

Lightship Chartering A/S
Ryvangs Allé 54
2900 Hellerup
Central Business Registration No
89990114

Annual report 2016

The Annual General Meeting adopted the annual report on, 28.04.2017

Chairman of the General Meeting

Name: Giovanni Garufi

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Entity details

Entity

Lightship Chartering A/S
Ryvangs Allé 54
2900 Hellerup

Central Business Registration No: 89990114

Founded: 02.04.1982

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Morten Have, Chairman
Giovanni Garufi
Kasper Bøgelund Olsen

Executive Board

Giovanni Garufi, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 Copenhagen

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Lightship Chartering A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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

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

Hellerup, 28.04.2017

Executive Board

Giovanni Garufi
CEO

Board of Directors

Morten Have
Chairman

Giovanni Garufi

Kasper Bøgelund Olsen

Independent auditor's reports

To the shareholders of Lightship Chartering A/S

Report on extended review of the financial statements

We have performed an extended review of the financial statements of Lightship Chartering A/S for the financial year 01.01.2016 - 31.12.2016. The financial statements, which comprise the income statement, balance sheet, statement of changes in equity, notes and accounting policies, are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements. We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors.

This requires that we comply with the Danish Public Accountants Act and FSR – Danish Auditors' Code of Conduct and plan and perform procedures to obtain limited assurance about our opinion on the financial statements and that we perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our opinion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical procedures and specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Conclusion

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

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.

Independent auditor's reports

In connection with our extended review 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 extended review 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, 28.04.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Thommas Frommelt Hertz

State Authorised Public Accountant

Management commentary

Primary activities

Lightship Chartering A/S' activity is to carry on shipping business as chartering broker and other shipping related activities.

Development in activities and finances

The company has incurred a profit of DKK 2,392 mill for the year (after payment of bonus of DKK 2,841 mill in the group enterprises) against a loss of DKK 16,209 mill for 2015.

The Management consider this performance satisfactory and above expectations in a difficult market during 2016.

The company has during 2016 started up a new business area by establishing Lightship Tankers SA. This new approach has been very well accepted in the market and the Management expects this business area to develop further in the coming years.

Outlook

Management expects the Lightship Group to continue the positive development during 2017 and to expand further both at present offices but also by establishing new offices. It is already planned to establish and open Lightship Chartering (UK) Ltd. in London during summer 2017.

Business risks

Lightship Chartering is exposed to the general developments in the dry bulk shipping market as well as our customers' activity level.

Financial exposure

The exposure to receivables in foreign currencies – mainly USD and CHF – is considered to be the main financial risk affecting the Entity.

Events after the balance sheet date

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Gross profit		5.431.099	3.288
Staff costs	1	(5.810.158)	(14.131)
Depreciation, amortisation and impairment losses	2	<u>(1.371.939)</u>	<u>(1.159)</u>
Operating profit/loss		(1.750.998)	(12.002)
Income from investments in group enterprises		4.358.375	(6.248)
Other financial income	3	165.897	2.358
Other financial expenses	4	<u>(381.385)</u>	<u>(400)</u>
Profit/loss before tax		2.391.889	(16.292)
Tax on profit/loss for the year		<u>0</u>	<u>83</u>
Profit/loss for the year		<u>2.391.889</u>	<u>(16.209)</u>
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		4.358.375	0
Retained earnings		<u>(1.966.486)</u>	<u>(16.209)</u>
		<u>2.391.889</u>	<u>(16.209)</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Other fixtures and fittings, tools and equipment		261.363	335
Leasehold improvements		0	1.305
Property, plant and equipment	5	<u>261.363</u>	<u>1.640</u>
Investments in group enterprises		39.080.699	32.714
Other investments		274.000	278
Fixed asset investments	6	<u>39.354.699</u>	<u>32.992</u>
Fixed assets		<u>39.616.062</u>	<u>34.632</u>
Trade receivables		1.948.332	1.961
Receivables from group enterprises		998.463	0
Other receivables		1.079.523	157
Income tax receivable		53.058	250
Prepayments		170.468	287
Receivables		<u>4.249.844</u>	<u>2.655</u>
Cash		<u>894.271</u>	<u>1.759</u>
Current assets		<u>5.144.115</u>	<u>4.414</u>
Assets		<u>44.760.177</u>	<u>39.046</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Contributed capital		1.000.000	1.000
Reserve for net revaluation according to the equity method		18.386.818	15.092
Retained earnings		<u>0</u>	<u>776</u>
Equity		<u>19.386.818</u>	<u>16.868</u>
Other provisions		0	1.708
Provisions for investments in group enterprises		<u>0</u>	<u>327</u>
Provisions		<u>0</u>	<u>2.035</u>
Trade payables		1.894.545	1.064
Payables to group enterprises		20.910.342	14.777
Other payables		<u>2.568.472</u>	<u>4.302</u>
Current liabilities other than provisions		<u>25.373.359</u>	<u>20.143</u>
Liabilities other than provisions		<u>25.373.359</u>	<u>20.143</u>
Equity and liabilities		<u>44.760.177</u>	<u>39.046</u>
Contingent liabilities	7		
Related parties with controlling interest	8		

Statement of changes in equity for 2016

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	1.000.000	15.092.158	775.687	16.867.845
Exchange rate adjustments	0	184.679	(57.595)	127.084
Transfer for coverage of losses	0	(1.248.394)	1.248.394	0
Profit/loss for the year	0	4.358.375	(1.966.486)	2.391.889
Equity end of year	1.000.000	18.386.818	0	19.386.818

Notes

	2016	2015
	DKK	DKK'000
1. Staff costs		
Wages and salaries	5.308.767	13.328
Pension costs	304.597	524
Other social security costs	71.055	131
Other staff costs	125.739	148
	5.810.158	14.131
Average number of employees	13	22
	2016	2015
	DKK	DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	1.372.649	1.159
Profit/loss from sale of intangible assets and property, plant and equipment	(710)	0
	1.371.939	1.159
	2016	2015
	DKK	DKK'000
3. Other financial income		
Financial income arising from group enterprises	61.565	223
Interest income	10.971	49
Exchange rate adjustments	93.361	2.086
	165.897	2.358
	2016	2015
	DKK	DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	258.767	247
Interest expenses	30	0
Exchange rate adjustments	122.588	153
	381.385	400

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
5. Property, plant and equipment		
Cost beginning of year	3.756.941	2.728.167
Disposals	0	(9.833)
Cost end of year	<u>3.756.941</u>	<u>2.718.334</u>
Depreciation and impairment losses beginning of the year	(3.422.429)	(1.423.177)
Depreciation for the year	(73.149)	(1.299.500)
Reversal regarding disposals	0	4.343
Depreciation and impairment losses end of the year	<u>(3.495.578)</u>	<u>(2.718.334)</u>
Carrying amount end of year	<u>261.363</u>	<u>0</u>

Notes

		Investments in group enterprises DKK	Other investments DKK
6. Fixed asset investments			
Cost beginning of year		1.141.589	53.704
Additions		540.158	0
Disposals		(1.018.720)	0
Cost end of year		663.027	53.704
Revaluations beginning of year		32.613.622	223.546
Exchange rate adjustments		104.286	0
Share of profit/loss for the year		6.206.699	0
Revaluations end of year		38.924.607	223.546
Impairment losses beginning of year		(1.042.003)	0
Exchange rate adjustments		(47.987)	0
Share of profit/loss for the year		(1.776.165)	0
Impairment losses for the year		0	(3.250)
Investments with negative equity depreciated over receivables		211.697	0
Reversal regarding disposals		2.147.523	0
Impairment losses end of year		(506.935)	(3.250)
Carrying amount end of year		39.080.699	274.000
		Equity inte- rest %	Equity DKK
	Registered in		Profit/loss DKK
Investments in group enterprises comprise:			
Lightship Chartering S.A.R.L.	Schweiz, Geneve	100,0	39.022.799
Lightship Chartering AS	Norge, Oslo	100,0	(1.491.843)
Lightship Tankers S.A.	Schweiz, Geneve	79,0	692.280
			(618.988)

Notes

	2016	2015
	DKK	DKK'000
7. Contingent liabilities		
Other contingent liabilities	540.000	540.000
Contingent liabilities in total	540.000	540.000
Other contingent liabilities	2.711.266	5.634.925
Hereof contingent liabilities to group enterprises	2.711.266	5.634.925

Other contingent liabilities

The company has discovered discrepancies in fixtures made by a former senior partner. As a result hereof the company has now been presented with various claims caused by the partner in question.

8. Related parties with controlling interest

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Morten Have, Vésnaz Schweiz

Giovanni Garufi, Lausanne Schweiz

Kasper Bøgelund Olsen, Geneve Schweiz

Charles Bensen Aarvik, Chene Bourg Schweiz

Morten Friis Kristensen, Geneve Schweiz

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when the Entity 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 Entity, 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 recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue (commission income) for charters is recognised in the income statement based on the time where the risk relating to the shipment has been transferred to the charter, which most of the time coincides with the loading and departure of the ship. For Time charter agreements the revenue is recognised and invoiced for periods of up to 15 days, from the time of delivery of the ship to the charter.

Other external expenses

Other external expenses for premises, sales and distribution as well as office expenses, etc.

Staff costs

Staff costs comprise salaries and wages as well as payroll expenses.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Accounting policies

Income from investments in group enterprises

The item "Income from investments in group enterprises" in the income statement includes the proportionate share of the profit for the year.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

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

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

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted equity investments measured at cost. Unlisted equity investments are written down to any lower net realisable value.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions are recognised when – in consequence of an event occurred before or on the balance sheet date – the group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.