

# This is Belships

**Belships is a shipping company, listed on the Oslo Stock Exchange, engaged in the product tanker, dry bulk and gas segments.**

## Handysize product tank

The wholly-owned subsidiary, Belships Tankers operates 6 owned and 3 chartered ships. The fleet carries refined petroleum products and vegetable oils, mainly between industrialised countries.

## Panmax bulk

Through its wholly-owned subsidiary Belships Trading, the company is an operator of considerable standing in the panmax dry bulk segment. The company enters into freight contracts and covers them with chartered tonnage from the market. The fleet mainly carries such raw materials as coal, ore and grain worldwide.

## Handymax bulk

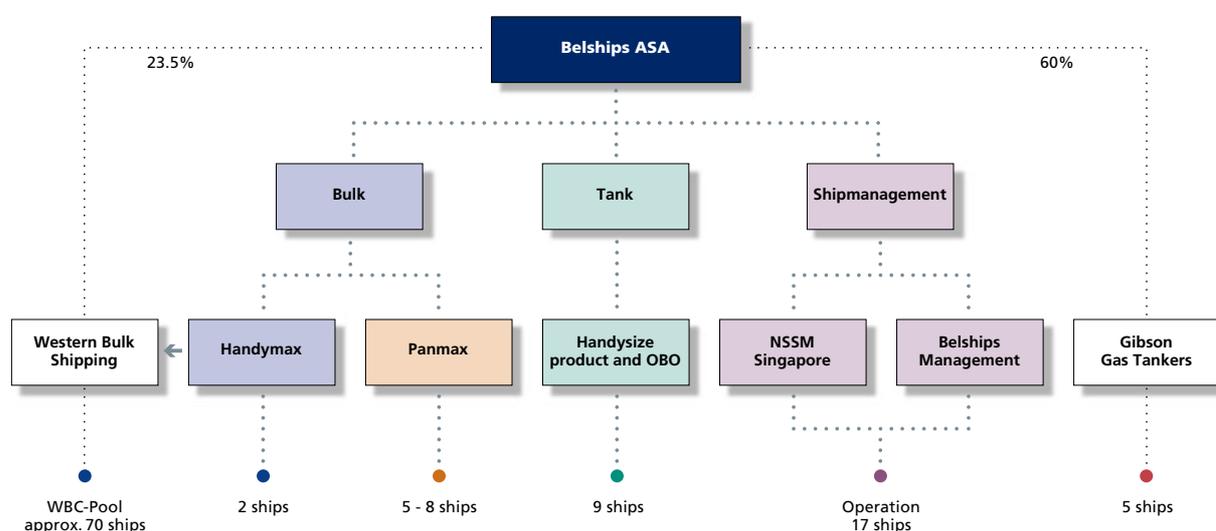
Belships owns two handymax bulk carriers and a strategic 23.5% interest in Western Bulk Shipping (WBS). Belships' own ships are on timecharter to the Western Bulk-pool, which operates about 70 ships. The handymax fleet trades worldwide, in particular transporting semi-finished products for industrial customers.

## Shipmanagement

Belships is engaged in ship management through Northsouth Shipmanagement in Singapore and Belships Management in Oslo. The two companies undertake technical and maritime management, not only of Belships' own ships but also on behalf of other owners.

## Gas

Belships owns 60% of the Scottish shipping company Gibson Gas Tankers Ltd. The company owns 5 gas tankers varying in size from 2 200 to 8 400 cbm. The tankers carry industrial and energy gases such as ethylene, butane, propane, etc.



## FINANCIAL HIGHLIGHTS

NOK 1 000	1996	1995	1994
Operating income	<b>314 201</b>	422 389	287 966
Operating income before sale of ships	<b>11 117</b>	48 832	17 399
Net result for the year	<b>18 159</b>	28 201	52 069
Cash flow	<b>19 557</b>	58 860	83 960
Total assets	<b>1 223 004</b>	790 290	680 194
Equity	<b>388 230</b>	345 990	280 781
Interest coverage ratio	<b>0.84</b>	3.62	4.19
Current ratio	<b>106.36</b>	188.47	162.42
Equity ratio	<b>31.74</b>	43.78	41.28
Earnings per share	<b>1.33</b>	2.37	4.52



Belships continued to diversify its portfolio in 1996.

The sizable investments in product tankers and gas tankers improved the balance between the

company's areas of activity. Whereas the dry cargo

market was sluggish and uncertain in 1996, the

market for product tankers was more stable.



**B**elships' product tanker activity operates both in the time charter and spot markets, with the main bulk of activity concentrated in the

Atlantic basin. The spot market showed normal seasonal variations but was duller than usual in autumn.

Against the background of the uncertain market for panmax vessels throughout the year, Belships decided to scale back its activity in this segment. The panmax bulk market declined by more than 30% during the first nine months of 1996. At year end, however, the rates were back to the level at the beginning of the year.

The handymax bulk rates declined through most of 1996, primarily reflecting a sharp increase

in the number of new vessels and sluggish growth in Europe and Japan, which affected both Western Bulk Shipping and Belships' own handymax ships.

Towards the end of 1996 Belships acquired 60% of the shares in the gas tanker company Gibson Gas Tankers Ltd (GGT) based in Scotland. The acquisition represents an interesting business opportunity and does not reflect a change in Belships' main strategy.

In 1996, Belships signed an agreement to sell the company's 10.4% share in the oil company Pelican. The agreement was cancelled, however, when the Ministry of Finance did not accept the tax treatment on which the agreement was based.

**RESULTS**

In 1996, Belships posted an operating income of NOK 314.2 million (422.4 million in 1995). The operating result came to NOK 25.7 million (48.8 million), including gains on fleet disposals of NOK 14.6 million.

The product tanker segment generated a positive and satisfactory operating result which represented a substantial improvement in results compared to 1995. Panmax bulk generated a small deficit reflecting the difficult market situation, against a positive result for 1995. Handymax bulk yielded a modest surplus despite of the negative market developments. This segment generated a substantial surplus in 1995. Technical management activities achieved a positive operating result similar to last year, whereas the gas tanker segment contributed with a small surplus in the short period GGT has been part of the group.

Net financial result came to NOK -30.7 million (-6.3 million). As a result of a substantial increase in owned tonnage, the company's interest expenses were NOK 15 million higher than in 1995. Net currency losses/gains were NOK 10.7 million below last year's level due to the recorded currency losses on the company's mortgage debt as a result of the appreciation of USD.

In 1996, NOK 24 million in deferred taxes were taken to income as a result of the write-down of shares owned by the parent company and the change to the new shipping taxation scheme shipping taxation for part of the group's activities.

**BELSHIPS' FLEET**

1996 was a dynamic year on the tonnage side. During the year Belships invested NOK 501.7 million in vessels, whereas fleet disposals came to NOK 78.4 million. The investments were primarily concentrated in the product and gas tanker segments.

In February Belships received the newbuilding handymax bulk vessel M/V Belnor, which coincided with the completion of the extensive upgrading of the product tanker M/T Belanja. In April the company acquired the product tanker M/T Beltrader. In connection with the acquisition of GGT in December, Belships controls five LPG vessels ranging between 2,200 and 8,400 cubic meters. In the same month, Belships acquired, together with other investors, three OBO vessels which the company has had on time charter and management since they were delivered ten years ago. Belships has a 20% stake in these vessels.

In the latter half of the year the company sold the handymax bulk vessel M/V Western Bell and the product tanker M/T Belanina, which was the oldest product tanker in the fleet.

Belships does not expect same level of investment activity in 1997.

**ORGANISATION AND ENVIRONMENT**

The company's management and commercial activity, in addition to insurance and manning of Scandinavian officers, are carried out in Oslo. Technical and crewing management is located in Singapore. Gas tanker operations are administered in Edinburgh. The organisation ensures an optimal use of the company's resources while the geographical location of the various offices ensures the proximity to the functions and markets on which the company depends.

At the end of 1996 group staff numbered 65, distributed as follows:

- 27 in Norway
- 21 in Singapore
- 17 in Scotland and Sri Lanka

Belships is continuously seeking to improve standards on board and ashore, particularly with a view to improving safety and preventing a negative impact on the environment as a result of the company's activities. Belships fully satisfies the requirements laid down by the authorities and international regulations with regard to safety and the environment. The working environment in the group is regarded as satisfactory.

**PROSPECTS**

Belships expects a relatively stable market for product tankers in the period ahead. As a result of the substantial investments in this type of tonnage, Belships is now positioned to reap the benefits of solid rates and high asset values.

Activity in Belships Trading is again on the increase. Rates are expected to weaken as a result of fleet growth. Belships will be positioned accordingly.

Rates for handymax bulk are expected to be weak through 1997. Notwithstanding, Western Bulk will do better than the market in general.

The gas tanker market is expected to remain virtually unchanged in 1997. The re-engining of two of the vessels will entail some off-hire and influence the result for 1997.

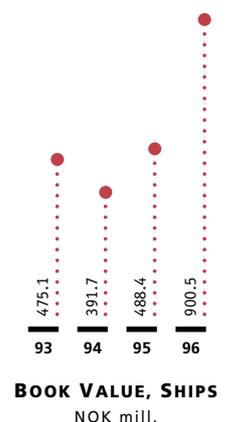
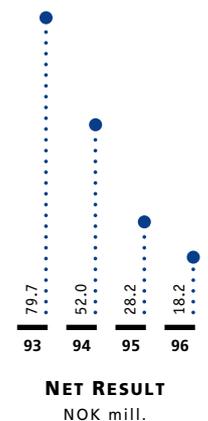
Reduced number of vessels under management will have an impact on the results of NSSM in 1997.

In April 1997, Belships will receive NOK 5,2 mill in dividend from the oil company Pelican. Reduced oil production and slightly lower oil prices will cause reduced profit for 1997.

**STRATEGY**

There was a shift in Belships' strategy in 1996 as the company's activity in the handymax bulk segment is to be concentrated through the strategic stake (23.5%) in Western Bulk Shipping. This means that Belships' direct investments in handymax bulk will be phased out.

BELSHIPS IS CONTINUOUSLY SEEKING TO IMPROVE STANDARDS ON BOARD AND ASHORE



Otherwise the company's main strategy remains firm:

- Product tankers, where the company adapts to market developments through acquisitions and disposals of tonnage.
- Further developing customer relations and commercial competence in the large bulk segment. This primarily refers to panmax but later capesize as well. Market conditions determine the extent of owned versus hired tonnage in this segment.
- Further developing the company's technical and maritime ship management expertise with a base in Singapore.

It is the objective of the company to make Belships shares an attractive alternative for investors. In order to achieve this, the company must provide its shareholders with a competitive yield, while increasing Belships' capitalised value through organic growth and new activity.

#### FINANCIAL SITUATION

Belships' liquidity and financial position are satisfactory. In connection with the acquisition of the shares in GGT, a private placement was made in which Anchor Holding/SE-banken bought a total of 904 000 shares in Belships at a price of NOK 30.50 per share. This represents 6.24% of the share capital.

The Belships group's book equity was NOK 388 million on 31 December 1996, which corresponds to an equity ratio of about 32%.

The Board proposes a dividend for 1996 of NOK 0.30 per share compared with NOK 0.65 in 1995.

The parent company's profit and loss account shows a surplus of NOK 2.3 million. The Board proposes the following appropriations for 1996 (NOK million):

Dividend	4,3
Legal reserve	0,2
Distributable reserve	12,3
Undistributable reserve	-12,7
Group relief transfer	-1,8
<hr/>	
Net result for the year	2,3

Remuneration to Directors, Managing Director and Auditor, and information on shareholdings, appear in the notes to the financial statement.

THE COMPANY'S  
OBJECTIVE IS TO  
MAKE BELSHIPS  
SHARES AN  
ATTRACTIVE  
INVESTMENT

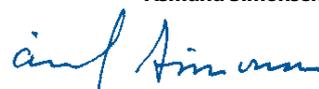
**Asbjørn Larsen**  
Chairman




**Sverre Jørgen Tidemand**  
Managing director




**Åsmund Simonsen**




**James Stove Lorentzen jr**




**Stein Erik Hagen**




Oslo, 8 April 1997

The Board of Belships ASA



# Income statement

Note	1 January - 31 December NOK 1 000	Consolidated			Belships		
		1996	1995	1994	1996	1995	1994
	<b>Operating income and expenses</b>						
1	Operating income	<b>314 201</b>	422 389	287 966	<b>60 291</b>	72 779	97 639
	Charterhire expenses	<b>-184 073</b>	-293 875	-184 479	<b>-23 494</b>	-22 245	-37 297
	Other operating expenses	<b>-51 874</b>	-25 654	-29 335	<b>-17 081</b>	-18 688	-26 935
5	General administrative expenses	<b>-41 399</b>	-36 116	-34 878	<b>-8 917</b>	-9 006	-9 661
7	Ordinary depreciation ships	<b>-25 738</b>	-17 912	-21 875	<b>-11 213</b>	-15 220	-19 218
	Total operating expenses	<b>-303 084</b>	-373 557	-270 567	<b>-60 705</b>	-65 159	-93 111
	Operating result before sale of ships	<b>11 117</b>	48 832	17 399	<b>-414</b>	7 620	4 528
	Gains from sale of ships	<b>14 604</b>	0	39 681	<b>26 734</b>	0	52 226
	Operating result	<b>25 721</b>	48 832	57 080	<b>26 320</b>	7 620	56 754
	<b>Financial income and expenses</b>						
	Share dividends	<b>1 040</b>	832	1 501	<b>7 953</b>	9 070	10 034
	Interest income	<b>5 158</b>	4 093	3 810	<b>2 584</b>	2 919	2 403
	Interest expense	<b>-28 841</b>	-13 890	-19 769	<b>-14 748</b>	-12 297	-16 481
	Currency exchange gain/-loss	<b>-4 403</b>	6 315	22 847	<b>-1 086</b>	5 626	22 971
	Other financial items	<b>-3 646</b>	-3 688	-1 151	<b>-686</b>	-1 473	-164
	Net financial items	<b>-30 692</b>	-6 338	7 238	<b>-5 983</b>	3 845	18 763
	Write-down of shares	<b>0</b>	0	0	<b>-40 428</b>	0	0
	Minority interests	<b>335</b>	-6 107	-1 266	<b>0</b>	0	0
	Result before taxes	<b>-4 636</b>	36 387	63 052	<b>-20 091</b>	11 465	75 517
8	Taxes	<b>22 795</b>	-8 186	-10 983	<b>22 425</b>	-3 441	-15 587
	Net result for the year	<b>18 159</b>	28 201	52 069	<b>2 334</b>	8 024	59 930
	Earnings per share (NOK)	<b>1,33</b>	2,37	4,52			
	<b>Appropriations of net result</b>						
	Dividends				<b>4 345</b>	8 826	6 368
	Distributable reserve				<b>12 304</b>	24 796	60 817
	Undistributable reserve				<b>-12 726</b>	-12 726	-12 726
	Legal reserve				<b>233</b>	803	5 993
	Group relief transfer				<b>-1 822</b>	-13 675	-522
	Total appropriations				<b>2 334</b>	8 024	59 930

# Balance sheet

Note	As at 31 December NOK 1 000	Consolidated			Belships		
		1996	1995	1994	1996	1995	1994
	<b>ASSETS</b>						
	<b>Current assets</b>						
2	Bank deposits	108 066	93 752	92 260	35 638	43 803	49 733
	Intercompany balances	0	0	0	63 164	33 197	23 363
6	Other current assets	35 066	33 908	30 150	6 325	7 922	6 739
	Total current assets	143 132	127 660	122 410	105 127	84 922	79 835
	<b>Fixed assets</b>						
	Intercompany balances	0	0	0	6 755	11 233	19 448
4	Shares in associated companies	130 450	134 815	120 610	128 120	168 548	168 548
4	Other shares	25 598	26 071	28 708	25 598	26 071	28 708
4	Shares in subsidiaries	0	0	0	168 339	44 861	21 338
7	Ships	900 527	311 460	210 948	270 270	200 191	176 766
	Newbuilding	0	176 912	180 775	0	176 912	180 775
7	Other fixed assets	23 297	13 372	16 743	10 472	5 317	7 330
	Total fixed assets	1 079 872	662 630	557 784	609 554	633 133	602 913
	Total assets	1 223 004	790 290	680 194	714 681	718 055	682 748
	<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
	<b>Short-term liabilities</b>						
3	Mortgage debt	24 588	15 703	7 640	10 354	10 814	6 296
	Newbuilding commitments	0	0	37 576	0	0	37 576
6	Other short-term liabilities	109 986	52 032	30 149	18 956	21 232	16 691
	Total short-term liabilities	134 574	67 735	75 365	29 310	32 046	60 563
	<b>Long-term liabilities</b>						
3	Mortgage debt	640 166	230 896	173 242	261 008	151 469	144 098
	Newbuilding commitments	0	115 293	122 088	0	115 293	122 088
10	Pension obligations	4 993	5 073	4 121	6 692	6 534	5 434
	Other long-term liabilities	0	0	5 040	0	0	0
8	Deferred taxes	4 220	25 303	18 663	4 788	27 213	23 772
	Total long-term liabilities	649 379	376 565	323 154	272 488	300 509	295 392
	Minority interests	50 821	0	894	0	0	0
	<b>Shareholders' equity</b>						
	Share capital	28 966	27 158	23 158	28 966	27 158	23 158
	Legal reserve	218 921	192 923	150 286	218 921	192 923	150 286
	Undistributable reserve	0	12 726	25 452	0	12 726	25 452
	Distributable reserve/Group reserve	140 343	113 183	81 885	164 996	152 693	127 897
12	Total shareholders' equity	388 230	345 990	280 781	412 883	385 500	326 793
	Total liabilities and shareholders' equity	1 223 004	790 290	680 194	714 681	718 055	682 748
11	Uncalled capital commitments						
3,9	Pledges and guarantee commitments						

# Cash flow analysis

	1 January - 31 December			Belships		
	NOK 1 000	Consolidated			Belships	
	1996	1995	1994	1996	1995	1994
<b>Funds generated from operations</b>						
*) Cash flow from operations	4 953	62 314	53 219	4 816	30 892	51 449
Change current assets/short-term liab.	70 026	-11 388	6 227	-31 106	-39 363	8 946
Net funds from operations	74 979	50 926	59 446	-26 290	-8 471	60 395
<b>Funds flow from investments</b>						
Investment in fixed assets	-501 691	-115 384	-16 651	-27 974	-35 605	-16 493
Sale proceeds from fixed assets disposals	78 401	372	129 338	125 946	372	128 188
Changes in other investments	-5 320	-18 201	9 935	-99 300	-14 585	3 911
Net cash flow from investments	-428 610	-133 213	122 622	-1 328	-49 818	115 606
<b>Funds flow from financing</b>						
Change in long-term liabilities	344 718	46 771	-180 093	-5 596	1 676	-174 200
Payment of equity	27 572	45 834	3 510	27 572	45 834	3 510
Group relief transfer	0	0	0	1 822	13 675	-522
Dividends	-4 345	-8 826	-6 368	-4 345	-8 826	-6 368
Net cash flow from financing	367 945	83 779	-182 951	19 453	52 359	-177 580
Net change in liquid reserves	14 314	1 492	-883	-8 165	-5 930	-1 579
Liquid reserves at 1 January	93 752	92 260	93 143	43 803	49 733	51 312
Liquid reserves at 31 December	108 066	93 752	92 260	35 638	43 803	49 733
*) This amount is arrived at as follows:						
Result before taxes	-4 636	36 387	63 052	-20 091	11 465	75 517
Loss/-gain from sale of fixed assets	-14 604	314	-39 681	-26 734	314	-52 226
Write-down of receivables, shares and ships	0	1 342	8 940	40 428	3 066	8 940
Ordinary depreciations	25 738	19 710	21 875	11 213	16 047	19 218
Minority interests	-335	6 107	1 266	0	0	0
Taxes payable	-1 210	-1 546	-2 233	0	0	0
Cash flow from operations	4 953	62 314	53 219	4 816	30 892	51 449

# Accounting principles

**The financial statement has been prepared in accordance with Norwegian generally accepted accounting principles. The most important accounting principles are set out below. All amounts in the notes are in NOK 1 000 unless otherwise stated.**

## **A) CONSOLIDATION PRINCIPLES**

The Belships group includes the parent company Belships and subsidiaries as referred to in note 4. In the group accounts all intercompany balances, transactions, gains and losses are eliminated. The cost of shares in subsidiaries is eliminated against equity in the subsidiary at the date of acquisition. The difference between cost of the shares and book equity at the time of acquisition is analysed and allocated to the book value of ships and goodwill. Added value related to ships is depreciated over the ship's remaining lifetime. Cost in excess of fair value recorded as goodwill is depreciated on a straight line basis over ten years.

## **B) PARTICIPATION IN OTHER COMPANIES**

Some of Belships' activities relate to participation in limited partnerships. These investments are included in Belships corporate accounts using the gross method, implying that assets, liabilities, income and expenses are included in the accounts in accordance with Belships' ownership percentage. The companies included using this method are specified in note 11. Interests in jointly controlled limited companies of between 20% and 50% are also accounted for using the gross method. The group's holding in Western Bulk Shipping ASA (WBS) is included in accordance with the equity method.

## **C) CONVERSION OF FOREIGN COMPANY ACCOUNTS**

The accounts of foreign companies are converted to NOK using the average exchange rate for the year with regard to the income statement, and the closing rate with regard to the balance sheet. Exceptions are made for ships which are converted at historical rates and mortgage debt which is converted at the higher of the historical rate and closing rate. The conversion difference is in reality a foreign currency gain/(loss) and included under financial items.

## **D) CLASSIFICATION**

Assets which are intended to be owned by the company for a period exceeding one year from the year end are classified as fixed assets. Other assets are classified as short term assets. Debt with due date later than one year after year end is classified as long term debt. Other debt is classified as short term debt.

## **E) DEPRECIABLE ASSETS**

Depreciable assets are included in the balance sheet at cost price less ordinary depreciation.

Except for the gas tankers, ships ordinary depreciation is on a straight line basis over an economic life of 25 years for the ship. This is a change in principle from prior years, when depreciations were based on an economic lifetime of 20 years. Depreciation of the gas tankers, which were acquired in 1996 is based on an economic lifetime of 30 years. No account is taken of the scrap value.

Rights and obligations for ships on financial lease agreements are capitalised and classified as ships and debt. The interest element in the leasepayment is included under interest expenses and the capital element in the leasepayment is treated as instalment on debt. Lease obligations represent the remaining part of the principal.

Depreciation of office equipment and vehicles has been charged to the operating result as administration expenses.

## **F) FOREIGN CURRENCY**

Current assets and short-term liabilities in foreign currencies, with the exception of the current portion of long-term liabilities, are translated into NOK at rates of exchange at closing date. Both realised and unrealised gains and losses are included under financial items in the income statement.

Long-term liabilities and current portion of mortgage debt, are stated at the higher of historical or year end rates based on an individual assessment of each loan. Unrealised losses, reversals of prior years' unrealised losses and realised gains are included under financial items in the income statement.

Lease obligations in GBP are hedged against USD up to the last quarter of 1997. It is expected that the leased ships will be purchased within the end of 1997. Consequently, the lease-obligations are included in the balance sheet at hedging rate.

## **G) PRORATION OF FREIGHT REVENUES**

Income and expenses related to a ship's voyages are accounted for on the percentage of completion basis.

## **H) BUNKERS AND OTHER INVENTORIES**

Inventories are valued at the lower of cost (FIFO) and market value.

## **I) CLASSIFICATION AND MAINTENANCE EXPENSES**

A provision is made for accrued classification and maintenance expenses.

## **J) PENSIONS**

Net pension expenses consist of the period's pensions earnings (including expected wage growth) and interest expenses on the obligation less the estimated return on pension funds. The calculation assumptions are set out in note 10.

## **K) TAXES**

The tax charge in the income statement consists both of taxes payable for the period and the change in deferred taxes. The change in deferred taxes reflects future taxes payable which arises as a result of the year's activities. Deferred taxes are included as a long-term liability in the balance sheet.

Deferred taxes represent the tax chargeable on this year's and previous years' results at the balance sheet date and which fall due for payment in later periods. The nominal tax rate of 28% has been used in the calculation.

In 1996 a new tax regime was implemented. As a result of this, part of the shipping activities in Belships will be taxed under the new scheme as from 1 January 1996. Extended use of the scheme will be considered in 1997. As Belships do not expect taxes payable in the near future, the capitalised value of deferred taxes related to the positive temporary differences are considered to be immaterial. This consideration is based on the assumption of sufficient liquidity reserve and free equity in the part of the group which is or will be outside the new system and the intention to continue the shipping activity.

## **L) RELATED PARTIES**

The main shareholders in Belships are main shareholders in Western Bulk Shipping ASA and in Lorentzen & Stemoco AS. Belships are regularly doing business with these companies. The transactions are based at market terms. Material transactions with other related parties do not take place.

# Notes to the accounts

## 1 Operating income

	Consolidated			Belships		
	1996	1995	1994	1996	1995	1994
Income on timecharter basis	292 880	386 885	267 194	60 241	72 646	97 524
Ship management fee	23 283	19 697	21 872	50	133	115
Share of result Western Bulk Shipping	-1 962	15 807	-1 100	0	0	0
Total operating revenue	314 201	422 389	287 966	60 291	72 779	97 639

Reference is made to the management report for specification on the different segments.

## 2 Bank deposits

Restricted deposits for taxes withheld for Belships employees at 31.12.96 amounted to NOK 2 391 130.

## 3 Mortgage debt, financial leases and off-balance items

	Consolidated		Belships		Interest rate
	Short-term	Long-term	Short-term	Long-term	
M/V Belstar	4 463	85 032	3 904	74 403	USD Fixed 7.75% to 10/97
M/V Belnor	6 450	130 176	6 450	130 176	USD Fixed 6.32% to 02/01
M/T Belgrace	4 740	41 137			USD Fixed 7.10% to 08/97
M/T Belanja	2 528	49 936			USD Fixed 7.64% to 02/02
M/T Beltrader	3 161	23 704			USD Fixed 7.21% to 04/98
1 Anchor Holding	0	56 429	0	56 429	USD Floating
M/V Belguardian	1 082	13 202			USD Fixed 7.11% to 06/00
M/V Belgallantry	1 082	13 202			USD Fixed 7.11% to 06/00
M/V Belgreeting	1 082	13 202			USD Fixed 7.11% to 06/00
2 M/T Norgas Teviot	0	73 075			USD Fixed 6.55% to 05/97
2 M/T Lanrick	0	75 461			GBP Fixed 6.75% to 05/97
2 M/T Ettrick	0	65 610			GBP Fixed 6.75% to 06/97
Total mortgage debt as at 31.12.96	24 588	640 166	10 354	261 008	

Mortgage debt in USD is booked at a rate of 6.45 or at the drawdown rate if this is higher. The mortgage debt on M/V Belnor and M/T Belgrace is booked at the drawdown rate of 6.51 and 6.92 respectively. Mortgage debt on M/T Norgas Teviot and lease obligations on M/T Lanrick and M/T Ettrick are booked at a rate of 6,51, which was the rate at the time of acquisition of Gibson Gas Tankers Ltd. With regard to Belships' mortgage debt totalling NOK 271.4 million, security has been provided over vessels and shares with a book value of NOK 368.9 million. In the consolidated accounts, ships and mortgage debt have a book value of NOK 900.5 million and NOK 664.8 million respectively. All covenants related to the loans were fulfilled at 31 December 1996.

The general partners are fully liable for the debt in the underlying limited partnerships. Reference is made to Note 11 regarding uncalled limited partnership capital.

### Charter obligations

Belships Tankers has taken three handysize product tankers on time charter with a remaining duration of between 8 and 16 months. The average rate for the vessels is approximately USD 11 100 per day.

Belships Trading had at year-end no vessels chartered for periods in excess of 6 months. The company has entered into freight contracts for 1997 which correspond to the employment of two vessels.

1 No repayment until December 1999. Interest is accumulated and added to the loan balance.

2 NOK 37.9 mill. of the mortgage debt and the lease obligations in Gibson Gas Tankers is due for payment in 1997. The company, however, has entered into a refinancing agreement implying that the short term financing of the ships will be replaced by long term loans. The liabilities have consequently been stated as long term debt in the financial statement of 1996.

<b>4 Shares</b>						
	Ownership consolidated	Company's share capital	Number of shares owned	Par value in total	Book value	
<b>Shares in associated companies</b>						
1	Western Bulk Shipping ASA	23.5%	400 052	3 203 013	96 090	<b>130 450</b>
<b>Other shares owned by parent company</b>						
	AS Pelican	10.4%	125 000	130 000	13 000	24 758
	Western Bulk Cargo Invest AS		50	80	8	8
	RAIES International Corporation		USD 20	320	0.32	432
	Nordic American Shipping ASA		21 730	10 000	50	400
Total shares owned by parent company						<b>25 598</b>
<b>Shares in consolidated companies</b>						
	Belships Management AS	100%	50	1	50	50
	Northsouth Shipmanagement Pte Ltd	"	SGD 60	500	SGD 60	19 003
	Belships Tankers AS	"	250	250	250	825
	AS Belfri	"	150	200	150	301
	AS Belocean	"	100	100	100	0
	Belstar AS	"	50	50	50	50
	Western Bell AS	"	50	50	50	50
	AS Bel-Argo	"	2 586	200	2 586	0
	Belships Finans AS	"	50	50	50	50
	Western Obo II AS	"	50	50	50	50
2	Western Avenir AS	"	50	50	50	50
3	Belships Trading AS	"	1 400	1 400	1 400	6 675
4	Gibson Gas Tankers Ltd	60%	GBP 100	60 000	GBP 60	98 624
	Belships (Far East) Shipping Pte Ltd	50%	SGD 500	250 000	SGD 250	0
	Belanja Shipping Ltd	49%	USD 12	5 880	USD 6	24 631
	Beltrader Shipping Ltd	49%	USD 12	5 880	USD 6	17 962
	Western Obo AS	36%	50	18	18	18
Total shares in consolidated companies						<b>168 339</b>
Total						<b>324 387</b>
1	<i>As reported under Accounting principles, the group's interest in WBS is included as an associated company using the equity method. The consolidated balance sheet has thus been adjusted for the share of the results during the period of ownership. In 1996 the shares have been written down with NOK 40.4 mill. in Belships ASA. The book value in the consolidated balance is NOK 130.5 mill. and NOK 128.1 mill. in Belships ASA. Market value of the shares as at 31 December 1996 was NOK 30.50.</i>					
2	<i>Western Avenir AS owns 100% of the shares in Belgrace AS and Belanina AS and 20% in Belobo Shipping Ltd. The companies are included in the consolidated figures and are, as from 1996, under the new shipping taxation regime.</i>					
3	<i>Belships Trading AS owns 100% of the shares in North East Maritime Corporation AS. The company is included in the consolidated figures.</i>					
4	<i>In December 1996 Belships acquired the Scottish shipping company Gibson Gas Tankers Ltd. Belships has an option to sell 40% of the shares back to Anchor Holding Plc after three years at cost price plus interests. The option has to be declared before March 2000. Anchor Holding Plc has a similar call option to purchase the shares at same terms. As a consequence Belships has shown Gibson Gas Tankers as a 60% subsidiary in the financial statement. Cost price for the 60% share was USD 15 mill. and was financed by 2.1 mill. in cash, 4.3 mill. by share issue to seller and 8.6 mill. by loans from the ultimate owner.</i>					

#### **5 General adm. expenses / loans to employees**

General administrative expenses in Belships include remuneration to the Board of Directors of NOK 315 000 and remuneration of NOK 1 027 192 to the Managing Director.

The auditor's remuneration for 1996 for Belships amounted to NOK 270 000, and consulting fees amounted to NOK 228 000.

Loans to employees at 31 December 1996 amounted to NOK 2 mill.

#### **6 Other current assets and short-term liabilities**

Other current assets consist mainly of earned, not received freight revenues, and receivables related to operation of the ships.

Other short term liabilities include provision for re-engining of two of the gas tankers in the amount of NOK 20.7 mill., in addition to short term liability related to the ordinary operation of the ships.

## 7 Ships and other fixed assets

	Consolidated		Belships	
	Ships	Other fixed assets	Ships	Other fixed assets
Cost at 31 December 1995	540 533	16 155	420 164	7 497
Additions 1996	501 691	9 418	3 149	5 542
Retirements 1996	-85 662	- 648	-122 450	-648
Cost at 31 December 1996	956 562	24 925	300 863	12 391
Accumulated depreciation at 31 December 1995	52 161	6 530	43 061	4 632
Depreciation 1996	25 738	3 297	11 213	1 264
Retirements 1996	-21 864	-336	-23 681	-336
Accumulated depreciation at 31 December 1996	56 035	9 491	30 593	5 560
Book value at 31 December 1996	900 527	15 434	270 270	6 831
Other fixed assets	0	7 863	0	3 641
Total book value at 31 December 1996	900 527	23 297	270 270	10 472

### Investments and sales of fixed assets over the last five years

	Consolidated		Belships	
	Ships	Other fixed assets	Ships	Other fixed assets
1996 Investments	<b>501 691</b>	<b>9 418</b>	<b>3 149</b>	<b>5 542</b>
1996 Sales	<b>78 402</b>	<b>312</b>	<b>125 503</b>	<b>312</b>
1995 Investments	114 561	823	34 782	823
1995 Sales	0	372	0	372
1994 Investments	15 650	1 001	15 492	1 001
1994 Sales	129 338	0	128 188	0
1993 Investments	454 409	10 666	435 589	2 008
1993 Sales	792 429	794	406 281	794
1992 Investments	30 561	1 335	24 310	1 335
1992 Sales	102 066	146	111 232	146

### Specification of ships

	Built year	Ownership consolidated	Cost price	Book value
<b>Product tank / OBO</b>				
M/T Belanja	1995	49%	76 352	73 691
M/T Belgrace	1984/87	63%	65 056	50 095
M/T Beltrader	1983	49%	44 694	42 049
M/V Belguardian	1987	20%	17 230	17 140
M/V Belgallantry	1987	20%	17 230	17 140
M/V Belgreeting	1987	20%	17 230	17 140
<b>Handymax bulk</b>				
M/V Belnor	1996	100%	180 061	173 458
M/V Belstar	1992	80%	138 059	110 642
<b>Gas</b>				
M/T Lanrick	1992	60%	101 500	101 219
M/T Ettrick	1991	60%	100 350	100 014
M/T Norgas Tevriot	1989	60%	139 950	139 409
M/T Traquair	1982	60%	54 550	54 258
M/T Quentin	1977	60%	4 300	4 272
Total			956 562	900 527

8	Taxes	Consolidated		Belships	
		1996	1995	1996	1995
		Taxes payable	-1 209	-1 546	0
Changes in deferred taxes	24 004	-6 640	22 425	-3 441	
Taxes	22 795	-8 186	22 425	-3 441	

Calculation of deferred taxes is based on temporary differences existing between statutory books and tax values which exist at the end of the year.

#### Deferred tax as at 31 December

	Consolidated		Belships	
	1996	1995	1996	1995
Accumulated tax reserve	106 756	96 247	85 973	80 548
Deferred sales gains	65 666	82 083	65 666	82 083
Accruals according to generally accepted accounting principles	-75 344	-29 943	-74 259	-34 330
Pension obligations	-4 986	-5 073	-6 685	-6 534
Tax loss carryforward	-62 874	-28 368	-29 016	0
Net temporary differences	29 218	114 946	41 679	121 767
Deferred taxes before remuneration	8 181	32 185	11 670	34 095
Remuneration	-6 882	-6 882	-6 882	-6 882
Deferred taxes Gibson Gas Tankers Ltd	2 921	0	0	0
Deferred taxes	4 220	25 303	4 788	27 213

In accordance with generally accepted accounting principles for taxes, negative temporary differences and positive temporary differences that are reversed, or can be reversed in the same period are assessed and the amount recorded net.

#### Changes in deferred tax

	Consolidated	Belships
Deferred taxes at 31 December 1995	25 303	27 213
Deferred taxes Gibson Gas Tankers Ltd	2 921	0
Changes in deferred taxes in shipping taxation companies	-12 288	-10 850
Changes in deferred taxes other companies	-11 716	-11 575
Deferred taxes at 31 December 1996	4 220	4 788

#### Tax result for Belships ASA

Result before taxes	-20 091
Deferred sales gains transferred to shipping taxation companies	-26 734
Other changes in temporary differences	23 891
Permanent differences	-7 904
Group relief transfer	1 822
Tax basis for the year	-29 016

#### The shipping taxation scheme

Temporary differences in the shipping taxation companies were NOK 36.4 mill. as at 31 December 1996.

Present value of the tax is estimated to zero.

Tonnage tax amounting to NOK 116 406 has been provided for in the accounts for 1996.

#### 9 Belships (Far East) Shipping (Pte) Ltd

Belships receivable of USD 3.5 million has in previous years been written down in full in the company accounts, since there is uncertainty whether Belships (Far East) will be able to repay the amount due. The write-down has been eliminated at group level. As reported in former annual reports, the company is negotiating with the authorities in Norway and Singapore as to the tax residence of Belships (Far East). The outcome of the negotiations has not yet been determined, but it is not expected that the company will incur further taxes payable.

**10 Pensions**

Employees in the company are members of the company's own pension fund. At 31 December 1996, 30 Norwegian employees are members of the existing service pension scheme. In addition the service pension scheme includes 8 former employees. The service pension scheme is defined as a net scheme which releases the company's liabilities from any changes in the National Insurance Fund. The company has, based upon the new accounting standard's requirement to distinguish between benefit plans and contribution plans, chosen to treat the service pension scheme as a benefit plan. The company's legal obligation will not be affected by such accounting treatment.

In addition the company has uninsured pension obligations. This relates to early retirement pensions, pensions to former Board members and pensions to people who, for various reasons, have not been included in the service pension scheme. A total of 24 people are covered by these arrangements.

The company's pension scheme is over-funded. The over-funding has been assessed and it is assumed in the accounts that it will be utilised. The pension expenses for the year have been calculated by an independent actuary.

Against the background of the development in interest rate levels in recent years and in accordance with recommendation from the Oslo Stock Exchange, the assumptions set out below have been used. There are no changes in the 1996 assumption from prior years.

**Assumptions**

	<b>Consolidated</b>	<b>Belships</b>
Discount rate	7.00%	7.00%
Future wage adjustment	3.30%	3.30%
Pension adjustment/G-adjustment	2.50%	2.50%
Return on pension	8.00%	8.00%
Estimated return on pension fund in 1996	8.00%	8.00%
Average remaining earning period (31.12.96 / 31.12.95)	19.94 år/17.75 år	18.87 år/16.76 år
Voluntary departure before / after 45 years	2% / 0%	2% / 0%

**Composition of the net pension expenses**

	<b>Consolidated</b>	<b>Belships</b>
	<b>1996</b>	<b>1996</b>
Present value of the year's pension earnings (incl. social security tax)	792	974
Interest charge on accrued pension obligations	1 174	1 659
Return on pension funds	-963	-1 644
Net pension expenses	1 003	989

**Composition of the net pension obligations**

	<b>Consolidated</b>		<b>Belships</b>	
	<b>31.12.96</b>	31.12.95	<b>31.12.96</b>	31.12.95
Gross pension obligations	19 549	18 722	27 011	25 805
Pension funds	-12 857	-12 188	-22 018	-20 732
Actual and capitalised net pension obligations	6 692	6 534	4 993	5 073

**11 Participation in limited partnerships (Consolidated)**

The following partnerships are included on a proportionally consolidated basis:

	Belstar KS 80%	Western <sup>1)</sup> Bell KS 50%	Belgrace KS 63%	Belanina KS <sup>1)</sup> 30%	Total
Results	-5 271	-1 980	2 546	2 136	-2 569
Current assets	7 081	879	9 965	2 401	20 326
Fixed assets	110 819	0	60 394	0	171 213
Short-term liabilities	10 524	1 708	10 785	354	23 371
Long-term liabilities	91 032	0	41 137	0	132 169
Committed capital	96 000	51 000	73 710	9 000	229 710
Payed in capital	48 000	20 400	50 668	5 250	124 318
Uncalled capital	48 000	30 600	23 042	3 750	105 392

K/S A/S Belocean has not been included in the list above since the investment is considered insignificant in terms of the Group. All committed capital in K/S A/S Belocean is paid-in.

<sup>1</sup> The ships owned by the companies were sold in 1996 and the mortgage debts have been settled. The companies have no further commitments.

**12 Equity**

The company's 14 483 000 shares with a nominal value of NOK 2.00 were held by 736 shareholders at 31.12.96.

**Changes in equity 1996**

	Share capital	Legal reserve	Undistributable reserve	Distributable reserve/ Group reserve	Equity
<b>Belships</b>					
Balance at 31 December 1995	27 158	192 923	12 726	152 693	385 500
Share issues 1996	1 808	25 764	0	0	27 572
Result 1996	0	234	0	2 100	2 334
Transferred from undistributable reserve	0	0	-12 726	12 726	0
Group relief from subsidiaries	0	0	0	1 822	1 822
Dividend accrued	0	0	0	-4 345	-4.345
<b>Balance at 31 December 1996</b>	<b>28 966</b>	<b>218 921</b>	<b>0</b>	<b>164 996</b>	<b>412 883</b>
<b>Consolidated</b>					
Balance at 31 December 1995	27 158	192 923	12 726	113 183	345 990
Share issues 1996	1 808	25 764	0	0	27 572
Result 1996	0	234	0	17 925	18 159
Transferred from undistributable reserve	0	0	12 726	12 726	0
Dividend accrued	0	0	0	-4 345	-4 345
Adjustment cost price shares	0	0	0	854	854
<b>Balance at 31 December 1996</b>	<b>28 966</b>	<b>218 921</b>	<b>0</b>	<b>140 343</b>	<b>388 230</b>

**Options**

The members of the Board and the employees have option to purchase 310 000 shares in Belships. Up to 19 May 1997 167 000 shares can be purchased at NOK 32 per share, while the purchase of the remaining 143 000 shares has to be executed at NOK 26 per share within 23 May 1998.

**Authority to issue shares**

At the Annual general meeting on 9 May 1996, the Board was authorized to issue up to 4 mill. new shares. In connection with the acquisition of Gibson Gas Tankers Ltd, 904 000 shares were issued as part payment. As at 31 December 1996 the remaining authorized number of shares amounted to 3 096 000. The authorization is only valid up to the next Annual general meeting.

## Auditor's Report (Translation from Norwegian)

To the Annual General Meeting of Belships ASA

We have audited the annual accounts of Belships ASA for 1996, showing a net result for the year of NOK 2 334 000 for the company and a net result for the year of NOK 18 159 000 for the group. The annual accounts, which consist of the Board of Directors' report, income statement, balance sheet, cash flow analysis, notes and the corresponding consolidated financial statements, are the responsibility of the Board of Directors and the Managing Director.

Our responsibility is to examine the company's annual accounts, its accounting records and the conduct of its affairs.

We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the annual accounts are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, the appropriateness of the accounting principles

applied, the accounting estimates made by management and the overall presentation of the annual accounts.

To the extent required by generally accepted auditing standards we have also evaluated the company's asset management and internal controls.

The appropriation of net profit and equity transfers, as proposed by the Board of Directors, complies with the requirements of the Joint Stock Companies Act.

In our opinion, the annual accounts have been prepared in conformity with the Joint Stock Companies Act and present fairly the company's and the group's financial position as of 31 December 1996 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Morten Drake

State Authorised Public Accountant (Norway)

Oslo, 8 April 1997

## Management report

1996 was a year of falling dry bulk markets.

Panmax rates, however, recovered towards yearend.

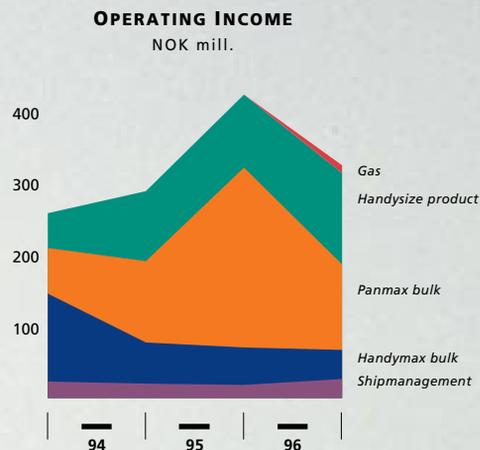
Product tanker earnings held up well except for a disappointing autumn market.



**B**elships' 1996 results reflect a weak bulker market, whilst it also proved the company's strategy of flexibility and diversification right.

In 1996 product tank contributed 40% to the turnover and almost 60% to the operating result. Panmax bulk made up 38% of the turnover, whilst handymax bulk, which until recent years was Belships' main activity, contributed 13%.

The composition of the Belships fleet changed fundamentally during the year, in that we invested heavily in product and gas tankers. At year-end, book value of owned ships exceeded NOK 900 mill. compared to NOK 490 at the beginning of the year.



# Handysize product tank

NOK mill.	1996	1995	1994
Income on T/C basis	<b>124.9</b>	100.1	97.0
Operating result	<b>11.5</b>	3.8	-0.5
Owned ships (per 31.12.)	<b>2.2</b>	1.4	0.4
T/C ships	<b>3</b>	3	3

**Handysize product tankers are between 30 000 and 50 000 dwt and are used to transport refined petroleum products and vegetable oils in addition to some chemicals. Demand is cyclical but underlying growth is steady. Demand for petroleum products is primarily fuelled by demand in OECD countries, although the steady growth in demand in Asia is of increasing importance for this segment.**

In the first part of the year demand was robust and rates high both in the Atlantic basin and in Asia. The traditional summer lull in the Atlantic continued longer than expected into autumn. Towards the end of the year, however, the market picked up again. The Asian market was more stable throughout the year. On the supply side, this segment is characterised by a fleet with relatively high average age and moderate fleet growth. Belships is active in both of these geographical markets but primarily in the Atlantic basin.

In recent years Belships' strategy has been to position itself for an upturn in the market. The most important success factor is timing, ie that the company is able to move in and out of markets at the right time with both owned and chartered tonnage. Since our acquisition of M/T Belgrace in 1993, the T/C market for this type of ship has risen from about USD 10 000 to USD 14 000 per day.

Belships was active in the product tanker market in 1996. On 16 February the newbuilding M/T Belanja commenced its maiden voyage after two months of upgrading work for conversion into an IMO III chemical tanker. In April we acquired M/T Beltrader, a 40 500 dwt product tanker, which was built in the former Yugoslavia in 1983. The vessel was purchased for USD 13.8 million. In August negotiations were finalised for the disposal of M/T Belanina, built in 1979, for USD 8.5 million. The ship had been acquired one year earlier for USD 7.8 million. In December Belships, together with other investors, signed an agreement to acquire three OBO vessels, M/V Belguardian, M/V Belgallantry and M/V Belgreeting, each 43 500 dwt built in 1987. The ships were acquired at a price of USD 13.3 million per vessel. Belships has operated the OBOs on timecharter or management since delivery in 1987. The ships were delivered newly docked and passed special survey. The vessels are owned by Belobo Shipping Ltd, in which Belships has a 20% stake.

In the first half of 1996 Belships operated two Russian vessels on timecharter at an average of USD 10 000 per day. In July the charterparty for one of the vessels was renewed for 9+6+6 months in our option. In August two

T/C vessels were hired for a period of 12+12+12 months in our option at a T/C hire of about USD 12,000 per day rising to USD 12,500 per day for the third year.

Since delivery in February M/T Belanja has completed 10 voyages in the spot market mainly for the transport of easy chemicals such as methanol. The earnings for the year came to about USD 13 500 per day. The vessel has had some running-in problems both with the main engine and the cargo pumps, but after the guarantee docking at the end of the year the problems seem to have been solved. Operating expenses came to USD 6 500 per day, which is a markedly higher level than in a normal year. We expect somewhat higher-than-normal operating expenses in 1997 as well. The earnings of the vessel has increased steadily.

M/T Belgrace sailed on timecharter at a rate of USD 14 000 per day throughout 1996. The ship's operating expenses came to USD 5 600 per day compared with about USD 5 000 in 1995. The ship will be docked in the spring of 1997.

Since delivery in April M/T Beltrader has been on a timecharter at a rate of USD 13 700 per day. The vessel was docked in Spain in October at a cost of USD 580 000. In connection with positioning for docking the vessel was released from the charterparty and traded in the spot market at a substantially lower rate. The tanker's operating expenses, excluding docking, came to USD 5 400 per day in 1996.

The three OBO vessels have been operated in the spot market since they were delivered in December.

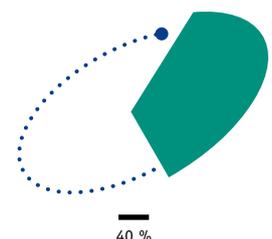
In addition to current operating expenses, provisions in the amount of USD 500-750 per vessel per day for future docking costs have been provided for in the profit and loss account.

The result for our product tanker activity was satisfactory for the first half of the year. In the final half of the year, performance in this segment was substantially weaker, partly reflecting the sluggish trends in the Atlantic basin in autumn and the docking of four ships. However, the overall result in the product tanker segment was satisfactory in 1996.

We expect that the product tanker market will continue to be favourable. The rate of newbuildings is still moderate at about 5.5 million dwt, corresponding to 10% of the fleet (Source: Clarkson).



**SHARE OF TOTAL OPERATING INCOME**



# Panmax bulk

NOK mill.	1996	1995	1994
Income on T/C basis	<b>119.3</b>	250.4	110.0
Operating result	<b>-1.2</b>	21.7	6.2
Ship days	<b>2 200</b>	3 200	1 900
Cargo carried (mill. tonnes)	<b>2.6</b>	3.9	2.3

**Panmax bulk carriers have a carrying capacity between 50 000 and 80 000 dwt; the majority of newer vessels exceed 70 000 dwt. The ships in this segment are essentially standard ships with limited specialisation. The world's panmax dry bulk fleet carries raw materials, i.e. coal, iron ore, other minerals, and grain. This implies that the principal driving forces in the market are industrial demand for such commodities and the world grain harvests.**

After strong demand for panmax dry bulk carriers in 1995, the market declined dramatically throughout 1996, with the Baltic Freight Index (BFI) declining by 34% from the beginning of the year to September. Later in the autumn the market showed a positive trend and by the end of the year the BFI was at the same level as at the beginning of 1996. The drop in demand was mainly due to unstable conditions in world grain markets and lower steel production in Europe and Japan, reducing demand for coal and iron ore. Furthermore, growth in several Asian countries declined somewhat. The upswing towards the end of 1996 was mainly due to a pick-up in steel production in Europe and Japan and a substantial increase in grain trading. The supply side of the market showed a net tonnage growth of approximately 2%.

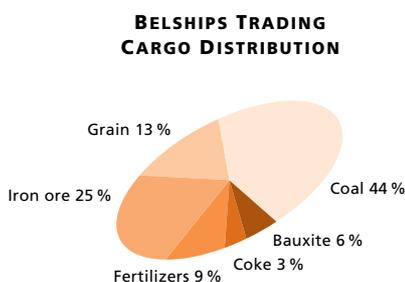
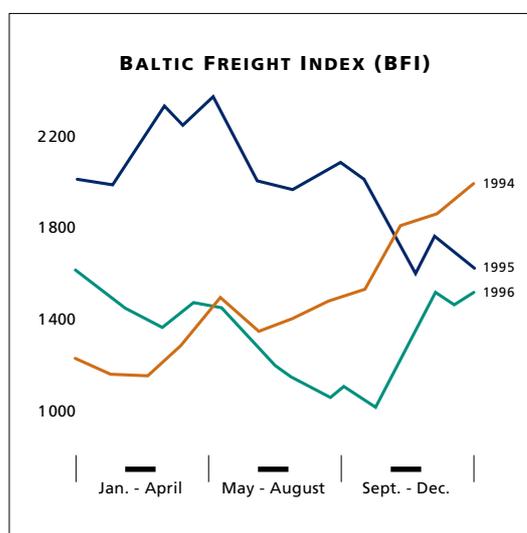
At the beginning of 1996, Belships Trading was positioned with a surplus of freight contracts relative to chartered ships. This was due to the expectations of further decline in demand. Several contract partners reduced their cargo volume considerably while others postponed shipments until 1997, resulting in reduced activity and a decline in profits. The decision to reduce the level of activity was caused by the unusually unpredictable nature of the 1996 market. A weak market also causes lower turnover figures and smaller trading margins.

Belships has operated 5 - 8 ships throughout the year. The number of ship days fell from about 3 200 in 1995 to about 2 200 in 1996. Belships Trading carried a total of about 2.6 million tons in 1996, as opposed to about 3.9 million tons the year before. The results of the first two four-month operating periods did not cover administrative costs, but operations in the last four-month period showed a small profit.

In September 1996, the company fixed a freight contract for 1997. However, the market surprisingly gained strength towards the end of the year and is expected to continue improving. Two T/C-ships were therefore hired at the end of 1996 to counterbalance this contract.

Belships Trading anticipates a firm market in the first half of 1997 due to the expected high level of grain exports from Brazil and Argentina and the general, seasonal activity in the coal and ore markets. The number of newbuildings to be delivered in 1997 is also expected to increase considerably. This should lead to a weaker market in the second half of the year, but experience from the end of 1996 illustrates how sensitive the balance of the panmax market can be.

The company plans to charter ships on short terms (4 - 6 months) for the first half of 1997. We will also take advantage of the strong market to negotiate freight contracts that start in the second half of the year. Belships Trading anticipates a larger cargo volume and a higher activity level in 1997 than the year before.



# Handymax bulk

NOK mill.	1996	1995	1994
Income on T/C basis	42.3	36.3	57.0
Operating result	6.7	15.9	17.3
Share WBS	-2.0	12.3	-1.1
Owned ships	1.8	1.3	2.3
T/C earnings USD/day	8 700	12 700	10 200

**Handymax dry bulk carriers have a carrying capacity between 35 000 and 50 000 dwt. They carry materials such as coal, iron ore, other minerals and grain, in addition to semi-manufactured goods like steel, cement, fertilizer and timber. Demand in this segment is therefore closely related to general developments in the global economy, but particularly sensitive to growth in the newly industrialized countries.**

Asia is the most important market for the handymax dry cargo fleet. Strong economic growth in this region has led to steadily increasing demand throughout most of the 1990s. Throughout most of 1996, however, the market for handymax dry cargo ships deteriorated. In October it was at the lowest level since the years of the 1980s. Rates picked up again towards the end of the year. On average, earnings in the spot market fell by 25% compared with 1995. The decline was due to a combination of weak growth in Europe and Japan, shorter shipping distances, and an increase in new tonnage of about 4%, according to Clarkson Research.

Up to the beginning of the 1990s, Belships' focused almost exclusively on handysize dry cargo shipping. Over the past few years, however, the company has diversified into other segments. Future handymax bulk activity will be through the strategic 23.5% interest in Western Bulk Shipping (WBS). Western Bulk is one of the world's leading companies in the handymax dry cargo segment.

The weak dry cargo market left its mark on WBS results in 1996. The company's after-tax result was negative NOK 8.3 million, as opposed to positive NOK 49.5 million in 1995.

The newbuilding M/V Belnor, 47 600 dwt, was delivered in February. The ship has since been employed by Western Bulk and achieved an average daily rate of USD 9 120. The ship has functioned well technically, with operating expenses at about USD 3 000 per day.

In 1996, M/V Belstar has had earnings in Western Bulk of about USD 8 500 per day. The ship has not been off-hire during the year and operating expenses have been around USD 3 400 per day. M/V Belstar is scheduled to be docked by the autumn of 1997.

M/S Belnor and M/S Belstar are, from 1 January 1997 on timecharter to Western Bulk for USD 9 350 and USD 9 000 per day, respectively.

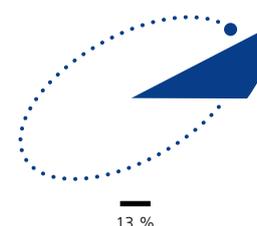
M/V Western Bell was sold with delivery in October. The sale gave a profit of NOK 11.6 million.

In addition to current operating expenses, allocations for future docking costs of about USD 400 per ship per day are provided for in the accounts.

Despite considerable scrapping of old ships, the handymax fleet is expected to continue expanding in 1997. Demand is also expected to grow, with demand and supply expected to reach balance in 1997. Growth in demand will not lead to a marked improvement in rates for some time, however, due to the "tonnage carryover" from 1995/96.



**SHARE OF TOTAL OPERATING INCOME**



# Gas

NOK mill.	December 1996
Operating income T/C basis	6.5
Operating result, owned ships	1.3
Owned ships (per 31.12.)	5

**Small gas tankers (freight capacity less than 10 000 cbm.) carry industrial and energy gases such as ethylene, butane, propane, etc. over short and medium distances. Demand in this segment is determined mostly by general conditions in the global economy, but also by random and marginal capacity adjustments in the chemical industry.**

In December, Belships acquired a 60% interest in the Scottish shipping company Gibson Gas Tankers Ltd (GGT). The shares were sold by a subsidiary of the Swedish SE-Banken, which kept a 40% interest in the company. The company owns five gas tankers varying in size from 2 200 cbm. to 8 400 cbm. In connection with this transaction, the ships were valued at approximately USD 62 million. The net value of the company was set at USD 25 million. Belships financed the acquisition with USD 2.1 million in cash, a subordinated loan of USD 8.6 million, and a USD 4.3 million issue of Belships shares.

GGT is a fully integrated shipping company with headquarters in Edinburgh. The company has nine employees. There are also eight employees in a fully owned subsidiary in Sri Lanka which is responsible for manning, except for the British officers. As from 1 January 1997, the company will be run by Egil R. Berntsen, who has spent the past 13 years building and managing NSSM, Belships' management company in Singapore.

All the five ships are "semiref", which means that the gas is transported fully cooled and pressurized. The largest ship, M/T Norgas Teviot, has a refrigeration capacity of minus 104 degrees Celsius, allowing her to carry Ethylene. The other four ships have a refrigeration capacity of minus 48 degrees Celsius.



M/T Norgas Teviot (8 405 cbm.) is on time-charter to Norwegian Gas Carriers (NGC) until the summer of 1997 at USD 390 000 per month. The ship is mainly operated in the Far East.

M/T Traquair (6 616 cbm.) is on timecharter throughout 1997 at USD 245 000 per month, with additional "profit sharing".

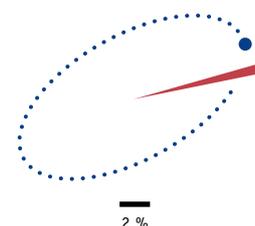


M/T Lanrick and M/T Etrick (3 215 cbm.) are both on timecharters throughout 1997 for USD 222 000 and USD 215 000 per month, respectively. During the autumn of 1996, the company concluded extended legal actions taken against the supplier of the main engines of the two ships, built in 1992 and 1991. The result of these actions left the supplier responsible for paying for new machinery and installation in both ships. This work was carried out on M/T Etrick in March 1997 with satisfactory results. Corresponding work will be carried out on M/T Lanrick by the end of the summer. Each ship is expected to be "off-hire" for about 40 days in connection with these repairs.

In 1997, M/T Quentin (2 280) has so far been fixed on a short charter party at a rate giving a small positive operating result.

The market for smaller gas tankers weakened from the end of 1995 and the corresponding T/C market did not stabilize until the autumn of 1996. We therefore believe that Belships entered this market at the right time and expect rate increases and appreciation as the market gets tighter. We expect, however, a stable market in 1997.

## SHARE OF TOTAL OPERATING INCOME



# Shipmanagement

NOK mill.	1996	1995	1994
Income	19.9	18.1	20.0
Operating result	3.3	3.4	6.6
Number of ships (average)	18	18	19

**The companies Northsouth Shipmanagement (NSSM) in Singapore and Belships Management in Oslo represent the group's technical maritime expertise. Just as the rest of the Belships group focuses on dry bulk carriers and product tankers, the two management companies have similarly built up their maritime management competence in those two segments. The tasks are divided between the two companies; NSSM is responsible for the day-to-day operation of the ships and their manning with foreign crews, while Belships Management handles the insurance and manning with Scandinavian officers.**

Belships' goal is customer satisfaction as well as compliance with national and international requirements. NSSM has had ISO 9002 certification for several years and was one of the first companies to obtain SEP (Safety and Pollution Prevention) approval by Det Norske Veritas. An additional three ships were SEP approved in 1996, bringing the number of SEP approved ships up to nine. The rest of the ships under NSSM operation will receive SEP/ISM approvals in 1997.

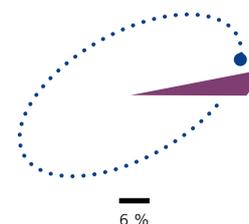
In addition to Belships' own ships, NSSM is also responsible for technical maritime operations for other shipping companies. The company had a portfolio of 19 ships at the beginning of the year, and 17 ships at the end of the year. NSSM is also responsible for the technical follow-up of six newbuildings. These will be included in NSSM's portfolio after delivery over the next two years.

Most of NSSM's officers and crew are recruited from the Philippines. NSSM also uses officers from India, Croatia, and China. In 1996, the handymax ship M/V Belnor was the first NIS-registered ship with a complete Chinese crew.

No ships under NSSM responsibility were involved in major accidents in 1996.



**SHARE OF TOTAL OPERATING INCOME**



# Key financial figures

## Consolidated

NOK 1 000		1996	1995	1994
<b>Income statement</b>				
	Operating income	314 201	422 389	287 966
	Operating result before other items	11 117	48 832	17 399
	Operating result	25 721	48 832	57 080
	Result before taxes	-4 636	36 387	63 052
	Net result for the year	18 159	28 201	52 069
<b>Balance sheet</b>				
	Current assets	143 132	127 660	122 410
	Fixed assets	1 079 872	662 630	557 784
	Total assets	1 223 004	790 290	680 194
	Short-term liabilities	134 574	67 735	75 365
	Long-term liabilities (ex. deferred taxes)	645 159	351 262	304 491
	Deferred taxes	4 220	25 303	18 663
	Minority interests	50 821	0	894
	Equity	388 230	345 990	280 781
	Total liabilities and shareholders' equity	1 223 004	790 290	680 194
<b>Liquidity</b>				
1	Liquid reserves at 31 December	108 066	93 752	92 260
2	Cash flow	19 557	58 860	83 960
	Interest expense	-28 841	-13 890	-19 769
3	Interest coverage ratio	0.84	3.62	4.19
4	Current ratio	% 106.36	188.47	162.42
5	Net result ratio	% 7.68	11.90	28.76
<b>Capital</b>				
	Share capital at 31 December	28 966	27 158	23 158
	Equity ratio	% 31.74	43.78	41.28
6	Return on total assets	% 2.54	6.78	11.32
7	Return on equity	% 5.43	9.00	20.21
<b>Key figures shares</b>				
	Market price at 31 December	NOK 21.00	21.00	25.75
	Shares at 31 December	14 483 000	13 579 000	11 579 000
	Average number of shares	13 640 000	11 900 000	11 520 500
	Earnings per share *)	NOK 1.33	2.37	4.52
	Cash flow per share	NOK 1.43	4.95	7.29
	Dividend per share	NOK 0.30	0.65	0.55
	Price/earnings ratio	15.77	8.86	5.70
	Price/cash flow ratio	14.65	4.24	3.53

\*) Option shares are not included due to immateriality

- 1 Bank deposits
- 2 Net result for the year + depreciation and write down + change deferred taxes - minority interests
- 3 Result before taxes + interest expense / interest expense
- 4 Current assets in percent of short-term liabilities
- 5 Result before taxes + interest expense / operating income
- 6 Result before taxes + interest expense / average total capital
- 7 Net result for the year / average equity

# Analytical information

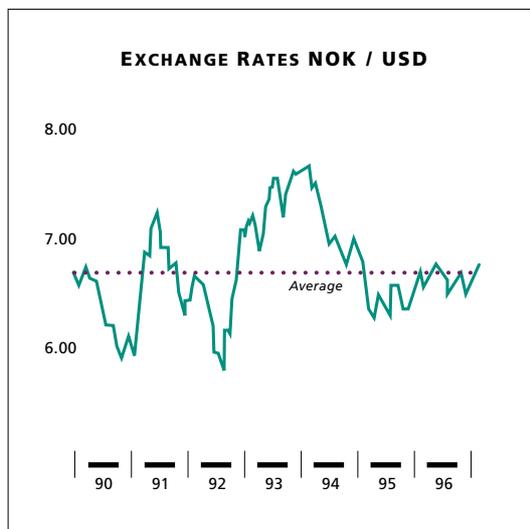
## FOREIGN EXCHANGE

The commercial currency of Belships is USD, as most income and expenses are generated in that currency. Belships does not take any steps to eliminate the foreign exchange risk between USD and NOK.

The market values of the ships are quoted in USD and Belships seeks financing in the same currency. Two of the gas tankers, however, are financed by UK lease-agreements. The GBP obligations are hedged against USD up to the last quarter of 1997, when the ships are planned to be refinanced.

At year end, the company's mortgage debt is converted to NOK at the higher of year-end and drawdown rate. This accounting procedure creates an unrealised exchange loss or gain in the income statement. According to generally accepted accounting principles this loss or gain can not be offset against the corresponding adjustment of the ship values.

Based on Belships' level of activity in 1996, a change in the USD exchange rate of +/-10% from the rate as at 31 december 1996 (6.45), will have the following effect on the income statement and the balance sheet:



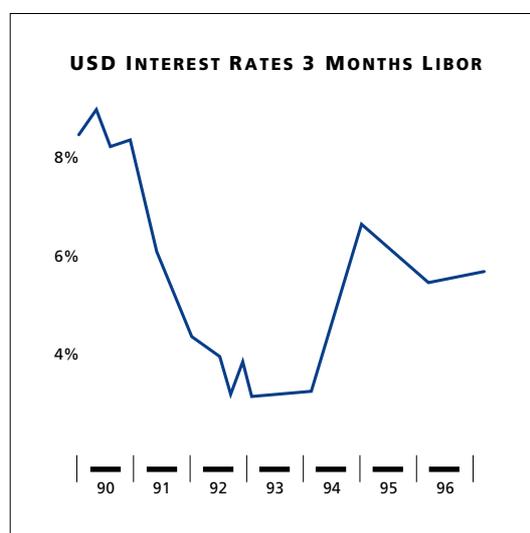
NOK mill.	Handysize product tank	Panmax bulk	Handymax bulk	Gas	Ship-management	Total
Changes in operating result	2.2	0.1	1.9	0.1	0.3	4.6
Changes in ships' values	25.9	0	25.2	39.9	0	91.0
Changes in mortgage debt	16.5	0	22.5	27.3	0	66.3
Changes in net ships debt	9.4	0	2.7	12.6	0	24.7

## PROFIL OF INTEREST FIXING

	< 1 year	2 year	3 year	4 year	5 year>	Total
USD 1 000	62 877	4 165	0	6 600	29 134	102 776
Percentage of total	61%	4%	0%	7%	28%	

## INTEREST EXPENSES

The loan agreements of Belships is based on a floating USD interest rate, LIBOR. In order to eliminate the fluctuations of the interest market, the company has entered into a number of forward rate agreements (FRA).





**MARKET VALUES**

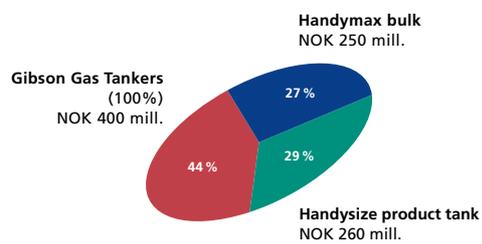
The value of the company's ships is determined by the secondhand market. A 10% change in market values corresponds to a change of about NOK 90 mill in the value of the Belships fleet.

In 1996 Belships invested NOK 501.7 mill. in ships and sold vessels for NOK 78.4 mill.

An increase in mortgage debt financing has reduced Belships equity ratio from 43.8% in 1995 to 31.7% in 1996. The increased debt ratio means that return on equity, to a larger extent, is influenced by the fluctuations of the market values.



**MARKET VALUE OF THE BELSHIPS FLEET**



# The Belships share



## SHAREHOLDER POLICY

Belships wishes to achieve appropriate pricing of the company's share which is as correct as possible through an efficient and profitable management of resources. A competitive return shall be achieved through a rise in the value of the shares and payment of dividends which reflect the company's results and prospects. Belships is working to ensure that the shares represent an attractive and competitive investment alternative both for Norwegian and international investors. The company provides a steady flow of information to the Oslo Stock Exchange, the stock market, and shareholders through interim reports, annual reports and notices on important events. In addition, Belships gives presentations to investors on a regular basis. Belships considers timely and accurate information as essential for its shares to achieve a pricing that reflects underlying values and prospects.

In the case of increases in share capital through the issue of new shares against cash, the company's existing shareholders will as a rule be given preferential subscription rights. The Board will propose private placement of shares or the issue of shares as settlement in connection with investments only when this promotes the long-term interests of existing shareholders.

## SHARE CAPITAL

Belships share capital is NOK 28 966 000 divided into 14 483 000 shares of NOK 2.00 at par value. The movement in Belships' share capital over the last five years is indicated in the table below.

In connection with the acquisition of Gibson Gas Tankers Ltd, a private placement was made with Anchor Holding Plc, a subsidiary of SE-banken. The shares were issued at a price of NOK 30.50 per share. Anchor Holding is now the fourth largest shareholder with a stake of approximately 6%.

## RISK

In connection with the tax law implemented in 1992, a system was introduced to avoid double taxation which adjusts the shares' opening value on sale, and thus affects sales gains or losses. This adjustment is called RISK.

In the case of Belships, the following RISK amounts have been established:

1992	NOK 0.00
1993	NOK -0.50
1994	NOK -0.55
1995	NOK 0.82
1996	NOK -0.30 (estimated)

The amounts apply from 1 Jan. of the following year.

## DEVELOPMENT OF SHARE CAPITAL

Year	Type of change	Amount	Share par value	Number of shares	Share capital
1935	Founded	1 650 000	100.00	16 500	1 650 000
1968	Bonus issue	1 650 000	100.00	33 000	3 300 000
1989	Share split	0	10.00	330 000	3 300 000
1991	Bonus issue 1:1	3 300 000	10.00	660 000	6 600 000
	Share split 5:1	0	2.00	3 300 000	6 600 000
1993	Bonus issue 1:1	6 600 000	2.00	6 600 000	13 200 000
	Private placements	9 724 000	2.00	11 462 000	22 924 000
1994	Private placement	234 000	2.00	11 579 000	23 158 000
1995	Private placement	4 000 000	2.00	13 579 000	27 158 000
1996	Private placement	1 808 000	2.00	14 483 000	28 966 000



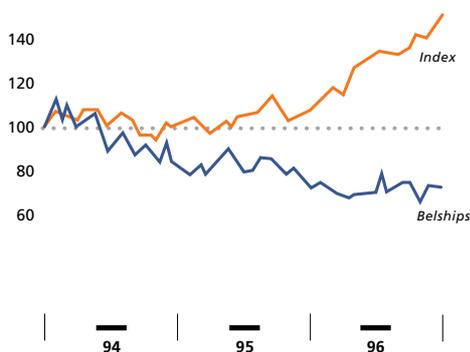
### SHARE PRICE DEVELOPMENT AND LIQUIDITY

The Belships share has not exhibited the same positive trend in 1996 as the shipping index on the Oslo Stock Exchange. However, the liquidity of the share has shown a substantial improvement compared with the previous year. In 1996, share turnover came to about 6.5 million, or 45% of the total number of shares. This represents almost 100% of the shares which are not owned by the major shareholders. There has been little trading by major shareholders in 1996.

A priority objective is to promote the Belships share as an even more attractive investment alternative.

Year	Turnover NOK mill.	Turnover in shares	Number of transactions	Number of days traded
1992	1.3	22 000	48	38 of 249
1993	293.4	7 748 000	2 057	180 of 252
1994	143.7	4 681 000	1 351	221 of 253
1995	65.6	2 694 000	761	192 of 251
1996	138.7	6 489 000	797	211 of 250

**BELSHIPS' SHARE PRICE DEVELOPMENT  
RELATIVE TO THE OSLO STOCK EXCHANGE  
SHIPPINGINDEX**



### SHAREHOLDER STRUCTURE

The 20 largest shareholders in Belships at 31.12.96

		Number of shares	Percentage of share capital
1	Sonata A/S	3 791 065	26,17%
2	A/S Jasto	2 158 952	14,90%
3	A/S Consensio	1 223 289	8,44%
4	Anchor Holding Plc.	939 000	6,48%
5	Tidinvest AS	303 116	2,09%
6	Aksjefondet G-Invest	275 000	1,89%
7	Otto Grieg Tidemand	253 681	1,75%
8	Hakon-Gruppen A/S	250 000	1,72%
9	Aksjefondet G-Kapital	227 500	1,57%
10	Alfred Berg Aksjespar	220 000	1,51%
11	Jeanette Basely	208 800	1,44%
12	Plural AS	174 500	1,20%
13	Hegermanns Legat	150 000	1,03%
14	Analyseinvest AS	145 240	1,00%
15	Aksjefondet G-Aksjespar	130 000	0,89%
16	Atalanta A/S	123 000	0,85%
17	Vesta Forsikring AS	109 500	0,76%
18	Lærdal Finans AS	105 000	0,72%
19	Sparebanken Vest, Aksjer	100 000	0,69%
20	Meierbrukets Pensj.kasse	100 000	0,69%

Total 20 largest shareholders 10 987 643 75,79%

*In aggregate the Grieg Tidemand and Stove Lorentzen families control approximately 56% of the shares. At the end of 1996 the company had 736 shareholders. 13 of these had addresses outside Norway. The corresponding figures for 1995 were 742 and 12.*



# Tighter requirements

improve safety and environment



**T**he era of an unregulated shipping industry when shipowners operated as they pleased is over. The shipping industry is becoming a fully regulated business – particularly in the areas of safety and the environment. New rules are steadily coming into force and some of them are the result of serious accidents which have taken place in recent years.

This situation gives rise to a striking paradox: The increase in regulations is making the good shipping companies even better. The vessels and shipping companies which represent the greatest risk at sea tend to continue to operate unconstrained by changes in regulation. On the other hand, the focus on safety and the environment has made these aspects important competitive factors for serious shipping companies.

CUSTOMER'S REGULATIONS  
APPLY ESPECIALLY TO TANKERS

The regulatory framework has not only been tightened for the shipping industry, but also for other industries: Free competition takes place within clearly defined operating parameters with the objective of ensuring that competition does not thrive at the expense of safety and the general good of society.

A salient feature of the shipping industry is that it is a global industry. The industry is therefore faced with the mounting complexity of regulations at various levels, accompanied by a growing need for coordinating and standardising the rules applying to the industry.

The rules applying to international shipping can be divided into the following categories:

- Regulations by customers
- National regulations
- Regulations by the classification societies
- International regulations

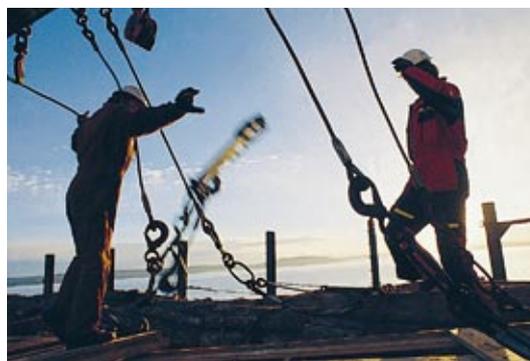
#### CUSTOMERS' REGULATIONS

Customers regulations may be by cargo owners or terminal operators, for example. Such regulations often lack definitional clarity and are not always fully enforced. The rules may stipulate the maximum age of a vessel, equipment on board or the vessel's standards.

Customer regulations applying to tankers are particularly extensive, and it can prove to be a difficult task to keep up with the different regimes. One may experience that a customer has delegated authority to the extent that a vessel may be approved by oil company X in London, but is rejected by the same company's terminal in New Orleans.

Oil companies do not use the same standards and systems of inspection. It also occurs that oil companies are in such a commercially stressed position that they choose to oversee their own regulations. Naturally, this gives rise to an opaque system that fosters uncertainty and unnecessary extra costs for shipowners. It has therefore been suggested that customers' approval procedures be standardised. This would result in savings for all parties concerned without adversely affecting safety.

GLOBAL  
INDUSTRY  
– COMPLEX  
REGULATIONS



## NATIONAL REGULATIONS

### THE PORT STATE

A primary example of national legislation is the US Oil Pollution Act, also referred to as OPA-90, which aim to prevent and limit pollution from vessels (see box), another example are rules for ballast water. A steadily rising number of countries are introducing regulations prohibiting the dumping of polluted ballast water at sea. As a result, it will be increasingly difficult to operate and sell vessels that are not equipped with separate ballast tanks.

#### OPA 90

The US federal Oil Pollution Act was a direct consequence of the Exxon Valdez disaster in Alaska. It is a so-called minimum act, ie individual states in the US are entitled to implement regulations that are more stringent and wider in scope than OPA 90.

OPA 90 is good example of the wide-ranging implications that national legislation may have as regards the international shipping industry. The immediate ramifications of OPA 90 for shipping companies were:

- New vessels must be equipped with double hulls.
- Increased investments in more safety equipment on existing ships
- Older vessels must be retired earlier than previously.
- Costs associated with more extensive contingency arrangements.
- Unlimited financial liability for the shipowner in the event of pollution.

In countries where there are differences between federal and regional legislation, e.g. in the US, the shipping company must take account of both federal regulations and rules adopted at regional or state level.

Safety and the environment are areas of growing focus throughout the world, also in the fast developing countries and where shipping traffic is high. In these countries the scale of national regulations is expected to increase and thus make an impact on international shipping industry.



### THE FLAG STATE

National regulations may also include rules that apply to ships that sail under a country's flag. There is no reason to conceal the fact that a shipowner that chooses to sail his vessels under a recognised quality flag, such as that of Norway, will incur higher costs

than a shipowner sailing under the flag of a country with few environmental and safety regulations with minimum enforcement.

On the other hand, it should be underlined that most serious shipowners are prepared to assume this cost as a quality flag and the associated obligations regarding safety and the environment are considered to be an investment in promoting confidence and good customer relations, and thereby increased profitability in the longer term.

It is often the classification societies which are left with the task of controlling compliance with the flag state's regulations as it has been impracticable for individual countries to develop their own worldwide network of inspectors.

### CLASSIFICATION SOCIETIES

Classification societies, such as Det Norske Veritas and Lloyds Register, play a key role in ensuring that vessels are seaworthy and that the vessels satisfy the applicable regulatory requirements. Traditionally, their task has been to certify that a vessel is in condition to be insured. This is primarily ensured through technical requirements, e.g. minimum requirement relating to hull strength. In order to ensure that the requirements are satisfied, the classification societies carry out regular inspections.

In order to maintain the necessary integrity, most class societies are proprietary institutions (independent trusts). However, there is strong competition among the classifications societies, and consequently a temptation to allow shipowners' interests to come before safety considerations. At the end of the 1980s this had become a problem, not only in relation to public opinion and the authorities, but also in relation to insurance companies which were losing confidence in the control work of the classification societies. Their monitoring was also made more difficult through an aging fleet, poor maintenance and a proliferation of participants in the industry. In response to this trend, serious societies decided to strengthen "The International Association of Classifications Societies" (IACS), which was founded in 1968. The aim is that membership in IACS is seen as a commitment to high quality. IACS has subsequently taken several steps to ensure agreed common standards on important safety issues. Enhanced survey program is an example together with recent special rules for bulk carriers. (see box on the following page)

IACS DEVELOPS  
COMMON  
MINIMUM  
RULES AND  
CONTROLS  
COMPLIANCE

## SAFETY IN THE DRY CARGO INDUSTRY

In the beginning of the 1990s there were several cases where bulk vessels either disappeared without a trace or suffered major structural damage. Naturally, this mainly involved older ships, but also a number of ships which were built in the 1980s sank and quite a substantial number of human lives were lost.

The classification societies reacted promptly by implementing an enhanced inspection programme for dry cargo vessels. This programme included the measurement of steel thickness and more thorough inspections of the ship's support structure.

This work seems to have produced results as the number of total losses and near-accidents caused by deficient hulls and support elements has been reduced by a substantial margin.

The IMO and the classification societies have in recent years put the safety of dry cargo vessels on the agenda. Among other requirements, all bulk ships contracted after July 1998 must have sufficient structural strength to withstand a situation whereby one of the cargo rooms, irrespective of which one, fills up with water. Normally, such requirements only apply to new ships. However, the IACS has surprisingly proposed that a similar requirement be applied to older bulk vessels, ie that existing bulk ships be modified to withstand the forward cargo room filling up with water. It has further been proposed that ships older than 15 years shall be modified within 2003, whereas newer ships must satisfy the above requirement by the third regular inspection by a classification society.

The costs associated with this requirement for the world's bulk fleet, and for Belships, is still uncertain. However, the work, time and costs this involves do not appear to be unwarranted. Taking into account the large number of lives lost in accidents involving bulk ships, Belships is of the view that the classification societies merit full support in this matter.

## INTERNATIONAL RULES

Shipping is one of the most global industries in the world. The law of the sea has always sought to achieve convergence of practices throughout the world, often due to the absence of international conventions. Since the middle of the previous century, a wide range of such conventions has been elaborated to govern world shipping activities.

Today the UN shipping organisation, the IMO, is the main engine behind the international work aimed at promoting safety and the environment at sea. The IMO has drawn up international standards for radio communication and rescue operations, special rules for container transport, dry cargo, gas tankers and other types of shipping. Moreover, the IMO has promoted standards for manning, training and routines on vessels. The IMO administers a total of about 40 international conventions and agreements. The work of the organisation has resulted in a sharp reduction in the number of accidents at sea and oil spills have been halved over a ten-year period.

## ISM AND STCW

IMO's most recent contribution to improving safety at sea is the ISM regulation; International Safety Management Code, which was introduced in 1993. This set of regulations will be mandatory for most international shipping as from 1 July 1998. The ISM rules represent a standard for the management and operation of a vessel in order to prevent accidents and pollution. All shipping companies must implement a Safety Management System (SMS) in accordance with these rules (see separate box).

Safety and the environment at sea do not only rely on technical requirements and routines on board, but also on the skills and attitude of seamen and the office staff. This is the basis for the convention relating to training, certification and watch-keeping, ie the STCW. This convention is updated at regular intervals, last revised in 1995 for implementation in 1997/1998. The main points of the STCW are that vessels must meet standards for:

- Certification of the captain and deck crew
- Certification of machine crew
- Certification of radio personnel
- Crisis management, safety, treatment of the sick and injured, and survival procedures.
- Watch routines and rest periods

Belships provides its crew with the training required to meet the STCW standards. Belships is responsible for ensuring that the personnel on board its vessels are certified as required and that necessary routines are part of the day-to-day life on board the vessels.

IMO IS A  
CENTRAL  
ORGANISATION  
IN PROMOTING  
SAFETY AND THE  
ENVIRONMENT  
AT SEA

STCW  
- CONVENTION  
ABOUT TRAINING,  
CERTIFICATION  
AND WATCH-  
KEEPING

### **SAFETY MANAGEMENT SYSTEM**

The IMO regulation "International Safety Management Code" ISM will be mandatory for all international shipping as from 1 July 1998. All shipping companies must have their own Safety Management System according to these rules. Both the management company and the vessel must satisfy the requirements subject to the inspection of a classification society or another inspection agency approved by the vessel's flag state.

The main requirements of the SMS stipulate that the company or the vessel is to elaborate, implement and maintain:

- 1 A safety and pollution prevention policy.
- 2 Instructions and procedures for the safe management of the vessel.
- 3 Clear delimitation of responsibility and authority, and communication between the ship and land.
- 4 Procedures for reporting accidents and off-course incidents.
- 5 Procedures for preparing for and managing emergency situations.
- 6 Procedures for internal audits and reporting to management.

Belships' technical management company NSSM started addressing these issues at a very early stage. The company was ISO certified and obtained DNV's SEP approval as early as 1993, as the first technical management company in Singapore. DNV's SEP system is in full keeping with the principles of ISM. At the end of 1996 nine vessels under NSSM management had ISM notation, whereas the others will be certified well in advance of the deadline on 1 July 1998.

### **GMDSS**

The IMO has also implemented a global warning system for emergency situations at sea - the Global Maritime and Safety System (GMDSS) - which coordinates radio communications between the vessel in distress, the rescue authorities on land and vessels in the vicinity of the vessel in distress. Furthermore, the system shall ensure that information is rapidly available. The IMO deadline for implementing the GMDSS system is 1 February 1999. Belships' new vessels are all equipped with this system, and our older ships will be upgraded to comply with the new standard by the established deadline.

### **NECESSARY TREND**

As illustrated, shipping is no longer an unregulated industry. The regulation of international shipping has intensified particularly in recent years. This trend has been necessary not least in order to optimise safety at sea and minimise the environmental impact.

At the same time, the growing number of regulations at various levels complicates the daily work of shipowners and enforcement agencies.

Even if some operators in this global industry continue to ignore the rules, and get away with it, we have reason to believe that shipping is steadily becoming a safer industry and causing fewer and less extensive damage to the environment.

It is a strong belief of Belships that it is profitable to be at the leading edge of this development. Increased focus on safety and environment will reduce our total costs through fewer injuries and accidents. In addition higher safety levels will give less income-reducing off-hire. Furthermore quality and safety will increasingly prove an important means of competitiveness.

BELSHIPS  
STARTED  
ADDRESSING  
THE ISSUE OF  
SAFETY  
MANAGEMENT  
AT AN EARLY  
STAGE



# Fleet list

Per 31 December 1996 Ship	Ownership	Built year	DWT	Operation	Time of redelivery	
<b>PRODUCT TANK / OBO</b>						
M/T Belanja	49 %	1995	28 500	Spot		
M/T Belgrace	63 %	1984/87	40 900	T/C to 08/97		
M/T Beltrader	49 %	1983	40 520	T/C to 06/97		
M/V Belguardian	20 %	1987	43 500	Spot		
M/V Belgallantry	20 %	1987	43 500	Spot		
M/V Belgreeting	20 %	1987	43 500	Spot		
<b>GAS</b>						
M/T Lanrick	60 %	1992	3 215 <sup>1)</sup>	T/C to 12/97		
M/T Ettrick	60 %	1991	3 215 <sup>1)</sup>	T/C to 11/97		
M/T Norgas Teviot	60 %	1989	8 405 <sup>1)</sup>	T/C to 08/97		
M/T Traquair	60 %	1982	6 616 <sup>1)</sup>	T/C to 01/98		
M/T Quentin	60 %	1977	2 280 <sup>1)</sup>	T/C to 04/97		
<b>HANDYMAX BULK</b>						
M/V Belnor	100 %	1996	47 600	T/C to Western Bulk		
M/V Belstar	80 %	1992	43 400	T/C to Western Bulk		
<b>PRODUCT TANK, CHARTERED TONNAGE</b>						
M/T Mekhanik Yuryev		1986	29 900	Spot	08/97 <sup>2)</sup>	
M/T Mekhanik Ilchenko		1986	29 900	Spot	08/97 <sup>2)</sup>	
M/T Yevgeniy Titov		1986	28 810	T/C to 04/98	04/98	
<b>SHIP UNDER COMMERCIAL MANAGEMENT</b>						
M/T Magnolia		1983	84 656	T/C to 07/97		
<p><sup>1</sup> Capacity in cbm  <sup>2</sup> + Option 2 x 12 months</p> <p>Ships owned through Western Bulk Shipping ASA are nor included in the list.            Belships Trading (panmax) had at 31 December 1996 no ships chartered for periods longer than 12 months.</p>						
<b>Number of ships</b>						
Type			Owned tonnage	Chartered tonnage	Commercial management	Available fleet
Handysize product tank			1.6	3.0	1.4	6.0
OBO			0.6		2.4	3.0
Gas			3.0		2.0	5.0
Handymax bulk			1.8		0.2	2.0
Aframax					1.0	1.0
Total			7.0	3.0	7.0	17.0

# Organisation

## **BELSHIPS ASA**

### BOARD OF DIRECTORS

Asbjørn Larsen, chairman	2 500 shares
Sverre Jørgen Tidemand	4 638 792 shares
Stein Erik Hagen	275 330 shares
James Stove Lorentzen jr.	2 839 642 shares
Åsmund Simonsen	10 588 shares

### MANAGEMENT

Sverre Jørgen Tidemand, *managing director*  
Jo Eric von Koss, *financial director*

### FINANCE / ACCOUNTING

Osvald Fossholm, *financial manager*  
Espen Grepperud, *accounting manager*

## **BELSHIPS TRADING AS**

(PANMAX BULK)

Einar Skogstad, *managing director*  
Arthur C. Knudtzon, *chartering manager*

### CHARTERING

Anders Zorn  
Ingrid Nyheim

### OPERATION / ACCOUNTING

Tor Lauritzsen, *operation manager*  
Dag Storheill  
Ove B. Staurset, *accounting manager*

## **BELSHIPS TANKERS AS**

(HANDYSIZE PRODUCT)

Stein H. Runsbeck, *chartering manager*

### CHARTERING

Per S. Kleppe

### OPERATION / ACCOUNTING

Tor Lauritzsen, *operation manager*  
Dag Storheill  
Ove B. Staurset, *accounting manager*

## **BELSHIPS MANAGEMENT AS**

(INSURANCE / CREWING)

Odd Chr. Krohn, *insurance manager*  
Tore Jan Sandboe, *crew manager*

## **NORTHSOUTH SHIPMANAGEMENT PTE LTD**

(SHIPMANAGEMENT, SINGAPORE)

James Stove Lorentzen jr., *managing director*  
Yap Soon Huat, *technical manager*  
Shripad Gajanan Tole, *quality and safety*  
Anthony Sng, *financial manager*

## **BELSHIPS TANKERS FAR EAST PTE LTD**

(TANK, SINGAPORE)

Terje Schau, *chartering manager*

## **GIBSON GAS TANKERS LTD**

(GAS, EDINBURGH)

Egil Berntsen, *managing director*  
Andrew Niven, *chartering manager*  
Stuart Rae, *financial manager*



# Articles of Association

Adopted by the statutory general meeting on 7 October 1935,  
as amended lastly by the Board of Directors on 27 November 1996.

- §1 The name of the company is Belships ASA.
- §2 The registered office of the company is in Oslo.
- §3 The company's object is to conduct shipping operations, act as agents in the chartering, buying and selling of ships, engage in offshore petroleum operations, participate in exploration for and production of petroleum, manufacturing and trade and participate in companies of whatever kind having similar objects.
- §4 The share capital of the company amounts to NOK 28 966 000,- divided into 14 483 000 shares of NOK 2.00 each, fully paid and registered.
- §5 The Board of the company consists of from three to seven directors, together with any deputies, as decided by the general meeting. The directors elect each year the Chairman of the Board. Power of signature for the company is exercised by two directors jointly or by the chief executive officer alone if he is a director.  
The Board may grant power of procuration.  
The chief executive officer is appointed by the Board of Directors.
- §6 The ordinary general meeting deals with:
1. Adoption of the income statement and balance sheet.
  2. Employment of the year's profit or coverage of the year's loss in accordance with the adopted balance sheet, and the question of declaring dividends.
  3. Election of directors and the amount of their remuneration.
  4. Election of the auditor and the amount of his/her remuneration.
  5. Any other matters which pertain by law or these articles to the general meeting.

Extraordinary general meetings will be held whenever considered necessary by the board of directors.

- §7 The shares in the company shall be registered in the Norwegian Securities Registry. Dividends will be paid to those who are registered as shareholders on the day the dividends are declared. The notice of the general meeting may provide that shareholders who intend to participate in the general meeting, personally or by proxy, shall report to the company within a period ending not less than two days before the date of the general meeting, stating the number of shares they represent and naming their proxy if any and the number of shares represented by him/her.



## CONTENTS

1	<b>This is Belships</b>
1	<b>Areas of activity</b>
1	<b>Financial Highlights</b>
2	<b>Board of Directors' Report</b>
<hr/>	
<b>Financial Statements</b>	
6	Income Statement 1 January - 31 December
7	Balance Sheet as at 31 December
8	Cash Flow Analysis
9	Accounting Principles
10	Notes to the Financial Statements
15	Auditor's Report
<hr/>	
16	<b>Management Report</b>
18	Handysize product tankers
19	Panmax bulk
20	Handymax bulk
21	Gas
22	Shipmanagement
<hr/>	
23	<b>Key Financial Figures</b>
<hr/>	
24	<b>Analytical Information</b>
26	<b>The Belships Share</b>
28	<b>Safety and environment</b>
34	<b>Fleet List</b>
35	<b>Organisation</b>
36	<b>Articles of Association</b>
<hr/>	
	<b>Terms and Expressions</b>

## Highlights 1996

- Heavy investments and redirection of focus
- Conservative profile in panmax bulk
- Poor handymax bulk results
- Acquired 60% of Gibson Gas Tankers Ltd

## FINANCIAL DIARY FOR 1997

- 14 May: Annual general meeting
- 15 May: Shares listed ex. dividend
- 29 May: Payment of dividends
- 6 June: Result for the 1st four months
- 2 October: Result for the 2nd four months

# Terms and expressions

## **Biffex**

Baltic International Freight Futures Exchange (London) – Exchange for trading future contracts based on the index of dry bulk freight-rates

## **Capesize**

Vessel exceeding 80 000 dwt

## **Charterer**

Hirer of a vessel

## **Charterhire**

Hire expenses for a ship

## **Charterparty**

An agreement to hire a vessel

## **Dry bulk**

Cargo as grain, coal, ore or steel

## **Dwt**

Dead weight tons – The maximum weight a vessel can carry as cargo and stores

## **Handymax**

Vessels between 35 000 and 50 000 dwt

## **Handysize**

Vessels between 10 000 and 50 000 dwt

## **Income on T/C-basis**

Freight income after deduction of all voyage related expenses such as loading- and discharging expenses, bunkers etc.

## **LPG vessels**

Vessels for transportation of liquid gas refrigerated to minus 45 degrees Celcius.

## **OBO-carriers**

Vessels for carrying oil and oil products or drycargo as grain, coal and ore (Oil - Bulk - Ore)

## **Off-hire**

The period during which a vessel is temporarily out of operation in relation to the terms of the relevant charterparty with a loss of agreed hire under this as a consequence

## **Operating expenses**

Crew expenses and all expenses in connection with vessel's technical operation including insurance

## **Operator**

The holder of a freight contract with a cargo shipper and/or the manager of tonnage

## **Panmax**

Vessels between 50 000 and 80 000 dwt

## **Pool**

A joint sailing agreement

## **Product**

Refined oilproducts

## **Spot market**

Markets for vessels operating on a tramp basis

## **Time Charter (T/C)**

An agreement to let a vessel which is manned and ready for operation for an agreed period

## **WBC-pool**

The vessel managed by WBC as operator

**Belships ASA**

Lilleakerveien 4  
P O Box 23 Lilleaker  
N-0216 Oslo, Norway  
Telephone +47 22 52 76 00  
Telefax +47 22 52 77 90  
Telex Oslo 76050  
Internet <http://hugin.sol.no/BEL/>  
Enterprise no. 930776793

**Northsouth Shipmanagement Pte Ltd**

78 Shenton Way  
Hex 31-02  
Singapore 079120  
Telephone +65 225 3538  
Telefax +65 225 3425  
Telex RS 56198 Norso

**Gibson Gas Tankers Ltd**

11 John's Place  
Leith, Edinburgh EH6 7EL  
Telephone +44 131 554 4466  
Telefax +44 131 554 3843  
Telex 727492

# Belships

Table of Contents

Overview

Summary 1996

Key figures

Report of the Board of Directors

Income Statement

Balance Sheet

Cash Flow Analysis

Notes

Shareholders Policy



**BELSHIPS**



ANNUAL REPORT 1996

Arsrapport CD

**HUGIN**

<http://hugin.sol.no>

**shipping**

**Bank /insurance**

**Industry**

**Shipping**