the income statement from average rates to year-end rates, are recognized directly in equity.

Income statement

Revenue

Revenue from technical management and consultancy services are recognized when the Company obtains right to the remunerations.

Administrative expenses

Administrative expenses comprise expenses for management and administration of the Company.

Clipper Group A/S manages the terms of employment governing all of the Company's employees, which allocate current resource requirements for the operation of the Company. Related costs are recognized in "Administrative expenses".

Clipper Group A/S holds the majority of the Company's administrative expenses. The costs are allocated from Clipper Group A/S to the Company based on the actual use of resources.

Income from investments in subsidiaries

Income from investments in subsidiaries comprises the proportionate share of the individual subsidiaries' profit/loss.

Financial income and expenses

Financial income and expenses include interest as well as realized and unrealized foreign exchange rate translation gains and losses.

Accounting policies

Tax
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to profit/loss for the year and recognized directly in equity by the portion attributable to entries directly in equity.

Tonnage tax has been calculated on vessels that have been in technical management in 2016.

The Company participates in a joint taxation arrangement. Current taxes for the jointly taxed companies are allocated according to the full costing method.

Assets
Investments in subsidiaries
Investments in subsidiaries are recognized and measured according to the equity method. This means that investments are measured at the proportionate share of the enterprises' equity.

Subsidiaries with negative equity are measured at USD 0, and any receivables from these subsidiaries are written down by the Company's share of negative equity value if they are deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognized under provisions if the Company has a legal or constructive obligation to cover the subsidiaries' debt.

Upon distribution of profit or loss, net revaluation of investments in subsidiaries is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in subsidiaries are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortized cost less write-downs for bad and doubtful debts.

Financial liabilities
Financial liabilities are recognized at amortized cost, which usually equals nominal value.

Income statement

	Note	2016 USD	2015 USD
Gross profit/(loss)	1	**4.970.362**	**4.837.205**
Administrative expenses	2	(5.736.773)	(4.989.303)
Operating profit/(loss)		**(766.411)**	**(152.098)**
Profit/(loss) from investments in subsidiaries	5	22.646	276.895
Financial expenses	3	(36.119)	(118.147)
Profit/(loss) before tax		**(779.884)**	**6.650**
Tax on profit/(loss) of the year	4	(231.894)	(190.985)
Loss for the year		**(1.011.778)**	**(184.335)**

Proposed distribution of loss		
Retained earnings	(1.011.778)	

Balance sheet at 31.12.

	Note	2016 USD	2015 USD
Investments in subsidiaries	5	683.133	675.217
Fixed assets investments		**683.133**	**675.217**
Fixed assets		**683.133**	**675.217**
Trade receivables		2.065.855	959.986
Receivables from group enterprises		7.446.285	3.313.148
Other receivables		208.335	207.529
Receivables		**9.720.475**	**4.480.663**
Cash		**208.582**	**1.543.346**
Current assets		**9.929.057**	**6.024.009**
Assets		**10.612.190**	**6.699.226**

Balance sheet at 31.12.

	Note	2016 USD	2015 USD
Share capital	6	626.149	569.434
Retained earnings		1.712.369	(1.004.318)
Equity		**2.338.518**	**(434.884)**
Payables to group enterprises		8.072.901	6.831.721
Trade payables		61.304	85.282
Other payables		139.466	217.107
Current liabilities other than provisions		**8.273.671**	**7.134.110**
Liabilities other than provisions		**8.273.671**	**7.134.110**
Equity and liabilities		**10.612.190**	**6.699.226**

Other notes:	
Assets charged and collateral	7
Contingent liabilities	8
Ownership	9
Consolidation	10

Statement of changes in equity

	Share capital USD	Retained earnings USD	Total equity USD
Equity at 01.01.2016	569.434	(1.004.318)	(434.884)
Capital increase	56.715	3.743.195	3.799.910
Loss for the year	-	(1.011.778)	(1.011.778)
Exchange rate adjustment of investments in subsidiaries	-	(14.730)	(14.730)
Equity at 31.12.2016	**626.149**	**1.712.369**	**2.338.518**

Notes

1. Gross profit

Referring to section 32 of the Danish Financial Statements Act, Clipper Fleet Management A/S is not showing its net revenue.

2. Staff costs

The Company had no employees in the financial year nor did it pay salaries to the directors or remunerate the executives.

	2016 USD	2015 USD
3. Financial expenses		
Exchange rate adjustments	(32.051)	(118.147)
Interest expenses	(4.068)	-
	(36.119)	**(118.147)**

4. Tax		
Adjustment concerning prior years	(21.456)	(23.176)
Tax for the year, joint taxation contribution to group company	(210.438)	(167.809)
	(231.894)	**(190.985)**

Notes

	2016 USD
5. Fixed assets – investments in subsidiaries	
Cost at 01.01.	11.871.462
Cost at 31.12.	**11.871.462**
Value adjustments at 01.01.	(11.196.245)
Exchange rate adjustments in subsidiaries	(14.730)
Net share of profit/loss after tax	22.646
Value adjustments at 31.12.	**(11.188.329)**
Carrying amount at 31.12.	**683.133**

Name	**Ownership**
Investments in subsidiaries include:	
K/S CEC Delta, Copenhagen*	90%
Komplementarselskabet CEC Delta ApS, Copenhagen*	90%
Clipper Fleet Management India Pte. Ltd., Mumbai, India	90%

* K/S CEC Delta and the accompanying general partner company Komplementarselskabet CEC Delta ApS were liquidated on April 20, 2017.

	2016 USD
6. Share capital	
Share capital 01.01.2008	114.000
Capital increase 2010	69.735
Capital increase 2012	367.224
Capital increase 2013	18.475
Capital increase 2016	56.715
Share capital at December 31	**626.149**

The share capital consists of 1,400 shares at DKK 1,000 and 21,000 shares at DKK 100. Total face value DKK 3,500t.

The shares have not been divided into classes.

Notes

7. Assets charged and collateral

Receivables from subsidiaries totaling USD 7.420t has been provided as security for group loans.

As a co-signatory of the Clipper Group Ltd's financing agreement existing at 31 December 2016, the Company guarantees the lenders of the agreement that the other companies' obligations assumed under the financing agreement will be met. Clipper Group Ltd has in 2017 concluded the terms of a new long term financing agreement. The securities to be provided under this new financing agreement will be detailed in the documentation under finalization.

8. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Clipper Group Ltd. serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from July 1, 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies and from January 1, 2013 for income taxes for the joint taxed companies.

9. Ownership

The Company is wholly owned by Clipper Projects A/S, Copenhagen, Denmark.

10. Consolidation

Clipper Fleet Management A/S is included in the consolidated financial statements of:

Clipper Group A/S
Clipper House
Sundkrogsgade 19
2100 Copenhagen Ø

The ultimate parent company, Clipper Group Ltd., Nassau, the Bahamas, does not publish its financial statements.