Torvald Klaveness

REDERIAKSJESELSKAPET TORVALD KLAVENESS

CONSOLIDATED FINANCIAL STATEMENTS
PR. 31 DECEMBER 2014

BOARD OF DIRECTORS' REPORT 2014

1 HIGHLIGHTS

Despite continued weak shipping markets Torvald Klaveness delivered a positive result and maintained a high solidity and good liquidity in 2014.The total number of vessels under management rose from 131 vessels to 144 vessels during the year. Three new container vessels were delivered from yard and a third combination carrier was added to the newbuilding program.

Klaveness achieved an EBITDA of USD 66 million in 2014 (USD 60 million). The company had a profit before tax (EBT) of USD 11 million (USD 31 million). Cash flow from operations was USD 32 million (USD 25 million). The balance sheet remains solid with a book equity including minority interest of USD 337.1 million at year-end corresponding to an equity ratio of 42 percent.

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

Despite weak dry bulk markets in 2014, the Chartering and Trading activity increased during the year and generated positive results. The number of vessels under commercial management also increased during the year.

There were some operational issues and vessel incidents in 2014, the most important being that the MV Barry touched ground near Lagos breakwater in October 2014.

Klaveness has been under investigation by Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) after the company itself notified Økokrim about possible irregularities in commission payments to a broker in the Middle East in 2003/04. In 2014 this matter was brought to a close when Cabu Chartering AS, a subsidiary of Rederiaksjeselskapet Torvald Klaveness accepted a fine from Økokrim.

The Board of Directors of Rederiaksjeselskapet Torvald Klaveness approved the transition from Norwegian Generally Accepted Accounting Principles (NGAAP) to International Financial Reporting Standard (IFRS) as endorsed by the European Union for some of the Klaveness companies. As of December 31, 2014 Klaveness Ship Holding AS, T. Klaveness Shipping AS, Klaveness Selfunloaders AS and Klaveness Bulk AS will report its financial statements in accordance with IFRS.

Klaveness Chartering AS was demerged with effect from January 1, 2015, and now solely consists of dry bulk chartering and trading activities. All management services and employees were transferred to Klaveness AS in the demerger.

2 NEWBUILDING PROGRAM

During 2014, Klaveness took delivery of three more 2,500 TEU, fuel efficient, geared container vessels from Yangzijiang Shipbuilding in China, thereby increasing Klaveness' container fleet to eight vessels. Furthermore, Klaveness declared an option to add a third combination carrier of 80.500 DWT to the two combination carrier newbuildings ordered at Zhejiang OuHua Shipbuilding Co. Ltd. in China in 2013. The three vessels are estimated to be delivered in late 2016 and in early 2017. These three newbuildings will be part of the Cabu fleet when delivered from the shipyard.

The dry bulk investment program that started in 2013 was further expanded in 2014, with the declaration of two more options to build 82,000 dwt vessels at Yangzijiang Shipbuilding. The program now includes eight vessels, whereof two are held by Klaveness, and six were re-sold to other owners. Klaveness acts as project manager and oversees the construction of all eight vessels.

3 THE MARKETS

An uneven global recovery continued in 2014. World GDP growth stayed flat in 2014 at 3.3 percent compared to 3.3 percent in 2013. While activity in the United States and the United Kingdom has gathered momentum, the recovery has been weaker in the Euro Area and in Japan. According to the IMF, GDP grew by 2.4 percent in the U.S., 0.8 percent in the Euro Area and 0.1 percent in Japan. The growth in China fell from 7.8 percent in 2013 to 7.4 percent in 2014. Growth in other developing countries in 2014 was generally low due to weak external demand, political uncertainties and supply constraints. World trade grew at 4 percent in 2014, well below the pre-financial crisis average annual growth of about 7 percent.

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

The dry bulk market weakened considerably during 2014 with both lower freight rates and vessel values. The weak freight markets were mainly driven by low coal imports to China and Indonesian bans on raw minerals exports. On the positive side, Chinese iron ore imports and steel exports rose by 12 and 50 percent respectively. Volatility in the Capesize market continued with the 4 T/C Routes for Baltic Capesize Index rates ranging from USD 3.700/day to USD 35.300/day. The 2014 average of the 4 T/C Routes for the Baltic Panamax Index and the 6 T/C Routes for Baltic Supramax Index ended at 7.718 and 9.818 $/day, respectively. The newbuilding price index increased by 4 percent in 2014, but is still 45 percent lower than the 2008 peak, while the 5-year old second-hand vessel values declined by 15 percent.

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

4 HEALTH, SAFETY AND ENVIRONMENT

Throughout 2014 vessels managed by Klaveness Ship Management AS experienced 26 minor, 2 medium and 1 major personnel injury. This number of injuries corresponds to 1.5 injuries per ship year - a reduction from 1.6 in 2013, and slightly above the level in 2012. The major injury occurred onboard MV Balto where an Ordinary Seaman was caught between the winch drum and the base during mooring operations. The Ordinary Seaman was repatriated and later found to be permanently unfit for duty. Preventive measures such as mandatory meetings prior to mooring operations have been implemented in order to mitigate the risk of injuries.

The container vessels Barry, Bardu and Balao have experienced in total six incidents in the port of Lagos, Nigeria throughout the last 14 months. The most serious event occurred when the MV Barry touched ground near Lagos breakwater in October 2014. The investigation of the incident will be concluded within Q1 2015, and preventive measures will be implemented in the safety management system of KSM. All events in large involved the use of local pilots.

In 2014 there were ten vetting inspections of the Cabus; one by CDI and nine by SIRE. All passed.

The KSM fleet has undergone 66 Port State Controls in 2014, whereof one resulted in detention for four hours. The average number of deficiencies per inspection was 1.5. In 2013, the worldwide average of deficiencies per inspection was 2.4.

The piracy activity in the Indian Ocean has been low throughout 2014, and there have been no hijackings of commercial vessels in the Gulf of Aden or the Indian Ocean in the last year. This is mainly due to the presence of military forces, use of armed guards on board, and owners more actively using best management practices. The piracy activity in the Gulf of Guinea remains unchanged, with attacks and kidnappings mostly affecting tanker vessels. All KSM vessels participate in the voluntary reporting regime for Gulf of Guinea (MTISC-GoG) which is endorsed by Marshall Island and NSA.

5 FINANCIAL RESULTS

5.1 RESULTS

Gross revenues from operation of vessels ended at USD 467 million (USD 463 million). The revenues were somewhat impacted by continued weak dry bulk and container markets. Other revenues were USD 23 million (USD 14 million).

The company had an EBIT of USD 27 million (USD 36 million). The result includes impairment on container vessels of USD 0.3 million, and other write downs of USD 0.3 million. Extraordinary items affecting operating profit where a loss on Baru scrap of USD 3.3 million, gain on sale of kamsarmax newbuildings of USD 3.4 million, provision for loss on dry bulk TC contracts of USD 0.5 million and net pension effects (transfer to new pension scheme) of USD 1.1 million. Also affecting the result was negative development of interest swaps and foreign exchange instruments of USD 2.5 million and increased interest expenses due to new bond loan. The net result from financial items was negative by USD 16 million (-USD 5 million). The profit before tax (EBT) was USD 11 million (USD 31 million).

At year-end 2014, the consolidated equity including minority interests was USD 337 million (USD 337 million), corresponding to a book equity ratio of 42 percent (43 percent. Book equity excluding minority interests was USD 315 million. Interest-bearing debt at year-end was USD 324 million and cash and bank deposits were USD 123 million. During 2014, Klaveness had a positive cash flow from operating activities of USD 32 million (USD 25 million). New investments in fixed assets amounted to USD 21 million, consisting mainly of yard instalments on vessels under construction.

5.2 FINANCING AND GOING CONCERN

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

One Cabu refinancing was completed in the fourth quarter, and bank financing for all selfunloaders was secured in February 2015. Financing for the newbuildings is expected to be finalized in March 2015. The new bond issue and bank financing for the newbuildings has strengthened the company`s liquidity further.

The accounts are reported under the assumption of a going concern and the Board considers the financial position of Torvald Klaveness 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 Torvald Klaveness.

6 RISKS AND RISK MANAGEMENT

The company’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, vessel values and counterparty risk. These risks are monitored and managed according to procedures and mandates decided by the Board. Torvald Klaveness hedges most of the oil price risk. The 50 percent drop in oil price in the latter half of 2014 had a temporary negative liquidity impact associated with cleared oil hedges. The effect was partially offset with lower working capital needs. To reduce currency and interest rate risk, the company has sold currency forward with maturity in 2015 and 2016, and entered into interest rate swaps converting floating interest payments to fixed rate. Ending 2014, the fixed debt interest portion of total debt is 72 percent.

Operational risks in the shipping and trading activities are managed through quality assurance and control processes and training of seafarers and land based employees. All employees attend an in-house training program to ensure companywide compliance with business ethics guidelines. 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.

Vessels operated by Klaveness Ship Management AS sail in waters exposed to piracy. All vessels sailing through exposed areas take necessary steps to mitigate the threat of such attacks.

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

There were no major unforeseen events of a financial nature during 2014. The liquidity risk of the company is acceptable, as financing is in place for the newbuildings and there is a relatively stable cash flow from the specialised vessels. Current cash and projected operating cash flow are considered sufficient to cover the company's current liabilities.

7 BUSINESS AREAS

7.1 DRY BULK

Torvald Klaveness is a major player in the dry bulk market through AS Klaveness Chartering's chartering & trading activities and the Baumarine and Bulkhandling pool operations. The portfolio of AS Klaveness Chartering consists of contracts of affreightments, short and long time charters and freight derivative contracts. Despite a negative market development in 2014, the level of activity in chartering and trading was higher than in previous years and the results better. A continued stronger presence in core trades, higher trading and operational efficiency as well as a very successful turn-around of the portfolio in the second quarter were the main reasons for the positive result.

Klaveness operates two tonnage 'spot' pools in the dry bulk market. 'Baumarine' for panamax and post-panamax vessels and 'Bulkhandling' for Ultra, Supra- and Handymax vessels. With a market under pressure and falling ship values, there have been changes in the pool tonnage portfolio as ships have been sold, redelivered or fixed on timecharter. Baumarine has however increased the number of ships from 29 to 38 during the year, while the number of vessels in the Bulkhandling pool was maintained at 23 ships. Baumarine showed a good performance and ended at a daily result of gross USD 8.600 which is approximately USD 700 above the BPI index. Bulkhandling ended the year with an average daily result of gross USD 8.700 which is approximately USD 900/day below the relevant index. Results for both Baumarine and Bulkhandling reflect the negative effect of decreasing bunker values.

The business area Ship Owning & Projects, covered in section 7.3, manages the company's ship investments other than the combination carriers.

7.2 COMBINATION CARRIERS

The Cabu vessels are combination vessels that transport both dry cargo and caustic soda in the Far East, the Middle East and Australia. During 2014 one Cabu vessel was positioned from Australia to Brazil to service import of caustic soda and export of dry cargo from Brazil. The Cabu pool consists of six Cabu vessels. One older LR tanker, which was a part of the Cabu pool, was recycled in 2014. One external investor holds 50 percent in two vessels and 19 percent in one vessel. The pool result for 2014 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 2014 for about (65%) 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 US Gulf accounted for about (35%) of the available vessel days in 2014.

The three Cabu vessels ordered at Zhejiang OuHua Shipbuilding Co. Ltd. estimated to be delivered in late 2016 and early 2017 will be part of the Cabu fleet when delivered from the shipyard.

Several contracts of affreightment were renewed in 2014 and new contracts concluded, securing continued good working relationships with key customers and contributing positively to the Cabu fleet's performance going forward.

7.3 SHIP OWNING & PROJECTS

The business area Ship Owning & Projects manages the company's ship investments other than the combination carriers, in addition to facilitating new projects.

During 2014, Klaveness took delivery of three new 2,500 TEU, fuel efficient, geared container vessels from Yangzijiang Shipbuilding in China, completing the series of six. The container fleet now counts a total of eight vessels, ranging in size from 1,700 TEU to 3,100 TEU. The vessels were chartered out to liner companies for periods of less than 12 months, and all vessels have been employed throughout the year. While the new vessels have been earning rates above the general market due to their fuel efficiency, rates have in general been near operating cost in the segment. The two 10-year old vessels "Baro" and "Barry" both went through drydocking in 2014.

The company's fleet of selfunloading bulk carriers has been stable at five vessels through the year. The vessels have all been employed in the CSL International Pool. The pool has a diversified contract portfolio and the vessels are mainly employed in North America and the Caribbean. Results weakened towards the end of the year, due to a combination of counterparty issues, weather related delays and negative effects from falling bunker prices. The vessels "Baldock" and "Barkald" were docked in 2014.

The dry bulk investment program that started in 2013 was further expanded in 2014, with the declaration of two more options to build 82,000 dwt vessels at Yangzijiang Shipbuilding. The program now includes eight vessels, whereof two are held by Klaveness, and six were re-sold to other owners. Klaveness acts as project manager and oversees the construction of all eight vessels.

One of the bulk carrier newbuildings re-sold in 2014 was chartered in for four years from the buyer, growing the "dry bulk investment" portfolio to two owned and two chartered vessels.

8 ORGANISATION

At year-end, Klaveness had 158 employees located in Oslo, Singapore, Shanghai, Manila and Rio de Janeiro. All employees were employed in regional Klaveness offices. In Oslo 31 percent were female, while at the offices in Asia 49 percent were female. Absence due to sick leave was satisfactory, averaging 1.4 percent in 2014 compared to 1.7 percent in 2013. Working conditions for employees are considered to be good.

806 seafarers are hired through manning offices in Manila and Constanta. In addition, some South African crew have been engaged. The retention rate for 2013 was 96 percent, indicating that Torvald Klaveness is able to attract and retain qualified seafarers. Torvald Klaveness endeavours to offer all employees, regardless of gender, religion, beliefs or nationality, equal and attractive career opportunities.

The Board of Directors expresses its appreciation of the work done by all the employees during 2014.

9 OUTLOOK

World GDP is expected by the IMF to grow by 3.5 percent in 2015, supported by gradual recovery in high-income countries and low oil prices. High-income countries are likely to see growth of 2.4 percent in 2015, up from 1.8 percent in 2014, on the back of gradually recovering labor markets, ebbing fiscal consolidation, and low financing costs. Economic growth in emerging countries is expected to decelerate from 4.4 percent in 2014 to 4.3 percent in 2015, due to weaker growth in China and Russia, and low commodity prices.

Deliveries of new dry bulk vessels slowed in 2014 to its lowest level since 2009. In 2015 it is expected that deliveries will increase, based on growth for Capesize and Supra/Ultramax-vessels, while Panamaxes will continue to decrease. Expectations to the freight market have fallen through 2014, and are currently at very low levels. At year-end 2014, the forward spot earnings for a Panamax in 2015 was 7.600 $/day. At the same time, fuel prices have fallen substantially, decreasing the cost of transportation, but also increasing the likelihood of increased average vessel speeds that could affect supply negatively.

Scrapping in the container vessel market continued in 2014 with more than 400,000 TEU being taken out, close to the record scrapping level of 2013. The orderbook for the sub-panamax segment is still limited with a continued scrapping potential going into 2015. The recovery in rates for container feeder tonnage depends on the continued consolidation amongst the liner operators and to what extend further segment cascading will take place. The expected supply and demand situation appears more favorable going into 2015, compared to the situation in the beginning of 2014, and demand and supply are both expected to grow by 6.5 percent.

Klaveness expects increased volumes in contracts of affreightment and vessels under management in 2015.

10 THE PARENT COMPANY

The result for the parent company, Rederiaksjeselskapet Torvald Klaveness, was a profit after tax of USD 19 million for 2014 (USD 4 million in 2013). The proposed transfer of the profit for the parent company is shown below:

Dividend	USD 2 million
Transfer to other equity	USD 17 million

December 31, 2014
Oslo, March 20, 2015

Trond Harald Klaveness
Chairman

Baard Haugen
Board member

Christian Andersen
Board member

Christian Rynning-Tønnesen
Board member

Lasse Kristoffersen
Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December (USD '000)		2014	2013
Gross revenues from operation of vessels	Note 7	466 508	463 399
Voyage related expenses and distribution of pool result	Note 9	-328 338	-340 897
Net revenue from operation of vessels		138 169	**122 502**
Net income/(loss) from physical and financial freight agreements	Note 6	18 095	9 580
Other operating revenues	Note 8	4 399	4 637
Total operating revenues		**160 664**	**136 719**
Operation of vessels	Note 9	-48 704	-37 672
Salaries and social expenses	Note 10, 36	-25 990	-25 776
Other operating and administrative expenses	Note 11	-19 738	-12 853
Operating expenses		-94 432	-76 302
Operating profit/(loss) before depreciation and impairment		**66 232**	**60 418**
Ordinary depreciation fixed assets	Note 14	-35 785	-31 984
Impairment/reversal of impairment fixed assets	Note 14, 15	-649	7 449
Loss on sale of asset	Note 14	-3 099	0
Depreciation and impairment of fixed assets		**-39 533**	-24 535
Operating profit/(loss)		26 699	**35 882**
Income/(loss) from associated companies	Note 16	46	-199
Net interest income/(expenses)	Note 12	-17 295	-6 077
Other financial income/(loss)	Note 13	-2 333	1 686
Net currency gain/(loss)		3 464	-2
Financial income and expenses		-16 117	-4 592
Profit/(loss) before taxes		10 582	**31 291**
Taxes	Note 35	-8 101	-4 164
Profit/(loss) for the year from continuing operations		**2 481**	**27 127**
Profit/(loss) for the year from discontinued operations	Note 34	3 500	-2 243
Profit/(loss) for the year		**5 981**	**24 884**
Attributable to:			
Majority interest of continuing operations		67	23 496
Minority interest of continuing operations		2 414	3 631
Profit/(loss) for the year from continuing operations		**2 481**	**27 127**
Majority interest of discontinued operations		3 500	-2 243
Minority interest of discontinued operations		0	0
Profit/(loss) for the year from discontinued operations		**3 500**	**-2 243**

CONSOLIDATED BALANCE SHEET

As at 31 December (USD '000)		2014	2013
ASSETS			
Fixed assets			
Deferred tax asset	Note 35	11 503	16 575
Total intangible fixed assets		**11 503**	**16 575**
Vessels	Note 14	474 087	423 753
Newbuilding contracts	Note 15	27 725	28 356
Other assets	Note 14	2 435	3 920
Total tangible fixed assets		**504 246**	**456 029**
Investments in associated companies	Note 16	84	59
Pension plan assets	Note 36	0	3 590
Other long-term receivables		3 580	435
Total financial fixed assets		**3 664**	**4 084**
Total fixed assets		**519 413**	**476 688**
Current assets			
Bunkers on board vessels	Note 17	43 175	52 554
Accounts receivable	Note 18	39 417	41 270
Prepaid expenses	Note 19	33 626	16 273
Other short-term receivables	Note 20	43 200	45 384
Bonds and bond funds	Note 21	0	8 063
Cash and bank deposits	Note 22	122 835	148 854
Total current assets		282 252	**312 398**
Total assets		**801 666**	**789 087**

CONSOLIDATED BALANCE SHEET

As at 31 December (USD '000)		2014	2013
EQUITY AND LIABILITIES			
Equity			
Share capital (100 shares of NOK 509 982)		8 154	8 154
Other paid-in equity		49 052	49 052
Total paid-in capital		**57 206**	**57 206**
Other equity		258 187	258 304
Total retained earnings		258 187	258 304
Total equity before minority interests	Note 5	**315 393**	**315 510**
Minority interests		21 713	21 137
Total equity including minority interests	Note 5	**337 106**	**336 647**
Long-term liabilities			
Provisions	Note 23	0	6 560
Pension liabilities	Note 36	829	4 522
Total provisions		**829**	**11 083**
Mortgage debt	Note 24	196 980	186 863
Long-term bond loan	Note 25	96 176	51 444
Other long-term interest-bearing liabilities	Note 26, 37	9 881	11 679
Total long-term interest-bearing liabilities		**303 036**	**249 987**
Total long-term liabilities		**303 866**	**261 069**
Current liabilities			
Accounts payable	Note 27	28 417	34 261
Accrued expenses	Note 28	23 005	33 032
Taxes payable	Note 35	1 576	841
Provision dividends		1750	3 200
Short-term interest-bearing debt	Note 29, 37	21 396	48 858
Derivatives	Note 21	5 410	2 836
Other short-term liabilities	Note 30	79 139	68 343
Total current liabilities		**160 694**	**191 371**
Total liabilities		**464 560**	**452 440**
Total equity and liabilities		**801 666**	**789 087**

December 31, 2014
Oslo, March 20, 2015

Trond Harald Klaveness
Chairman

Christian Andersen
Board member

Baard Haugen
Board member

Christian Rynning-Tønnesen
Board member

Lasse Kristoffersen
Chief Executive Officer

CONSOLIDATED CASH FLOW STATEMENT

USD '000	2014	2013
Cash flow from operating activities		
Net profit / loss (-) before tax	14 082	29 048
Taxes paid / repayment of taxes paid under previous shipping regime	(848)	(4 476)
Depreciation, impairment and reversal of impairment	36 434	24 535
Loss / gain (-) on sale of discontinued operations	-3 500	2 243
Loss / gain (-) from realisation of vessels and other fixed assets	-282	(514)
Loss / gain (-) from associated companies	-46	199
Unrealized loss / gain (-) on financial instruments	2 075	(3 279)
Amortization of upfront fees bank loans	1 179	278
Other non-cash items	728	815
Decrease / increase (-) in prepayment to clearing (FFA's)	(21 267)	(2 390)
Decrease / increase (-) in current assets	17 331	(26 271)
Increase / decrease (-) in current liabilities	(16 013)	10 344
Increase / decrease (-) in provision for loss on contracts	1 800	(3 188)
Payments to pension plan	336	(1 802)
Net cash flow from operating activities (1)	**32 009**	**25 543**
Cash flow from investing activities		
Investments in vessels and newbuilding contracts	(85 496)	(141 604)
Docking and other investments vessels	(7 859)	(2 471)
Investments in other assets	-	(2 316)
Realisation of vessels and newbuilding contracts	8 686	-
Sale of real estate and other assets	-	2 914
Sale/Demerger of subsidiaries	-	(706)
Cash from associated companies and other investments (sale Baltrader)	-	11 080
Decrease / increase (-) in other long-term receivables	(3 145)	133
Net cash flow from investing activities (2)	**(87 815)**	**(132 969)**
Cash flow from financing activities		
Increase in mortgage debt	65 500	111 913
Repayment of mortgage debt	(65 997)	(28 251)
Increase in long-term bond loan	48 398	52 250
Increase / decrease (-) in other long-term liabilities	(15 581)	(742)
Payment of financing fees	(1 320)	(2 919)
Capital injection from minority interest	-	12 500
Dividend RASTK	(3 200)	-
Dividend to minority interests	(5 091)	(9 522)
Net cash flow from financing activities (3)	**22 709**	**135 230**
Net increase / decrease (-) in cash (1+2+3)	**(33 096)**	**27 804**
Cash and cash equivalents at January 1	155 931	128 127
Cash and cash equivalents at December 31	122 835	155 931
Net increase / decrease (-) in cash	**(33 096)**	**27 804**
Specification of cash and cash equivalents:		
Cash and bank deposits	122 835	148 854
Bonds and other cash equivalents	0	7 077
Cash and cash equivalents at December 31	**122 835**	**155 931**

NOTE 1: ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles (NGAAP). The most significant accounting principles are described below.

Changes in accounting principles
There are no changes in accounting principles in 2014.

Basis of consolidation
The consolidated financial statements include the parent company Rederiaksjeselskapet Torvald Klaveness, and all its subsidiaries. Subsidiaries are all entities in which a parent company directly or indirectly has a controlling interest. Controlling interest is normally gained when such company owns, directly or indirectly, more than 50 % of the shares in the company and/or is capable of exercising actual control over the company. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests equal the share of profit/loss and net assets in the subsidiaries held by owners external to the group. Minority interests are presented in the income statement and in equity in the consolidated balance sheet, separately from the parent shareholders' equity.

The financial statements of all subsidiaries are prepared for the same reporting period as the parent company. Where accounting principles of subsidiaries are different from the principles of the group, figures are restated in order to be in line with group accounting principles. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transferred assets are impaired.

Business combinations and goodwill

Acquisition of subsidiaries is accounted for using the purchase method. Under the purchase method of accounting the cost of the business combination is allocated to the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the net of identifiable assets acquired and liabilities assumed. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset. Goodwill arising from the acquisition of an interest in an associated company is included under the investment in associated companies. For valuation, refer to the principle concerning the valuation of intangible assets.

For business combinations that occur in stages by successive share purchases, the fair value of the acquired entity's assets and liabilities, including goodwill, are measured on the date that control is obtained. If the value of previously held shares has increased at the control date, the increase constitutes an added value or goodwill that is booked directly in equity. If the value of previously held shares has decreased, this is accounted for as impairment. Only goodwill for the majority is recognised in the financial statements.

Classification of assets and liabilities
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. Assets intended for permanent ownership or use and receivables with maturities exceeding one year from the balance sheet date are presented as fixed assets. 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 liabilities in the

balance sheet.

Valuation of tangible assets and liabilities

Non-financial fixed assets are stated at historical cost, less subsequent depreciation and impairment.

Tangible assets with a limited useful life are depreciated according to a depreciation schedule based on best estimates of expected useful life and taking into account each asset's wear, tear and age. The useful life of a vessel is normally set to 20 or 25 years. Tangible assets are impaired when the carrying value of the asset exceeds the recoverable amount, and it is expected that the decline in value is not temporary. The recoverable amount is defined as the higher of net sales value and value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows. Each vessel/ newbuilding contract is considered as one identifiable cash flow, except from the cabu vessels, where the whole fleet is considered one cash generating unit.

Newbuilding contracts (vessels under construction) are capitalized in line with the payments to the yard. In addition to contractual payments, inspection costs, interest expenses and other expenses during the construction period are capitalized. To the extent vessels under construction are financed through equity until delivery, interest on such funding is neither computed nor capitalised.

Newbuilding contracts are impaired when the carrying value exceeds the recoverable amount. For newbuilding contracts with delivery date more than one year after the balance sheet date, recoverable amount is defined as the higher of the net present value of estimated future cash flows, or a firm offer on the contract if such exists (with comparable delivery date). For newbuilding contracts with delivery date less than one year after the balance sheet date, recoverable value is defined as for existing vessels.

Current assets are valued at the lower of cost and net realisable value. Accounts receivable are related to operations and consist of trade receivables, other short-term receivables and prepayments. For valuation of receivables, see section "Receivables".

Loans are recognised at cost (the fair value of the consideration received) net of transaction costs associated with borrowing.

Accounts payable are liabilities related to operations (trade creditors, unpaid public taxes and charges, vacation pay etc.) and other short-term payables. All these items represent interest free liabilities.

In accordance with the Norwegian Accounting Act, some items are valued according to special valuation rules. A more detailed presentation of these is provided under each principle below.

Valuation of intangible assets and liabilities

Intangible assets with a limited useful life are depreciated according to a depreciation schedule which has been determined based on best estimates of expected useful life. Intangible assets are written down to the recoverable amount if it is expected that the decline in value is not temporary. The recoverable amount is defined as the higher of net sales value and value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset given that the asset is to be held by current owner under current conditions.

Goodwill is depreciated over 5 years, in accordance with Norwegian generally accepted accounting principles. Goodwill arising from acquisition of an interest in associated companies is included under the investment in associated companies and is tested for impairment as part of the carrying amount of the investment. Goodwill arising from acquisition of subsidiaries is tested annually for impairment and carried at cost less impairment and accumulated depreciation. Impairments on goodwill are not reversed. Gain or loss on the sale of a business includes the carried amount of goodwill related to the sold business.

Estimates and assumptions
Preparation of financial statements according to generally accepted accounting principles requires management to use estimates and assumptions that affect the profit and loss account and the valuation of assets and liabilities, and requires disclosure of information about liabilities that, as of the balance sheet date, are not yet certain. Actual figures will generally differ from such estimates. Conditional losses which are likely to occur and which are quantifiable are expensed on a current basis. The group uses estimates and assumptions in connection with the calculation of pension liabilities, the determination of accruals for contract losses and for losses on receivables, the calculation of risks related to guarantees for contract fulfillment and the determination of fair market value for the purpose of assessing added values as well as impairment of assets.

Revenue recognition
The group generates most of its revenues from shipping activities.

Gross revenues from operation of vessels comprise both gross voyage revenues from the pools operated by the group, as well as income from vessels owned by the group. Vessels owned by the group are either operated under time charter contracts or performing contracts of affreightment. The time charter contracts are both with third parties and with pools.

Income from vessels
The group recognises voyage revenues and expenses on a pro rata basis over the estimated length of each voyage, discharge-to-discharge. At the time of discharge, management normally knows the next load port and expected discharge port, so that the discharge-to-discharge calculation of voyage revenues and expenses can be estimated with a reasonable degree of accuracy. For vessels without contracts in place at discharge, no revenue is recognised until a new contract is entered into. Voyage related expenses incurred for vessels in idle time are expensed. Revenues from time charters and bareboat charters accounted for as operating leases are recognised over the time when the services are performed. Demurrage and dispatch are taken into account if it is probable that a claim will occur.

Pool income
The chartering pools in the group generate their results by operating pool vessels in the market, as well as by conducting market operations. Market operations comprise contracts of affreightment, time charters, and forward freight agreements. Forward freight agreements are used to hedge a portion of the spot days in the pools, refer to the principle concerning hedging below.

For vessels operating in chartering pools, revenues and voyage expenses are pooled and allocated to each pool participant on a time charter equivalent basis in accordance with an agreed-upon formula, such that the net result of the pools, in addition to service revenues, is zero (with exception of net results from the group's vessels in the pools). The same revenue and expense recognition principles as stated above are applied in determining the pool net operating revenues. Total revenues, expenses, assets and liabilities of the pools operated by the group are included line by line in the consolidated financial statement.

Gains and losses arising from sales of tangible assets are presented as part of the operating profit or loss.

Other income is recognised when it is earned (the earned income principle).

Financial investments
Subsidiaries as defined above are consolidated in the group accounts on a 100 % basis. Joint ventures are companies whose activities represent an integrated part of the group's core activities, and for which the activities are regulated by contractual agreements between two or more participants that have joint control of the activities, and in which the group's ownership share is between 20 % and 50 %. These investments are accounted for in the group accounts according to the proportionate consolidation method. Associated companies are defined as entities in which the group has significant influence, but that are not subsidiaries or joint ventures. Significant influence usually means a shareholding or ownership interest of at least 20 % of the voting rights in the entity. Investments in associated companies are recognised in the group accounts according to the equity method. Other long-term

investments are stated according to the cost method. Short term investments are valued at the lower of cost or fair market value.

In the parent company accounts, all long-term investments are stated according to the cost method, while short-term investments are valued at the lower of cost or fair market value.

Investments in financial current assets
Financial current assets, listed shares and bonds included in a trading portfolio and traded on a regular basis, are recorded at market value. Short-term liquid investments defined as cash equivalents are financial instruments that can be converted instantly into a known amount of cash and have a maximum maturity of three months.

Periodic maintenance
The cost of periodic maintenance and docking of vessels is capitalised and depreciated over the period until the next docking, normally 30 months. Correspondingly, a part of the cost price of vessels acquired is separated for depreciation purposes and capitalised as docking. Expenses for current maintenance are charged to operating profit or loss whenever such maintenance takes place. Depreciations of docking are included in ordinary depreciations; and docking is classified along with the relevant vessel in the balance sheet.

Leasing agreements
Leasing agreements are classified as operating leases or financial leases according to the terms of the agreement.

A leasing agreement is classified as an operating lease when the lessor has most of the economic benefits and risks associated with the underlying asset. Operating leases are expensed on a straight-line basis over the leasing period.

Leasing agreements are classified as financial leases when the main share of the economic benefits and risks associated with the underlying asset is with the lessee. The group does not have any financial leasing agreements.

Derivatives
The group uses a set of financial instruments (such as forward freight agreements, bunkers contracts, foreign currency contracts and interest rate swaps) either to manage financial risks (hedging) or within given mandates to maximise profit (non-hedging). The purpose of the derivatives determines which accounting principle is applied.

Hedging
A hedging instrument is an instrument whose fair value or cash flows are expected to offset changes in the fair value or cash flows of an underlying object (asset/liability). Cash flow hedges are recorded in the profit and loss account in the same period as the cash flow from the associated asset or physical contract. Fair value hedges are reflected in the book value of the underlying asset, and gains or losses in the fair value of the hedging instrument are recognised immediately in the profit and loss account.

Non-hedging
Foreign currency contracts not considered as hedging are measured at fair market value. All other derivatives entered into for non-hedging purposes are recorded at the lower of historical cost or fair market value.

Physical and financial freight contracts
Physical and financial freight contracts entered into for the purpose of achieving gains through short-term fluctuations in market rates are managed and valued as a single portfolio. The portfolio is valued at the lower of acquisition cost and fair market value. Both physical and financial freight contracts are valued against the forward curves as of 31 December. The fair market value of these contracts also includes estimated future losses due to counterparty risk. Loss provisions are made to the extent that

the fair market value of the portfolio is negative. Any positive value exceeding acquisition cost is not recognised. Fuel swaps in the trading portfolio are recognised separately at fair value.

Income tax (for companies within the Norwegian tonnage tax system)
Operating profits related to shipping activities accepted within the Norwegian tonnage tax system are subject to tax exemption. Income tax is paid on net financial income. In addition the group pays tonnage tax based on net tonnage of vessels. This tax is classified as a vessel operating expense in the profit and loss account.

Income tax (for companies under ordinary taxation rules)
Tax expenses in the profit and loss account comprise the sum of tax payable for the year and changes in deferred tax assets and liabilities. Deferred tax assets and liabilities are calculated at 27 % on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at year-end. Temporary differences, both positive and negative, are balanced out within the same period. Deferred tax assets are recognised in the balance sheet only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity.

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

Transactions in currencies other than the functional currency are translated into functional currency using the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into functional currency using the exchange rate in effect on 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 recognised at fair value are translated using the exchange rate on the date of the determination of the fair value.

Where the functional currency of consolidated entities differs from the functional currency of the group, income statements are translated into USD using the average exchange rate for the year. Exchange differences arising on the translation are recognised directly in equity. On disposal of foreign operations, the accumulated exchange gain/loss recognised in equity relating to that particular foreign operation is recognised in the income statement.

Income and expenses in NOK are converted at the rate of exchange on the transaction date. (The average exchange rate was 6.3000 in 2014 (2013: 5.8770). At year-end 2014, an exchange rate of 7.4299 (2013: 6.0815) was used for the valuation of balance sheet items.

Receivables
Short-term trade receivables are recorded at their nominal value less provisions for bad/doubtful debt, as an approximation of their fair value. The group regularly reviews its accounts receivable, estimates the amount of unrecoverable receivables each period and establishes an allowance for unrecoverable amounts. The amount of the allowance is based on the age of unpaid amounts, information about the current financial strength of customers, and other relevant information.

Provisions for losses on receivables more than 90 days past due are recorded at 50 percent of their nominal value. The 50 percent rate has been arrived at based on experience. Further, provisions are recorded for major unpaid receivables (defined as receivables in excess of USD 100,000) based on individual assessments.

Bunker inventories
Inventories, which consist primarily of bunker fuel and lubrication oil, are stated at cost. Cost is determined on a first-in, first-out (FIFO) basis. Bunkers is recognised in the balance sheet when the company has legal ownership of the stock. Generally, ownership remains with the vessel owner when vessels are hired in on time charter contracts. Instead of transferring ownership of the bunkers, the vessels are to be returned to the owner at the end of the contract period with the same amount of bunkers onboard.

For time charter-in vessels that are hired out on time charter-out contracts, bunkers onboard the vessel at the time of hiring out is recognised as bunkers (if legal ownership is established), although some of this may have been consumed at the balance sheet date. Torvald Klaveness has legal ownership of the bunkers onboard vessels in the pools.

Bunkers is considered to be materials and other supplies held for use in the production of inventories. These are not written down below costs of the finished products in which they will be incorporated, unless they are expected to be sold at or below cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realisable value.

Related parties
Transactions with related parties are conducted at arm's length on market terms. Related parties are defined to include the group's top management, the Board of directors and stockholders of Rederiaksjeselskapet Torvald Klaveness, as well as the ultimate owners of the group and any other companies that the ultimate owners control.

Provisions for contingent liabilities
A contingent liability is recognised once the group has a legal or actual financial liability that is likely to be paid at a future date and the amount of the liability can be reliably estimated. Restructuring costs are recognised once the decision to implement such measures has been made and announced. The amount of the provision is the estimated expense of the restructuring. Estimated expense is valued at discounted expected future cash flows. Expected future cash flows are discounted by a pre-tax risk-free interest rate, with the addition of a risk premium to reflect any uncertainty associated with the allocation.

Pensions
The Company changed its pension schemes from July 1st 2014, and all current employees now have a defined contribution plan. The retired people and the people receiving a disability pension are still entitled to a defined benefit plan. All the pension plans in the Company are in compliance with local laws and regulations.

A defined contribution plan is one under which the Company pays fixed contributions to a separate legal entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the group and the parent company pay contributions to publicly or privately administered pension insurance plans on an obligatory, contractual basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognized as a payroll expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is one which is not a defined contribution plan. This type of plan typically defines an amount of pension benefit an employee will receive on retirement, normally dependent on one or more factors such as age, years of service and pay.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates proposed by “Norsk Regnskapsstiftelse” (NRS). The pension obligation is calculated annually by independent actuaries using a straight-line earnings method.

From 2014, actuarial gains and losses due to current period changes in assumptions are recognized immediately as a pension cost or pension income.

Individual agreements between the Company and the employee, resulting in an early retirement scheme, is treated in the financial statements as a contribution based pension scheme in which the total premium payments for the period up to the age of 67 are recognized as a pensions cost at the time of signing the contract.

Currency gain/loss related to net pension assets is presented as part of the pension costs.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

Events after the balance sheet date

The values of assets and liabilities that are recorded in the balance sheet may be based on assumptions and uncertainties. Events that occur after the balance sheet date and that result in new information that leads to a reassessment of an item of asset or liability, are accounted for accordingly. Examples of such events after the close of the balance sheet date are legal decisions, payments and settlements received from customers, final determination of bonuses and other performance-dependent remuneration.

NOTE 2: SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Torvald Klaveness comprises several subsidiaries, joint ventures and associated companies.

Subsidiaries are all entities in which a parent company directly or indirectly has a controlling interest. Subsidiaries are fully consolidated from the date of acquisition. Where accounting principles of subsidiaries are different from the principles of the group, figures are restated in order to be in line with group accounting principles.

Joint ventures are companies whose activities represent an integrated part of the group's core activities, and for which the activities are regulated by contractual agreements between two or more participants that have joint control of the activities, and in which the group's ownership share is between 20 % and 50 %. Joint ventures are recognised according to the proportionate consolidation method.

Associated companies are entities in which Torvald Klaveness has significant influence, but that are not subsidiaries or joint ventures. Significant influence usually means a shareholding or ownership interest of at least 20 % of the voting rights in the entity. Investments in associated companies are recognised according to the equity method.

Unless otherwise stated, the companies are located in Oslo, Norway.

Subsidiaries:

Company name	Ownership interest per 31 Dec, 2014	Ownership interest per 31 Dec, 2013
Klaveness Asia Pte Ltd. (Singapore)	100 %	100 %
Amundsen Shipping Pte Ltd. (Singapore)	0 %	100 %
Adrien Shipping Pte Ltd. (Singapore)	0 %	100 %
Antarctica Shipping Pte Ltd. (Singapore)	100 %	100 %
Baumarine AS	100 %	100 %
Bulkhandling Handymax AS	100 %	100 %
T Klaveness Shipping AS	100 %	100 %
Banasol, Inc. (Monrovia, Liberia)	50 %	50 %
Cabu Bangor, Inc. (Monrovia, Liberia)	100 %	100 %
Banastar, Inc. (Monrovia, Liberia)	50 %	50 %
Cabu V Investment Inc. (Monrovia, Liberia)	95 %	95 %
Cabu VI Investment Inc. (Monrovia, Liberia)	81 %	81 %
Klaveness Ship Holding AS	100 %	100 %
Klaveness Cement Logistics AB (Stockholm, Sweden)	100 %	100 %
Klaveness Selfunloaders AS	100 %	100 %
AS Klaveness Chartering	100 %	100 %
Klaveness Shipping (Shanghai) Co. Ltd. (Shanghai)	100 %	100 %
Klaveness Shore Services Inc. (Manila, Philippines)	100 %	0 %
Cabu Chartering AS	100 %	100 %
Bulkhandling Beltunloader AS	0 %	100 %
Klaveness Ship Management AS	100 %	100 %
Bulktransfer, Inc. (Monrovia, Liberia)	100 %	100 %
AS Bulkhandling	0 %	100 %
Guinomar (Conakry, Guinea)	50 %	50 %
Klaveness Finans AS	100 %	100 %
Klaveness AS	100 %	100 %
Klaveness Bulk AS	100 %	100 %
Klaveness Container AS	86 %	50 %
Klaveness Brasil Representacao de Servicos Maritimos LTDA (Rio de Janeiro, Brazil)	100 %	0 %

Joint Ventures:

Company name	Ownership interest per 31 Dec, 2014	Ownership interest per 31 Dec, 2013
Barklav (Hong Kong) Ltd.	50 %	50 %

Associated companies:

Company name	Ownership interest per 31 Dec, 2014	Ownership interest per 31 Dec, 2013
Klaveness Maritime Agency Inc.	24,96 %	24,96 %

NOTE 3 : MAJOR AND SUBSEQUENT EVENTS

2015: Subsequent events

Klaveness Ship Holding AS, T Klaveness Shipping AS and Klaveness Selfunloaders AS refincanced two loan facilities in the first quarter of 2015 as joint borrowers. One revolving credit facility (RCF) of USD 75 million and one term loan facility of USD 140 million. The RCF has a tenor of 6 years and will replace the capacity of the existing RCF and the term loans for MV Balto, MV Balchen and MV Baldock. The new RCF will be secured in all five selfunloader vessels. The new term loan facility has a tenor of 7 years and will replace the capacity of the term loan of MV Bangor and MV Baniyas' share of the existing RCF and secure financing for all the newbuildings. T Klaveness SHipping AS, Klaveness Bulk AS and Cabu Bangor Inc will be joint borrowers.

Organisational change

An organizational change was carried out in the first quarter of 2015 involving a.o. transfer of ship operation activities to Klaveness' Manila office, and a redundancy program has been initiated as a result. This will lead to a restructuring charge in 2015.

2014: Major events

Vessel deliveries

Three 2,500 TEU container vessels were delivered in Q1 2014.

New investments

Subjects for a contract of two 80,500 dwt Cabu vessels was lifted in January 2014 and the first installments paid. The vessels have been ordered at Ouahua Shipyard in China. Further one combination carrier was added to the newbuilding program, resulting in total of three Cabu vessels to be delivered in 2016 and 2017. A further gain was realized in connection with novating part of the Kamsarmax newbuild program to Euroseas. A new bond of NOK 400 million with 6 years maturity was issued by Klaveness Ship Holding in the first quarter to strenthen liquidity and fund new investments.

Settlement

Klaveness has for some years been under investigation by Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) after the company itself notified Økokrim about possible irregularities in commission payments to a broker in the Middle East. In 2014 this matter was brought to a close when Cabu Chartering AS, a company indirectly owned by Rederiaksjeselskapet Torvald Klaveness accepted a fine from Økorim. Refer to note 33 for further information.

Transition to IFRS

The Board of Directors in Rederiaksjeselskapet Torvald Klaveness gave its approval for the transition from Norwegian Generally Accepted Accounting Principles (NGAAP) to International Financial Reporting Standard (IFRS) as endorsed by the European Union for some of the Klaveness companies. As of December 31, 2014 Klaveness Ship Holding AS, T. Klaveness Shipping AS, Klaveness Selfunloaders AS and Klaveness Bulk AS will report its financial statements in accordance with IFRS. Klaveness Container AS was prepared in accordance with IFRS from 2013.

2013: Major events

Vessel deliveries

Five vessels were delivered in 2013; two 71,900 dwt selfunloaders and three 2,500 TEU container vessels.

New investments

One container new build was swapped for another vessel at YZJ shipyard in China, and two further 2,500 TEU vessels were acquired from the yard in the same transaction. In connection with the swap, USD 7.5 million of the impairment on Baleares was reversed. Two 82,000 dwt Kamsarmax dry bulk vessels were ordered at the same yard for 2015 delivery. A further gain was realized in connection with novating part of the Kamsarmax new build program to another entity. A NOK 300 million bond was issued by KSH in the first quarter to fund new investments.

Re-organisation of corporate structure

All ship owning acitivites were in 2013 organized under the ownership of Klaveness Ship Holding AS, and two new subsidiaries, Klaveness Bulk AS and Klaveness Container AS, were established for the ownership of dry bulk and container vessels (each with a separate holding company).

Internal restructuring

The accounting function was transferred to Klaveness' Manila office in 2013. In connection with this move systems and processes were upgraded, and a redundancy program was carried out in the beginning of the year, leading to a restructuring charge of USD 2.4 million.

NOTE 4: OPERATIONAL AND FINANCIAL RISKS

Torvald Klaveness operates globally and in a capital intensive industry subject to strong business cycles and volatility in underlying markets. The group is exposed to both operational and financial risks.

Operational risks

Operational risks are mainly related to the operation of vessels under the management of Klaveness Ship Management AS, to the execution of cargo contracts and time charter contracts in AS Klaveness Chartering, and to the management of spot pools. Vessel management is governed by quality procedures that reflect the requirements of IMO, flag states and port states. Quality and safety audits are performed at regular intervals and significant effort is put into the training of seafarers to comply with standards. Operational risk is managed through insurance procedures and systematic training of seafarers and land based employees to cover risks such as priacy, health and safety, environmental risks, off hire and accidents. All vessels sailing through piracy exposed areas take necessary steps to mitigate the threat of such attacks. The vessels are insured for loss of hire , protection and indemnity (P&I), and complete loss (hull and machinery).

The chartering and trading and pool management activity is governed by well defined and board approved mandates, management procedures and reporting requirements.

Financial risks

Financial risks may be classified as market risks, credit or counterparty risks, interest rate related risks, currency related risks, and liquidity risk.

Market risk

Shipping market risks are generated by several activities in Torvald Klaveness. Ownership of vessels involves risks related to vessel values, future vessel employment, freigh rates and costs. These risks are partly managed through time charter contracts, contracts of affreightment and forward freight agreements (FFAs) covering a large part of the vessel capacity. The trading of physical and financial freight contracts conducted in AS Klaveness Chartering involves risks related to movements in the overall market price levels as well as to the correlation between sub-markets, in particular the spread between the Atlantic and Pacific basins. These risks are monitored on a daily basis according to scenario based mandates.

Credit risk

Counterparty risk is generated by service deliveries to customers and by trading in physical and financial freight agreements, as well as by investments in vessels employed on bareboat charters or time charter contracts to other ship owners. All counterparties are credit rated and corresponding exposure limits are defined and monitored per counterparty. Provisions against estimated future losses are made to the extent that the risks in the portfolio can be quantified. Full provisions are made against counterparties that default on their payment obligations. A provision for losses on other outstanding amounts is made based on age and individual evaluations of each item. All FFAs are entered into with investment grade general clearing providers with some minor exceptions.

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

Foreign exchange risk

Torvald Klaveness' functional currency is USD. Some of the cash, bank deposits, bonds and debt are denominated in NOK. Torvald Klaveness' income is mainly in USD, while some costs also are in NOK. At year-end 2014, Torvald Klaveness had a currency forward portfolio of NOK 250 million. The currency forward contracts were entered into based on board mandates from 2013 and 2014. NOK 170 million of the contracts mature in 2015 and the remaining NOK 80 million mature in the first half of 2016. The transactions had a negative result of USD 1.7 million in 2014. Both open positions related to NOK costs, balance sheet positions in NOK and the currency futures are exposed to USD/NOK movements. In 2014, a subsidiary of Torvald Klaveness issued a bond of NOK 400 million (KSH02). The USD value of the existing bond and the new bond issue are hedged at USD 34.833.333 and USD 50.500.000.

The financial assets and liabilities have the following currency distribution :

Financial liquid assets nominated in USD:	USD 111 million
Financial liquid assets nominated in other currencies:	USD 11 million
Interest-bearing debt in USD:	USD 216 million
Interest-bearing debt in other currencies:	USD 12 million
Bond loan (denominated in NOK, fully hedged to USD):	USD 97 million

Interest rate risk

Interest risk is related to interest-bearing investments and borrowings. Torvald Klaveness to some extent manages these positions on a net basis and positions have been taken in Klaveness Finans AS, Klaveness Container AS and Klaveness Ship Holding AS to partly neutralise the exposure. The Corporate Treasury Department may take market positions in the interest rate market within restricted mandates. At year-end 2014, approximately 70 % of the floating interest bearing debt was fixed through interest rate swap agreements, partly accounted for as hedges and partly as speculative swaps. T Klaveness Shipping AS entered into four 7-year, 2-year forward starting interest rate swaps of for a total amount of USD 50 million in 2014. The swap agreements entered into in 2013 and 2014 will mature in 2018 and the forward starting swaps will mature in 2023. The total mark-to-market value of interest rate swaps was per December 31, 2014 negative by USD 5 million (where all relating to non-hedging swaps and hence fully recognised in the balance sheet). The effect on profit in 2014 is a negative effect of USD 1.4 million, reflecting a negative development in the mark-to-market value.

Liquidity risk

Liquidity risk is impacted by market and credit risk. Torvald Klaveness keeps its liquidity reserves mainly in bank deposits, as time deposit and in money market funds with high liquidity. The time horizon of these deposits depends on the underlying forecasted need for liquidity in Torvald Klaveness. The liquidity risk is considered to be limited, as the portfolio is well diversified and in liquid assets such as on accounts and time deposits.
A subsidiary of Torvald Klaveness made a new senior unsecured bond issue of NOK 400 million (KSH02) in the first half of 2014. In connection with the placement of the new bond issue, Torvald Klaveness repurchased bonds with a total nominal value of NOK 100 million in the first bond issue (KSH01).
One Cabu refinancing was completed in the fourth quarter, and Bank financing for all the newbuildings was secured as of February 2015. The new bond issue and bank financing for the newbuildings has strengthened the company`s liquidity further. Liquid reserves are considered to be adequate for all needs in the foreseeable future.

NOTE 5: EQUITY

USD '000	Share capital	Other paid-in capital	Other equity	Total equity excluding minority	Minority interests	Total equity including minority
Equity 1 January 2013	8 154	49 052	238 472	295 678	14 574	310 252
Profit for the year			21 252	21 252	3 631	24 883
Proposed dividend			-3 200	-3 200	0	-3 200
Increase in minority interest			0	0	12 500	12 500
Dividends to minority interest			0	0	-9 522	-9 522
Effect from currency translation			1 405	1 405	0	1 405
Other changes			375	375	-47	327
Equity 31 December 2013	**8 154**	**49 052**	**258 303**	**315 510**	**21 137**	**336 647**
Profit for the year			3 567	3 567	2 414	5 981
Proposed dividend			-1 750	-1 750	0	-1 750
Increase in minority interest container vessels*			0	0	3 251	3 251
Dividends to minority interest			0	0	-5 091	-5 091
Correction previous years recognized directly in equity			-1 396	-1 396	0	-1 396
Other changes			-537	-537	0	-537
Equity 31 December 2014	**8 154**	**49 052**	**258 187**	**315 393**	**21 713**	**337 106**

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

Shareholders	Ownership	Shares
THK Holding AS	30 %	30
THK Partner AS	26 %	26
MMK Holding AS	22 %	22
JWI Holding AS	22 %	22
TOTAL	**100 %**	**100**

NOTE 6: PHYSICAL AND FINANCIAL FREIGHT AGREEMENTS

Torvald Klaveness takes positions through physical and financial freight contracts including time charter agreements, forward freight agreements, contracts of affreightment and options. The positions in physical and financial freight agreements are managed as one portfolio. The portfolio is managed and owned by the subsidiary AS Klaveness Chartering. The portfolio is managed within a given trading mandate and maximum volume limits, and is supervised on a daily basis through market and clearing exposure under different scenarios. All contract counterparties are rated in-house and given a designated exposure limit. In both 2014 and 2013 the portfolio mainly consisted of cleared forward freight agreements, with only a limited number of over-the-counter forward freight agreements.

Torvald Klaveness' portfolio of physical and financial freight agreements falls due in the period 2014-2019. All the contracts have been evaluated with respect to counterparty risk. The statistically estimated loss corresponding to these contracts was USD 8.1 million at year-end 2014 (USD 11.9 million at year-end 2013). The net portfolio value adjusted for statistically estimated losses is positive, therefore no accounting provisions have been made.

The mark-to market value of the portfolio from 2014 and forward was, assuming no credit risk, a total positive value of USD 11.5 million (2013: USD 32.9 million). This is based on a valuation of each separate contract's cash flow relative to the forward market in the relevant contract periods, which is aggregated and discounted using the USD swap interest curve. Forward market prices per 31 December 2014 were used in this valuation. The net mark-to-market value of the trading portfolio, after deducting the statistically estimated counterparty losses, was thus positive by USD 3.4 million (2013: positive by USD 21.0 million).

USD '000 Result from physical and financial freight agreements	2014	2013
Result from physical and financial freight agreements	18 095	9 580
Provisions for negative future portfolio value	0	0
Net result from physical and financial freight agreements	**18 095**	**9 580**

The physical contracts include time charter-in contracts, which effectively are operational vessel leases. However, the income on these non-balance sheet assets is not treated separately from other portfolio income. These contracts, together with other physical and financial contracts are managed as one portfolio and hence accounted for as such.
AS Klaveness Chartering has 22 ship-years of time charter-in contracts with maturity below 1 year. AS Klaveness Chartering has 11 ship-years of time charter-in with maturity between 1 and 7 years at an average daily lease rate of USD 10 629.

NOTE 7: REVENUE FROM VESSELS

Torvald Klaveness 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 optimise income. Consequently, Torvald Klaveness' operating shipping activities are not attributed to specific geographical markets.

Gross revenue from vessels ('000)	2014	2013
Pools:		
Panamax	168 450	193 924
Handymax	117 039	118 787
Total	285 489	312 711
Own vessels:		
Combination carriers	110 226	101 009
Selfunloaders	47 510	39 118
Cement vessels	0	369
Container vessels	23 283	10 192
Total	181 019	150 688
Total gross revenue from vessels:	**466 508**	**463 399**

Combination carriers are operated in an internal pool fully owned by Torvald Klaveness. Revenues are presented as gross revenue from the pool. Revenues from selunloaders and container vessels are present as net revenue.

NOTE 8: OTHER OPERATING REVENUES

USD '000	2014	2013
Gain/commission on sale of vessel newbuilding contracts	3 381	3 000
Gain from realisation other fixed assets	0	514
Other operating revenues	1 019	1 123
Total other operating revenues	**4 399**	**4 637**

NOTE 9: VOYAGE RELATED EXPENSES AND OPERATION OF VESSELS

Voyage related expenses and operation of vessels ('000)	2014	2013
Pools:		
Panamax	-162 040	-186 936
Handymax	-111 727	-113 645
Total expenses pools	-273 767	-300 580
Own vessels:		
Combination carriers	-68 241	-55 239
Selfunloaders	-15 307	-13 682
Container vessels	-19 717	-9 068
Total expenses own vessels	-103 265	-77 989
Total voyage related expenses and operation of vessels	**-377 032**	**-378 570**
Voyage related expenses (including distribution of pool result)	-328 328	-340 897
Operation of vessels	-48 704	-37 672
Total voyage related expenses and operation of vessels	**-377 032**	**-378 570**

All operating expenses of pool vessels are voyage related. Expenses include distribution of net result to the pool participants, but exclude pool management fee paid within Torvald Klaveness.

Combination carriers are operated in an internal pool fully owned by Torvald Klaveness. Expenses include voyage related expenses and non-voyage related vessel operating expenses.

Selfunloaders are operated by an external pool. All voyage related expenses are carried by the pool, and expenses mainly consist of non-voyage related vessel operating expenses. Voyages carried out outside the pool may generate voyage related expenses.

Container vessels are employed on time charter contracts, where the charterer carries all voyage related expenses.

NOTE 10: SALARIES, SOCIAL EXPENSES AND REMUNERATION

USD '000 Salaries and social expenses	2014	2013
Wages	-19 789	-19 320
Restructuring charge	0	-2 400
Benefits and insurance	-819	-579
Employer's social security contributions	-2 065	-2 061
Net pension cost (note 35)	-2 294	-261
Welfare expenses	-1 023	-1 156
Total salaries and social expenses	**-25 990**	**-25 776**
Average number of man-years (on-shore Oslo, continuing operations)	88	88
Average number of man-years (on-shore abroad)	70	59

Crew for the Torvald Klaveness fleet is hired through manning offices in Manila and Constanta. The group has on hire an average of 700-800 seafarers (variations through the year). Salaries to crew on the vessels are presented as part of operation of vessels and voyage related expenses.

Remuneration to management	2014	2013
Remuneration to the Board of Directors	-281	-349
Remuneration to the Chief Executive Officer 1)	-965	-613

1) incl. salaries and pension cost

In 2014, Trond Harald Klaveness received a compensation of USD 89 thousand for his work as senior advisor, in addition to the remuneration of USD 114 thousand for carrying the position as Chairman of the Board. The employment of the chairmain of the board has no time limit.

There are no post-employment benefit agreements.

NOTE 11: OTHER OPERATING AND ADMINISTRATIVE EXPENSES

USD '000	2014	2013
Administrative expenses	-8 852	-9 747
Outsourcing, consultancy and legal fees	-1 398	-3 327
Audit fee 1)	-499	-461
Other services from auditor 1)	-98	-98
Other operating expenses	-1 459	-2 734
Provisions/reversals of provisions	-2 209	3 515
Fine Økokrim (note 33)	-5 223	0
Total other operating expenses	**-19 738**	**-12 852**

1) Excluding VAT

NOTE 12: INTEREST INCOME AND EXPENSES

USD '000	2014	2013
Interest income	94	303
Net income/(loss) bonds 1)	-7	373
Mortgage interest expenses 2)	-15 093	-6 752
Other interest income/(expenses)	-2 290	0
Net interest income/(expenses)	**-17 295**	**-6 077**

1) Net income/(loss) bonds includes unrealised change in fair value.

2) Including effect of interest rate hedging

NOTE 13: OTHER FINANCIAL INCOME AND LOSS

USD '000	2014	2013
Realised gain / (loss) financial instruments	181	-565
Unrealised gain / (loss) financial instruments	-1 589	3 277
Other financial income	254	58
Other financial expenses	-1 179	-1 083
Net other financial income/(loss)	**-2 333**	**1 686**

NOTE 14: TANGIBLE FIXED ASSETS

2013 (USD '000)	Self-unloaders	Cabu Carriers	Container Vessels	Other assets	Total fixed assets
Cost 1 January 2013 - vessels/other assets	110 601	236 092	61 905	19 425	428 023
Cost 1 January 2013 - docking	7 171	7 798	1 155	0	16 124
Additions	114 825	3 669	126 723	2 469	247 686
Disposals	0	-2 967	0	-3 442	-6 409
Currency translation	0	0	0	-307	-307
Cost 31 December 2013 - vessels/other assets	223 426	236 244	186 678	18 146	664 494
Cost 31 December 2013 - docking	9 171	8 347	3 105	0	20 623
Accumulated depreciation 31 December 2013	-54 802	-113 446	-10 675	-14 042	-192 966
Accumulated impairment 31 December 2013	0	-13 578	-50 572	-51	-64 202
Net book value 31 December 2013 - vessels/other assets	173 799	113 058	126 516	3 920	417 293
Net book value 31 December 2013 - docking	3 857	4 504	2 019	0	10 380
Net book value 31 December 2013 - total	**177 656**	**117 562**	**128 535**	**3 920**	**427 673**
Depreciation for the year, 2013 - vessels/other assets	-7 981	-12 986	-3 265	-1 233	-25 465
Depreciation for the year, 2013 - docking	-2 849	-3 145	-525	0	-6 519
Total depreciation vessels, 2013	**-10 830**	**-16 131**	**-3 790**	**-1 233**	**-31 984**
Impairment for the year, 2013	**0**	**0**	**0**	**-51**	**-51**
Number of vessels by the end of 2013	5	7	5	0	17
Average useful life	20	22	25	0	22
Average remaining useful life	14	9	21	0	13

2014 (USD '000)	Self-unloaders	Cabu Carriers	Container Vessels	Other assets	Total fixed assets
Cost 1 January 2014 - vessels/other assets	223 426	236 244	186 678	18 146	664 494
Cost 1 January 2014 - docking	9 171	8 347	3 105	-	20 623
Additions	2 749	1 419	89 251	204	93 623
Disposals	-4 782	-39 511	-377	-778	-45 448
Cost 31 December 2014 - vessels/other assets	223 426	196 733	270 699	17 572	708 430
Cost 31 December 2014 - docking	7 138	9 766	7 958	-	24 862
Accumulated depreciation 31 December 2014	-63 126	-107 901	-19 544	-16 045	-206 616
Accumulated impairment 31 December 2014	0	0	-50 861	-411	-51 272
Net book value 31 December 2014 - vessels/other assets	164 136	95 988	202 265	2 435	464 825
Net book value 31 December 2014 - docking	3 460	2 610	5 987	-	12 057
Net book value 31 December 2014 - total	**167 236**	**98 598**	**208 252**	**2 435**	**476 522**
	167 597				
Depreciation for the year, 2014 - vessels/other assets	-9 611	-9 251	-7 042	-2 003	-27 906
Depreciation for the year, 2014 - docking	-3 495	-3 141	-1 244	0	-7 880
Total depreciation vessels, 2014	**-13 106**	**-12 392**	**-8 286**	**-2 003**	**-35 786**
Impairment for the year, 2014	**0**	**0**	**-289**	**-360**	**-649**
Number of vessels by the end of 2014	5	6	8	0	19
Average useful life	20	20	25	0	22
Average remaining useful life	13	9	22	0	15

Torvald Klaveness' insurance arrangements are organised through external insurance companies. The financial impact of a total loss of a vessel will not be material to Torvald Klaveness.

Depreciation of vessels is recorded on a straight-line basis over the estimated economic lifetime of each individual asset. The depreciation period for vessels is normally 20-25 years.

Disposals of vessels
The tanker MV Baru was green recycled in March 2014 which resulted in a loss of MUSD 3.1 million.

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

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

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

In 2014, impairment of USD 0.2 million and USD 2.6 million are recognized respectively for Baro and Barry and an impairment of USD 0.9 million for Balsa. As described in note 15 (reallocation of cost price) the Group recognized a reversal of impairment of USD 3.4 million in 2014, which results in net impairment vessels of USD 0.3 million for 2014.

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 2014 (2013: 0).

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

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/ reversal	2 014	2 013
Impairment of vessels	-3 687	0
Impairment (-)/reversal impairment other assets	-360	-51
Reversal impairment newbuildings (see note 15)	3 398	7 500
Total impairment loss (-) / reversal	**-649**	**7 449**

NOTE 15: NEWBUILDING CONTRACTS

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

The kamsarmax newbuildings are part of a newbuilding programme of in total eight vessels. One of the contracts have been sold in 2014, whereas five contracts has been novated to other companies (see note 8), leaving the Group with an ownership of in total two newbuilding contracts at year-end 2014.

During 2013 and 2014, the Group has taken delivery of in total six container vessels. The original newbuilding contract for one of these vessels was swapped against a different newbuilding contract with an earlier delivery and a further option to decleare two more vessels. The transaction resulted in a reversal of impairment of USD 7.5 million in 2013.

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

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

2014

Investments in newbuildings	Container	Combination carriers	Kamsarmax	Total
Cost 1.1	23 015	0	5 340	28 355
Borrowing cost	927	0	0	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	0	0	3 398
Sale of newbuilding contracts	0	0	-2 670	-2 670
Transferred to vessels under operation	-89 369	0	0	-89 369
Net carrying amount at 31 December	0	**21 946**	**5 779**	**27 725**

2013

Investments in newbuildings	Container	Selfunloaders	Kamsarmax	Total
Cost 1.1	0	63 343	0	63 343
Borrowing cost	0	0	0	0
Yard installments paid	0	0	5 340	5 340
Other capitalized cost	144 406	2 222	0	146 628
Impairment loss (-)/reversal	7 500	0	0	7 500
Transferred to vessels under operation	-128 891	-65 565	0	-194 456
Net carrying amount at 31 December	**23 015**	**-**	**5 340**	**28 356**

NOTE 16: ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies (USD '000) Company	Acquisition	Ownership (direct + indirect)	Acquisition cost	Share of result 2014	Book value per 31 Dec 2014	Share of result 2013	Book value per 31 Dec 2013
Baltrader investments:							
MS Cemisle Schiffahrtsgesellschaft KG	2007	0 %	3 601	0	0	110	0
MS Cemvale Schiffahrtsgesellschaft KG	2006	0 %	885	0	0	304	0
MS Cemsol Schiffahrtsgesellschaft KG	2007	0 %	1 617	0	0	62	0
MS Cemsea Schiffahrtsgesellschaft KG	2004	0 %	60	0	0	875	0
MS Cemsky Schiffahrtsgesellschaft KG	2004	0 %	57	0	0	-168	0
Partenreederei MS Baltic Sun	2004	0 %	1 230	0	0	192	0
MS Cembay Schiffahrtsgesellschaft KG	2005	0 %	269	0	0	-272	0
MS Cemluna Schiffahrtsgesellschaft KG	2005	0 %	250	0	0	-34	0
MS Pacific Star Schiffahrtsgesellschaft KG	2005	0 %	326	0	0	107	0
Accumulated exchange rate differences				0		-1 405	
Total Baltrader investments			8 296	0	0	-228	0
Other associated companies:							
Klaveness Maritime Agency Inc.	2011	24,96 %	25	22	82	29	59
Total associated companies			**8 321**	**22**	**82**	**-199**	**59**

Associated companies

Investments in associated companies are recognised according to the equity method. Acquisition cost refers to the cost of the investment adjusted for accumulated payments to/from the company. Book value equals the group's share of book equity in the company, adjusted for added values or impairments of the investment. The group's share of results includes depreciations of added values and any changes in impairments.

Torvald Klaveness (via AS Klaveness Chartering) has had partial ownership in nine German KGs, owning nine dry bulk vessels transporting cement. The vessels were managed by Baltrader Schiffartsgesellschaft GmbH & Co, which was partly owned (60 %) by another subsidiary under Torvald Klaveness. In June 2013, all investments in the Baltrader system were sold. The share of net result in 2013 reflects Torvald Klaveness' share of net result until the time of the sale, and the gain/loss on the sale. The underlying investment was in EUR. At the time of the sale, accumulated exchange rate differences over the ownership period were recognized in profit & loss.

Klaveness Maritime Agency Inc. is located in the Philippines.

Joint ventures

Joint ventures are accounted for according to the proportional consolidation method. Torvald Klaveness includes the joint venture Barklav (Hong Kong) Limited which is owned 50 %. The joint venture was acquired in 2000 and is located in China. In 2014, Torvald Klaveness' share of net profit from Barklav was USD 298 thousand and the share of equity USD 298 thousand.

NOTE 17: BUNKERS ON BOARD VESSELS

The downturn in the world economy has given rise to a trend in the shipping industry towards lower time charter rates and shorter time charter contracts. In addition, there has been a decrease in bunker prices. A net effect of these developments is that the value of bunkers onboard a ship under time charter agreement may exceed the total time charter hire amount. Consequently, charterers to a lesser extent than before actually pay for the bunkers onboard a vessel at the time of delivery. Instead, the charterer redelivers the vessel with the same amount of bunkers onboard the vessel. As the charterers no longer pay for the bunkers, the legal ownership of the bunkers at the time of delivery to the charterer remains with the owner of the vessel.

Although some of this bunkers may have been consumed as at 31 December 2014 we have, due to difficulties of estimating this figure correctly, presented this as bunkers onboard vessels instead of receivables from the charterer.

USD '000	2014	2013
Bunkers	41 183	50 810
Luboil*	1 992	1 744
Bunkers on board vessels	**43 175**	**52 554**

* In order to show the actual consumption of lubricant oil with full effect from 2014, the lub oil stock is per year end 2013 entered as an asset. For the new buildings the inital upstoring of lubricant oil has been classified as part of intial cost.

NOTE 18: ACCOUNTS RECEIVABLE

USD '000	2014	2013
Accounts receivable from charterers	44 170	46 754
Accounts receivable from owners	7 114	7 682
Other accounts receivable	804	331
Provision for unsettled income	-1 406	-2 010
Provision loss on accounts receivable*	-11 266	-11 486
Accounts receivable	**39 417**	**41 270**

* Includes a provision of USD 8.7 million on one receivable regarding a counterparty which has been under administration since its default in 2009.

NOTE 19: PREPAID EXPENSES

USD '000	2014	2013
Prepaid mark-to-market margin on cleared FFAs	21 998	731
Prepaid time charter hire	9 816	14 374
Other prepaid expenses	1 812	1 168
Prepaid expenses	**33 626**	**16 273**

The increase in prepaid mark-to-market margin on cleared FFAs is mainly due to margin calls made to cover fuel hedging positions due to the falling bunker prices in the last months of 2014.

NOTE 20: OTHER SHORT-TERM RECEIVABLES

USD '000	2014	2013
Accrued voyage income	22 624	35 979
Accrued interest income	308	492
Claims (insurance and other)	6 133	609
Spare parts vessels	133	169
Other short-term receivables	14 002	8 135
Other short-term receivables	**43 200**	**45 384**

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 MUSD 6.1, MUSD 4.5 is related to insurance claims, and MUSD 1.6 is related to yard claims. The majority of the claims is expected to be settled before year end 2015.

NOTE 21: FINANCIAL INSTRUMENTS

USD '000	2014 Cost/nominal value	2014 Market value	2013 Cost/nominal value	2013 Market value
NOK bonds and bond funds				
Danske Andelskasser	0	0	1 473	987
Arctic Covered 1)	0	0	6 937	7 077
Total bonds and bond funds	**0**	**0**	**8 410**	**8 063**
1) Defined as cash equivalent for cash flow purposes				
Interest swap agreements (non-hedging)	0	-3 690	0	-2 856
Foreign currency contracts (non-hedging)	0	-1 720	0	19
Total derivatives	**0**	**-5 411**	**0**	**-2 836**

Currency adjustments of non-USD bonds are included in the market value per 31 December. Currency gain/loss on bonds is included in net currency gain/loss in the income statement. The investment in Danske Andelskasser was repaid in February 2014 at its nominal value.

Financial instruments for non-hedging purposes
As per December 31, 2014 nine interest swap agreements had been entered into for non-hedging purposes (2013: five interest swap agreements). Interest swaps are valued at the lower of historical cost or fair market value. The total mark-to-market value of these interest swaps per 31 December 2014 was negative by USD 5.4 million (2013: negative by USD 2.9 million). The negative change in market value of USD 2.5 million has been recognized as financial cost.

Foreign currency contracts entered into for non-hedging purposes are measured at fair market value.

NOTE 22: CASH AND BANK DEPOSITS

USD '000	2014	2013
Bank deposits in USD	111 408	142 546
Bank deposits in NOK	8 950	3 869
Bank deposits in other currencies	1 268	1 021
Withholding tax accounts, restricted	739	885
Cash	470	533
Total cash and bank deposits	**122 835**	**148 854**
Hereof cash and bank deposits related to subsidiaries with ownership interest less than 90 %	10 577	9 417

NOTE 23: PROVISIONS

USD '000	2014	2013
Contingent liability related to demerger	0	6 560
Total provisions	**0**	**6 560**

The contingent liability related to the demerger of Torvald Klaveness in 2011, has been reclassified to Other short-term liabilities per December 31, 2014. Please refer to note 30 and 34 for further information.

NOTE 24: MORTGAGE DEBT

USD '000	2014	2013
Mortgages, USD denominated	216 659	216 441
First year installments	-19 679	-29 578
Total long-term mortgage debt	**196 980**	**186 863**
Hereof mortgage debt related to subsidiaries with ownership interest 90 % or more	186 554	119 657
Repayment schedule:		
Falling due within one year	19 679	29 578
Falling due between one and three years	156 576	99 532
Falling due after three years	41 008	87 331
Total mortgage debt	**217 263**	**216 441**
Book value of vessels with mortgage debt	**474 087**	**314 071**

Mortgage debt is related to vessel investments and are denominated in USD. The interest rate on the mortgage debt is linked to 3M LIBOR plus a margin. The margins are subject to market terms and at year end the margins were in the range 0.7 % to 3.25 %.

Some interest rate derivative agreements have been entered into to reduce risk related to potential interest rate increases. Refer to note 4 on operational and financial risks, note 31 on hedging for details about interest rate risk reduction, and note 21 for details on financial instruments for non-hedging purposes.

The loan agreements have various financial covenants related to equity, minimum cash and debt service ability. And in addition all mortgage debt has covenants related to loan to value ratios.

Loan facilities that are subject to refinancing in Q1-2015 are described in note 3.

NOTE 25: LONG-TERM BOND LOAN

The Group has entered into two bond agreements in May 2013 and in March 2014. The bond loans are listed on Nordic ABM and has a bullet structure with no repayment until maturity in respectively May 2018 and March 2020. Bond loans are subject to an interest rate of 3M NIBOR plus a margin of in range 4.25-4.75. Both bond loans are issued by Klaveness Ship Holding AS and the company has the right to call the entire/or parts of the bonds at any time as follows:

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

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

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

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

See note 31 for further information on the accounting treatment of financial instruments used as hedges.
The company is in compliance with all covenants per December 31, 2014.

Bond loan	Face value NOK'000	Date of maturity	Carrying amount (USD'000) 2 014	2 013
KSH01				
Original loan amount	300 000	May 8, 2018	52 250	52 250
Buy back	(100 000)		-17 417	0
Exchange rate adjustment			-7 915	-2 920
Hedge of currency exposure			7 915	2 920
Capitalized expenses			-423	-806
			34 410	51 444
KSH02				
Original loan amount, fixed	300 000	March 20, 2020	50 500	0
Original loan amount, unfixed	100 000	March 20, 2020	16 828	0
Buy back	(10 000)		-1 355	0
Exchange rate adjustment			-13 482	0
Hedge of currency exposure			10 123	0
Capitalized expenses			-848	0
			61 766	0
Debt as of 31 December	**590 000**		**96 176**	**51 444**

NOTE 26: OTHER LONG-TERM INTEREST-BEARING LIABILITIES

USD '000	2014	2013
Long-term debt to related parties (note 36)	9 835	11 679
Other long-term interest-bearing liabilities	47	0
Total other interest-bearing long-term liabilities	**9 881**	**11 679**

NOTE 27: ACCOUNTS PAYABLE

USD '000	2014	2013
Accounts payable to charterers	6 552	7 369
Accounts payable to owners	9 472	9 584
Accounts payable to brokers	1 833	2 784
Accounts payable to bunkers suppliers	7 049	8 724
Other accounts payable	3 511	5 801
Accounts payable	**28 417**	**34 261**

NOTE 28: ACCRUED EXPENSES

USD '000	2014	2013
Accrued interest expenses	1 627	1 490
Accrued voyage expenses	21 378	31 542
Accrued expenses	**23 005**	**33 032**

NOTE 29: SHORT-TERM INTEREST-BEARING DEBT

USD '000	2014	2013
First year installments of long-term debt	19 679	29 578
Drawn credit line	1 125	5 361
Seller's credit	0	13 783
Short-term debt to related parties	592	135
Total short-term interest-bearing debt	**21 396**	**48 858**

First-year installments of long-term debt has been reclassified to short-term debt. Refer to note 24 for details on the loans.

Drawn credit line has been reclassified from accounts payable to short-term interest-bearing debt. Comparative figures have been restated accordingly.

Short-term debt to related parties consists of debt to persons affiliated with the shareholders of Rederiaksjeselskapet Torvald Klaveness. The debt is interest-bearing. The interest rate is NIBOR plus a market based margin. Refer to note 34 for information regarding related parties.

Seller's credit is debt to Jiangsu Yangzijang Shipbuilding Co. Ltd for postponing 35 % of the contract price of one of the container vessels (MV Balsa). The debt was settled in February 2014.

NOTE 30: OTHER SHORT-TERM LIABILITIES

USD '000	2014	2013
Unearned income	16 540	13 784
Public duties payable	70	-21
Payables related to wages and crewing	3 096	2 770
Provisions for losses*	5 381	4 465
Pool-hire payable	25 739	26 368
Other short-term liabilities	22 317	20 275
Contingent liability related to demerger	5 997	0
Other short-term liabilities	**79 139**	**67 641**

* Includes a provision for loss of USD 1.8 million related to long-term contracts in Bulktransfer Inc (BTI).The contractual obligation ended in December 2014. However, at the end of 2014, a technical problem occurred on the sub-supplier’s vessel, leading to substantial delays on three lightering operations. A provision corresponding to maximum responsibility of one contractual year amounting to USD 1.8 million has been made.

NOTE 31: HEDGING

Torvald Klaveness uses financial instruments to hedge against certain financial risks. In 2014, future freight agreements have been used to hedge against market fluctuations; fuel swaps have been used to hedge against fluctuations in the bunkers market; and interest rate swaps have been used to hedge against interest rate fluctuations. Further, a cross currency interest rate swap was entered to hedge interest rate and currency fluctuations on the bond loans in NOK (see note 25).

Cash flow hedges are recorded in the profit and loss account in the same period as the cash flow from the associated asset or physical contract. Fair value hedges are reflected in the book value of the underlying asset, and gains or losses in the fair value of the value hedging instrument are recognised immediately in the profit and loss account.

			2014		2013	
Hedging object	**Hedging instrument**	**Hedge included in P&L line**	**P&L effect**	**Market value**	**P&L effect**	**Market value**
Cash flow hedges:						
Pool income	Forward freight agreements	Gross revenues from operation of vessels	5 360	8	-285	0
Interest mortgage loans	Interest rate swaps	Interest income/expenses	-342	13	-29	226
Interest bond loan	Cross currency interest rate swap	Interest income/expenses	-397	-3 506	71	-237
Bunkers cost	Fuel swaps	Operation of vessels and voyage related expenses	-1 114	-2 174	-4	12
Value hedges:						
Bond loan	Cross currency interest rate swap	Net currency gain/loss	-18 038	-18 038	-2 920	-2 920
SUM hedging			**-14 531**	**-23 697**	**-3 168**	**-2 919**

Duration:
Interest rate swap on mortgage loans have a duration until 2018 when the underlying loan expires, and hedge an increasing portion of interest rates on loans financing the container fleet as the container loans are being partly repaid over the period until expiry while the interest rate swaps have bullet structures. The cross currency interest rate swap is a full hedge on both exchange rate and interest rate for the duration of the bond loans, which matures in May 2018 and March 2020. Forward freight agreements and fuel swaps are generally entered into on a year-to-year basis.

NOTE 32: GUARANTEE LIABILITIES AND COLLATERAL

All guarantees and collateral described below are provided by subsidiaries to Rederiaksjeselskapet Torvald Klaveness.

In favour of external parties:		
Guarantee to	**Guarantee description**	**Amount**
YZJ Yard	Two guarantees for second and third installments for shipbuilding contracts YZJ2013-1116 and YZJ2013-1117.	Each of USD 5.340.000 + interest
DNB	Senior Secured Term Loan Facility Agreement financing container vessels ("Barry" / "Amundsen" /"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 and ING	Guarantee for a loan agreement of USD 75 million to finance the Beltunloader newbuildings	USD 90 million + interest and expenses.
Danske Bank	On demand performance guarantee for the liabilities under two bank loan financing two vessels	Limited to the obligations under the loan agreements
Gard P& I Bermuda	Guarantee for non P&I liabilities guaranteed for by Gard P&I Bermuda on behalf of Antarctica Shipping Pte Ltd	Limited to USD 7.5 million

In favour of related parties:	Amount
Guarantee to	
Brigantina AS	NOK 22 million
THK Holding AS	NOK 17 million
THK Partner AS	NOK 20 million
MMK Holding AS	NOK 15 million
JWI Holding AS	NOK 15 million

Rederiaksjeselskapet Torvald Klaveness has issued guarantees as collateral for loans from related companies to the subsidiary Klaveness Finans AS. The guarantees are issued in order to comply with The Limited Liability Companies Act.

NOTE 33: FINAL SETTLEMENT OF ØKOKRIM CASE

On May 15, 2014, Cabu Chartering AS (a company indirectly owned by Rederiaksjeselskapet Torvald Klaveness) accepted a fine from the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM), linked to commission payments to a broker during the period from July 2003 to March 2004. Torvald Klaveness, on its own initiative, notified Økokrim about the matter in 2010, at the same time as it initiated its own extensive internal investigation. Since then the company has cooperated with Økokrim in its investigation, amongst other by granting unlimited access to all documents from its internal investigation and through statements from those involved.

The fine of USD 5.2 million is included in Other operating and administrative expenses. The company also accepted a restatement of taxable profit in 2003, resulting in an increased tax cost of USD 0.5 million (including interest of USD 0.1 million).

Rederiaksjeselskapet Torvald Klaveness was demerged in 2011, and the costs related to the final settlement of the Økokrim case have been shared with the demerged Klaveness Marine Holding AS. The receipt of their share is presented as profit from discontinued operations, please refer to note 34. The net effect in Torvald Klaveness is a cost of USD 2.8 million.

NOTE 34: DEMERGER AND DISCONTINUED OPERATIONS

Profit & Loss Discontinued operations (USD '000)	2014	2013
Change in contingent liability related to demerger	563	-2 243
Klaveness Marine Holding share of Økokrim fine	2 937	0
Profit/(loss) for the year (majority)	**3 500**	**-2 243**

In 2011, Rederiaksjeselskapet Torvald Klaveness ("RASTK") was demerged, and a new entity, Klaveness Marine Holding AS, owned by Tom Erik Klaveness and his family, was formed. The demerger agreement between the former shareholders of RASTK included a possible pro/contra settlement reflecting the final outcome of a set of pending issues as per December 31, 2014.

Some of the underlying issues are still pending, and the settlement has not yet been finalized at the date of signing the group accounts. Consequently, the provision of USD 6.0 million is based on a best estimate of the final outcome. The change in provision is presented as profit/loss from discontinued operations.

Further, Cabu Chartering AS (a company owned directly by RASTK) in 2014 accepted a fine from the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). Please refer to note 33 for further information. The costs related to the final settlement of the case have been shared with the demerged Klaveness Marine Holding AS. The receipt of their share is presented as profit from discontinued operations.

NOTE 35: TAXES

USD '000 Income taxes in the income statement consist of:	2014	2013
Income taxes payable	-1 364	-617
Change in deferred tax asset	-5 071	-3 551
Tax adjustments previous years	-1 666	4
Total tax (expense) / income	**-8 101**	**-4 164**

Temporary differences - ordinary taxation:	2014	2013
Pension premium fund	884	789
Temporary differences on other fixed assets	-18 988	-7 341
Temporary differences on current assets	31 977	5 577
Tax losses carried forward	28 733	62 362
Net temporary differences	**42 605**	**61 388**
Deferred tax asset/ (deferred tax liability) in balance sheet 27%	**11 503**	**16 575**

Deferred tax asset is recognised to the extent that temporary differences are expected to be reversed in the foreseeable future.

	2014		2013	
Tax payable:	**Income**	**Tax effect**	**Income**	**Tax effect**
Profit / (loss) before taxes	10 581	2 857	29 047	8 133
Adjustment for income from foreign subsidiaries	-1 715	-463	2 454	687
Other permanent differences	20 080	5 422	-3 613	-1 012
Income from shipping activity, tonnage tax system	-14 774	-3 989	-21 896	-6 131
Change in temporary differences	14 846	4 008	-3 518	-985
Use of tax losses from prior years, carried forward	-33 629	-9 080	-6 970	-1 952
Exchange rate effect deferred tax asset	8 799	2 376	6 303	1 765
Tax payable - foreign subsidiaries		233		111
Taxable income / tax effect	**-4 611**	**1 364**	**1 806**	**617**
Unpaid / prepaid (-) tax payable prior years				19
Tonnage tax (included in operation profit)		213		205
Total tax payable in the balance sheet		**1 576**		**841**

With effect from 2014, new rules limiting the deductibility of internal interest expenses were implemented. In Torvald Klaveness, one Company was affected by these rules in 2014, increasing tax expense by USD 0.3 million (included in the change in deferred tax asset).

NOTE 36: PENSION COST, PENSION PLAN ASSETS AND PENSION LIABILITIES

Torvald Klaveness changed the pension plans for all employees from July 1st 2014. Until this date, Torvald Klaveness had an insured collective pension plan for its employees. From July 1st 2014, all employees have a defined contribution plan. This plan currently consists of annual savings of 5% of salary between 0 and 12G plus 15% of salary between 7.1G and 12G. 1G is currently defined to NOK 88.370. The annual pension that is actually payable depends on the size of the contributions, the number of contributions paid and the return during the savings and pension-payment period. The employee may start taking his/her pension from the age of 62, given that it is paid for a minimum of 10 years and at least until the age of 77. The responsibility for managing the individual.pension account, within the insurance company's prevailing selection of funds, lies with the employee. As of December 31, the defined pension plan included 90 (94) employees. All payments to the defined contribution plan is expensed when paid-in.

The actuarial calculations below, re the insured pensions, include all employees in the first half of 2014, and the retired people and the people receiving a disability pension in the second half of 2014. AS Klaveness Chartering has guaranteed the retired people a regulation of minimum 1G until end of 2014. This pension adjustment will be reduced to 50% of the G-regulation in 2015 and 2016. Thereafter, the regulation will be fully pending on the return of the pension plan asset in the insurance company, in complience with the Compulsory Service Pension Act. All retired people and 100% disabled persons will receive a paid-up policy from Aug 1st 2016. People entitled to a early retirement scheme will be regulated with 100% of G until the age of 67. As of December 31, the defined contribution plan included 44 (67) retired and disabled people.

Assumptions on which pension calculations are based	2014	2013
Discount rate	2,3 %	4,7 %
Annual salary adjustment	2,8 %	4,0 %
Adjustment of pension plan base amount "G"	2,5 %	4,0 %
Pension adjustment	2,5 %	4,0 %
Expected annual return on the pension plan assets	4,4 %	4,5 %

Demographic assumptions commonly used by the insurance industry have been applied.

USD '000 Pension costs	2014 Secured	2014 Unsecured	2014 Total	2013 Secured	2013 Unsecured	213 Total
Interest expense on pension liabilities	(1 227)	(94)	(1 321)	(1 354)	(117)	(1 471)
Return on pension plan assets	1 028	-	1 028	1 563	0	1 563
Net return on pension plan assets	(199)	(94)	(293)	209	(117)	92
Present value of the year's pension benefits	(551)	(97)	(648)	(1 559)	(135)	(1 694)
Change in pension plans	2 821	3 587	6 409	0	0	0
Amortized change in estimates and plans	(6 868)	(105)	(6 973)	1 202	378	1 580
Social security tax on pension	(849)	(27)	(875)	(220)	(19)	(239)
Currency gain / (loss)	583	(496)	87			
Pension costs (-) / income	**(5 062)**	**2 768**	**(2 294)**	**(367)**	**106**	**(261)**

Pension plan assets / pension liabilities (-)	2014 Secured	2014 Unsecured	2014 Total	2013 Secured	2013 Unsecured	213 Total
Pension plan assets (at market value)	15 624	-	15 624	28 922	0	28 922
Estimated pension liabilities	(15 894)	(453)	(16 347)	(38 366)	(3 834)	(42 200)
Non-amortized change in estimates and plans	-	-	-	13 939	360	14 299
Social security tax on pension	(41 966)	(63 937)	(105 904)	(1 414)	(541)	(1 954)
Total pension plan assets / pension liabilities (-)	**(311)**	**(517)**	**(829)**	**3 081**	**(4 014)**	**(932)**
Net unrecognized actuarial gains and losses outside corridor	-	-	-	10 483	79	10 562
Total actuarial gains and losses	-	-	-	13 939	360	14 299
This year's amortization cost (-) / income	(6 868)	(105)	(6 973)	1 202	378	1 580

Amounts shown in the balance sheet	2014 Secured	2014 Unsecured	2014 Total	2013 Secured	2013 Unsecured	213 Total
Pension plan assets	-	-	-	3 590	0	3 590
Pension liabilities (*)	(311)	(517)	(829)	(509)	(4 014)	(4 522)
Total pension plan assets / pension liabilities (-)	**(311)**	**(517)**	**(829)**	**3 081**	**(4 014)**	**(932)**

(*) The estimated pension liabilities is exclusive of one unsecured contract, giving the person the option to leave the Company at the age of 62 and the permission for the Company "to give him a leave" at the age of 64. The estimated liability given that the person retires at the age of 62 was 0.1 milllion USD as per 31.12.2014. However, the probability that this contract ever will be executed is considered low, as the actual person is currently at the age of 42.

NOTE 37: RELATED PARTIES

For some transactions Torvald Klaveness is counterpart to persons and companies affiliated with the shareholders of the parent company, Rederiaksjeselskapet Torvald Klaveness. Services delivered by Torvald Klaveness to these persons and companies include accounting and administration of investments. In addition some affiliated companies and persons have extended loans to companies within Torvald Klaveness.

The level of fees and interests in this respect are based on market terms and are in accordance with the arm's length principle.

LONG-TERM LIABILITIES

USD 000'		2014		2013	
Company	Interest Rate	Interest	Liabilities	Interest	Liabilities
Brigantina AS	NIBOR 6m + 100 bps	86	2 826	95	3 357
THK Holding AS	NIBOR 6m + 100 bps	68	2 095	74	2 488
THK Partner AS	NIBOR 6m + 100 bps	59	1 827	64	2 169
MMK Holding AS	NIBOR 6m + 100 bps	50	1 543	54	1 833
JWI Holding AS	NIBOR 6m + 100 bps	50	1 543	54	1 833
Total		312	9 835	342	11 679

THK Holding AS, THK Partner AS, MMK Holding AS and JWI Holding AS together own 100% of Rederiaksjeselskapet Torvald Klaveness. Trond Harald Klaveness is majority stock holder of both Brigantina AS, THK Holding AS and THK Partner AS

SHORT-TERM LIABILITIES

USD 000'		2014		2013	
Company	Interest Rate	Interest	Liabilities	Interest	Liabilities
Trond Harald Klaveness	NIBOR 6m + 100 bps	13	592	16	135
Total		13	592	16	135