

Golden Ocean Group Limited

2009 Annual Report

# Golden Ocean Group Limited

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## **Directors' report for Golden Ocean Group Limited for the year ended December 31, 2009**

### ***INTRODUCTION***

Golden Ocean Group Limited ("Golden Ocean" or the "Company") is a leading international dry bulk shipping company based in Bermuda, mainly operating in the Capesize and Panamax market segments. The Golden Ocean group fleet is managed by the wholly owned subsidiary Golden Ocean Management AS, based in Oslo, Norway.

Golden Ocean was established in 2004 in connection with a de-merger and spin-off of dry bulk activities from Frontline Ltd, and the shares were admitted to trading on the Oslo Stock Exchange in the same year.

Starting off with a fleet of three vessels and options to acquire two newbuilding orders, the Company has gone through a substantial growth in fleet size and business activity. Expansion has taken place both through purchases and newbuilding, as well as through the use of financial instruments.

The Company now owns or controls 13 vessels, has 24 vessels under construction for delivery between 2010 and 2012, and has several chartered-in vessels. In addition, the Company has substantial time charter contract coverage.

In November 2009 Golden Ocean started a process to pursue a secondary listing of Golden Ocean Group Limited in Singapore with the aim of tapping into the growing Asian investor market. The Company has already substantial operational presence in Asia and a listing in Singapore is a natural next step in the corporate development. The Singapore Stock Exchange approved the listing of Golden Ocean Group Limited on their Main Board and the listing is effective as of end of March 18th, 2010.

### ***MISSION STATEMENT AND STRATEGY***

Our mission is to provide customers with flexible and reliable transportation services and develop strong industry relations with partners and customers, leading to superior returns to the Company's shareholders.

Golden Ocean is operating with a fully integrated commercial management structure responsible for all vessels and contracts. Technical operations and crewing of all owned vessels is outsourced to a few leading ship management companies. The Company is focusing on the Panamax and Capesize market. Golden Ocean Group is targeting low overhead and daily ship operating costs.

Golden Ocean seeks to optimize its investment and divestment decisions, and the short and long chartering positions, as a function of the cyclical nature of the business. In order to optimise the return to equity holders, the Company is seeking financing which includes an attractive combination of debt and equity. Golden Ocean is, in connection with ownership of vessels, focusing on the overall cash break-even rates needed to support the specific project as well as the Company.

To balance the operational risk Golden Ocean might seek charter coverage in the physical and financial markets. The growth of the Company can be achieved by acquiring additional tonnage through individual purchases, en bloc purchases, as well as small or large corporate transactions. The growth can also be achieved through entering into major short or long term contracts for transportation of goods and chartering of vessels.

Golden Ocean is positioning itself as an attractive investment vehicle for public investors. The major building blocks are transparency, good corporate governance, strong management team, competitive cost base, active business dealing, and attractive long term equity return and shareholder friendly information philosophy. Efficiently priced equity is a major condition for the growth of the Company. Through an attractively priced equity, Golden Ocean can act as a consolidator in a highly fragmented market.

### ***MARKET DEVELOPMENT***

The global economy experienced a negative GDP growth during 2009 (latest estimate -0.75 per cent) out of which major economies like the US, Japan and EU were more severely affected by the financial crisis and experienced negative GDP growth of -2.5, -5.4 and -4.0 per cent respectively. However, during the fourth quarter of 2009 there were clear signs of

recovery in most areas and in the US as an example we witnessed growth of 5.9 per cent. China which is of vital importance for the dry bulk sector was able to grow its economy by 8.7 per cent for the full year of 2009. Nevertheless in 2009, for the first time in many years the dry bulk industry had a negative demand growth, measured in tonnes miles of more than 6 per cent

On average a Panamax vessel earned \$19,300 per day during the full year of 2009, while a Capesize earned \$42,400 per day for the similar period (average time charter earnings reported by Baltic).

China's relative share of dry bulk imports has grown considerably over the last 10 years. In year 2000 the country imported about 150 million mt of dry bulk commodities. In 2009 almost 900 million mt were imported, which represents 40 percent of total dry bulk imports. As a comparison Japan's share was about 18 per cent, EU 16.5 per cent while the United States share of the total dry bulk imports was only 2.5 per cent.

The Chinese property sector, which accounts for nearly half of the steel consumption world-wide, experienced further growth during 2009. Sales of residential property continued to rise strongly with a growth in the fourth quarter of almost 50 per cent year on year. Due to the higher than expected Chinese growth, analysts are focusing on inflation and potential risk for tightening measures. On the other hand Chinese policy makers have shown good proactive skills and have been able to give the right medicine with appropriate timing. The two stimulus packages which both are infrastructure intensive were having a direct positive effect on the dry bulk sector and are expected to have a positive effect on the dry bulk market well into 2011.

Congestion in major ports is still supporting utilization of the dry bulk fleet. More than 5 per cent of the dry bulk fleet was tied up in congestion on average during 2009 and in particular the Capesize segment was affected.

The newbuilding order book remains a concern, but it is at the same time the biggest uncertainty for most analysts. 42 million dwt was delivered during 2009 in total. This was 62 per cent of the official 2009 order book. The fleet growth in the fourth quarter was 3.1 per cent compared to the third quarter and about 9 per cent compared to the fourth quarter of 2008.

Asset values turned positive within both the Panamax and the Capesize segments during 2009. Sale and purchase shipbrokers estimated the value of a five year old Panamax vessel to be \$34 million by the end of December 2009 and \$55 million for a similarly aged Capesize vessel.

Looking ahead, consensus among the dry bulk analysts is rather bullish when it comes to demand growth. Measured in tonnes miles most analysts have a two digit growth number as their base case both for this year and 2011. This is backed by further growth in Chinese iron ore and coal imports, Indian coal imports and finally a better climate for international trade compared to 2009.

Due to the high influx of dry bulk vessels built at newly established yards and a challenging financing environment, the sample space among the various analysts is wide when it comes to forecasting actual deliveries over the next two years.

To keep the utilization rate of the dry bulk fleet at present levels (92-94 per cent), actual deliveries compared to official order book has to remain in line with 2009, in other words about 40 per cent behind schedule. This will be a combination of slippage (delays) and cancellations. Due to the fact that South Korea has a comparatively higher market share than China for Capesizes, with a higher probability of timely deliveries, some analysts are pointing at a downside risk to their supply forecast.

## **HIGHLIGHTS IN 2009**

In March 2009, Hemen Holding launched a conditional offer to purchase two thirds of the outstanding Golden Ocean Convertible Bond in the marketplace. The offer was successful and Hemen Holding purchased \$165.3 million of nominal value at a purchase price of 30%.

Also in March 2009, the Company called for a bondholders meeting with a proposal to remove the Market Adjusted Equity Ratio Covenant from the Convertible Bond loan agreement. The request was approved by the Bondholders Meeting and the covenant was removed from the loan agreement.

In April 2009, the Company completed a placement of 180 million new shares at a subscription price of NOK 4.1 per share. The Company also made an agreement with Hemen Holding to buy back the \$165.3 million position on the Convertible Bond at a price of 35% of par value. The buy back of the bond reduced the Company's debt with approximately \$155 million and created a positive income of approximately \$96 million.

Furthermore, in April 2009 the Company succeeded in the restructuring of its orderbook with the shipyards. The restructuring included a postponement of delivery dates, cancellations and the transfer of a number of vessels into a single purpose company which can be project financed. The consequence of the restructuring was that the newbuilding commitments were reduced by a total of approximately \$350 million.

Also in April 2009 the Company reached agreements with its lenders to alter the terms under its various syndicated loan agreements. The agreements made it possible for the Company to start to draw on the different loan facilities.

In August 2009 Golden Ocean reached an agreement with Britannia Bulk Finance Limited in respect of six vessels under construction at Pipavav Shipyard in India. Through the agreement the parties mutually accepted to terminate the purchase agreements for all six vessels against certain considerations from the buyer. Golden Ocean realized a profit of approximately \$53.8 million, effectively by reducing the Company's liability with a similar amount.

In 2009 the Company sold two vessels, Golden Joy and M/V Bellflower. In addition Golden Ocean took delivery from the shipyards two Capesize vessels, Golden Feng and Golden Shui, and one Panamax vessel, Golden Strength.

## **FINANCIAL REVIEW**

### ***Income statement***

The Company's consolidated revenues for 2009 were \$349.6 million decreasing by \$598 million compared to 2008. The reduction reflects the effect of the international credit crisis which caused a collapse in the dry bulk market during the fourth quarter in 2008. The slow market continued in the beginning of 2009 before it reached satisfactory levels, but is still far from the high levels in 2008.

For the same period the consolidated operating profit reached \$136.9 million, down from \$396.8 million in 2008 including gains on sale of assets amounting to \$51.3 million and \$209.1 million for 2009 and 2008, respectively. The figures also include a loss in the value of shares in Navios Maritime held by the Company of \$15.6 million in 2009 and \$ 8.5 million in 2008. The shares in Navios were sold in 2009. In 2008 the Company recognized an impairment of \$ 20 million on eight vessels under construction. No impairment charge has been recorded in 2009.

The Company's net profit for 2009 was \$218 million which is equivalent to earnings per share of \$0.53. In 2008 the Company had a profit of \$ 381.2 million and earnings per share of \$ 1.37. In 2009 the Company made a profit of \$97.6 million by repurchasing a portion of its convertible bonds. The profit is recorded in net financial items (\$ 0.8 million in 2008).

### ***Balance sheet***

In 2009, the Company's total assets increased from \$1 billion at the start of the year to \$1.1 billion. Total current assets were largely unchanged at \$ 130 million whereas non-current assets increased by approximately \$136 million. The increase in non-current assets was mainly related to installments of several of the Company's vessels under construction already delivered in 2010 or to be delivered through the forthcoming years.

In the same period current liabilities decreased by approximately \$575 million to \$86.1 million and total non-current liabilities increased by \$305.7 million to \$473 million. The change in liabilities between current and non-current relates mainly to the breach of the value-adjusted book equity covenant requirement at year end 2008. As a consequence total debt of \$592.5 million was classified as current liability in 2008. Net interest bearing debt was at year end 2009 \$472.6 million, compared to \$592.5 million in the preceding year.

In 2009 minority interests increased by \$1 million to \$4 million. The increase is related to the underlying activity and the consolidation of Front Shadow Inc, which is 100% owned by Ship Finance International Limited.

The Company's total shareholders' equity increased from \$177.7 million to \$527.4 million reflecting the net Comprehensive Income for the year as well as \$108 million in an equity issue in the beginning of April 2009. There were no dividends paid out in 2009 compared to \$347.1 million paid out in 2008.

#### ***Cash flow***

Golden Ocean Group Limited had as of December 31, 2009 a cash and cash equivalent balance totalling \$80.9 million, which is an increase of \$40.1 million compared to the preceding year. For the year the net cash provided by operating activities amounted to \$114.2 million compared to \$194.4 million in 2008. Net cash used in investing activities amounted to \$148 million of which \$177.5 million related to the newbuildings. Net cash provided by financing activities was \$73.9 million.

#### ***Going Concern***

Based on the recovery of the market in 2009 and the successful equity issue, the Company considers itself to be in a financial healthy position in today's demanding financial debt markets. As such, pursuant to Section 3-3a of the Norwegian Accounting Act, the Board confirms that the going-concern assumption applies and that the annual accounts have been prepared on the basis of this assumption. For a description of subsequent events after the balance sheet date please see note 36 to the consolidated accounts.

#### **HEALTH, SAFETY AND ENVIRONMENT (HSE)**

Health, safety and the environment is one of the core values and a critical success factors for Golden Ocean. Golden Ocean's crew is outsourced to external ship managers. However, accidents on vessels are monitored by the Company. In 2009, Golden Ocean had three incidents that required medical treatment, and six incidents were classified as Lost Time Injuries (LTIs). LTI frequency changed from two incidents in 2008 to three in 2009 and incidents requiring medical treatment changed from three in 2008 to six in 2009. Golden Ocean has a zero accident philosophy which implies that no accidents or serious incidents are acceptable. Golden Ocean had no accidental discharges to the natural environment in 2009. The absence due to sickness is less than 1percent.

#### **HUMAN RESOURCES AND DIVERSITY**

Golden Ocean has currently 15 employees who are mainly of Norwegian nationality. Females constituted 20 per cent of the workforce and 40 percent of the Board of Directors. The Company has an ambition to create a good working environment, and focuses on offering challenging and motivating work tasks and equal development opportunities to all employees, regardless of gender, nationality, culture or religion. Golden Ocean's policy is to promote equality of opportunity to females and males based on hiring, promotion, training and remuneration on qualifications such as education, experience and achievements.

#### **CORPORATE GOVERNANCE**

In connection with the Company's listing on the Oslo Stock Exchange there is a comply or explain requirement in relation to the Norwegian Code of Practice for Corporate Governance of December 4, 2007. For further information on the Code of Practice see separate attachment.

#### **SHAREHOLDERS**

Golden Ocean Limited is listed on the Oslo and Singapore Stock Exchanges. The largest shareholder is Hemen Holding which is a company indirectly controlled by trust established by Mr John Fredriksen, the Company's Chairman, President and CEO. Hemen Holding controls some 40 percent. In the shareholder register as of December 31, 2009 no other shareholder owns or controls more than 10 per cent of the Company's shares. In total the twenty largest shareholders controls some 58.7 percent of the shares, with the remaining held by more than 11,125 investors. The number of shares in Golden Ocean is 456,990,107. The Company's has not any own treasury shares.

#### **RISK FACTORS**

A number of risk factors may adversely affect the Company. It should be noted that the risks described below are of a general nature and are not the only risks that may affect the Company's business or the value of its shares. Additional risks not presently known to the Board of Directors or considered immaterial at this time may also impair its business operations and prospects.

### ***Market risks***

The Company is exposed to the volatility inherent in the dry bulk market, where it has virtually all its assets and operations. The market is volatile and highly competitive. Demand for dry bulk transportation is closely linked to global economic trends, with risks of demand setbacks in periods of economic downturns. Supply of tonnage serving the dry bulk market is growing as an effect of large ordering in previous years. The market balance is difficult to predict, and there is no assurance that resulting rates will be sufficient to cover expenses and/or a return on the Company's capital.

### ***Operational risks***

The Company's operations may be subject to a number of risks. This includes construction risks, risks of counterparties failing to honour their obligations, technical risks (including the service life of the Company's vessels and unexpected repair costs), risks inherent in marine operations such as groundings and collisions, as well as environmental risks. The Company has a relatively low number of employees. In the course of its activities, the Company may become part to legal proceedings and disputes. Insurance protection may not be adequate in all instances. All of these factors could have a significant impact on the Company's operations or financial position.

### ***Interest rate and currency fluctuation risks***

The Company will be exposed to risks due to fluctuations in interest and exchange rates. Although we have entered and may enter into some hedging transactions to partially mitigate the risk of exchange rate fluctuations, such hedging or our hedging policy may not adequately cover our exposure to exchange rate fluctuations. By the nature of the Company's business, its revenues are primarily earned in USD. The Company holds loans in USD and may incur incomes/costs in other currencies. Accordingly, any significant fluctuations in the exchange rates may have a material adverse impact on the financial performance of the Company.

### ***Borrowing and leverage risks***

Borrowings create leverage. To the extent income derived from assets obtained with borrowed funds exceed the interest and other expenses that the Company will have to pay, the Company's net income will be greater than if borrowings were not used. Conversely, if the income from the assets obtained with borrowed funds is not sufficient to cover the cost of borrowings, the net income of the Company will be less than if borrowing were not used. Furthermore, the cash flow must be sufficient to meet the repayment schedule for the borrowed funds in order to avoid default under the financing facilities. The Company will seek to borrow only when the directors of the Company believe that such borrowings will benefit the Company after taking into account considerations such as the costs of the borrowing, the repayment schedules and the likely returns on the assets financed with the borrowed monies. However, no assurance can be given that the income will exceed the interests and costs associated with the loan, or be sufficient to repay the loan when due.

The Company's financing arrangements are subject to customary covenants. As is normal in the maritime industry, such covenants also relate to the market value of the Company's assets being financed. Given the volatility in the equity and debt markets, there can be no assurance that the Company will be able to secure financing or that such financing will be available at commercially reasonable rates, to meet the necessary payment terms under the construction contract.

### ***Taxation risks***

Changes in taxation law or the interpretation of taxation law may impact the business, results of operations and financial condition of the Company. To the extent tax rules change, this could have both a prospective and retrospective impact on the Company, both of which could be material.

## **OUTLOOK**

Presently Golden Ocean has 23 per cent open Panamax capacity in 2010 and 40 per cent and 47 per cent for 2011 and 2012 respectively. For the Capesize segment the open capacity is 20 per cent in the fourth quarter of 2010 followed by 33 per cent and 39 per cent in 2011 and 2012.

The cash break even rates through 2012 for the open positions are through recent chartering activities lowered further. In a zero market environment for the open Capesize and Panamax tonnage, the Company will still generate about \$45 million in net positive cash flow from operation through 2012.

Golden Ocean continues its discussion with Pipavav Shipyard in India with respect to existing new building commitments. Based on the yards progress so far it is likely that the new building program will not be delivered within cancellation dates and thereby can be reduced.

The Company has committed financing for the entire newbuilding program except for Golden Nantong which is scheduled to be delivered in 2012.

The Board is still concerned about the growth in fleet supply and will for the time being continue the conservative approach to chartering and acquisitions.

The Company's Balance Sheet is robust, and gives Golden Ocean a unique position to act opportunistic if market opportunities should occur in the coming months. Given the high contract coverage, the Board anticipates that operating results will be stronger in 2010 compared to 2009 (excluding potential sale profits).

The Board is pleased to see that the Company increases its free cash position and at the same time takes delivery, finance and continues to build one of the most modern dry bulk fleets. A fleet well positioned and financed in order to benefit from long term demand growth in dry bulk commodities.

This report may contain forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including Golden Ocean's management's examination of historical operating trends. Although Golden Ocean believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control, Golden Ocean cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions.

Important risk factors that, in the Company's view, could cause actual results to differ materially from those discussed in this report include the strength of world economies and currencies, general market conditions including fluctuations in charter hire rates and vessel values, changes in demand in the dry bulk market, changes in the Company's operating expenses including bunker prices, dry-docking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company.

The Board is confident in the outlook for the Company's businesses.

Hamilton, April 29, 2010  
Board of Directors  
Golden Ocean Limited  
Oslo, April 29, 2010  
Herman Billung  
CEO Golden Ocean Management AS

BY: /s/ John Fredriksen  
John Fredriksen  
President, CEO and Chairman

BY: /s/ Tor Olav Trøim  
Tor Olav Trøim  
Vice President and Director

BY: /s/ Kate Blankenship  
Kate Blankenship  
Director

BY: /s/ Hans Christian Børresen  
Hans Christian Børresen  
Director

BY: /s/ Cecilie Fredriksen  
Cecilie Fredriksen  
Director

To the shareholders and Board of directors of the Golden Ocean Group Limited

### **Independent auditor's report**

We have audited the accompanying consolidated financial statements of Golden Ocean Group Limited ("group") which comprise the consolidated balance sheet as of December 31, 2009, and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the group as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Oslo, April 29, 2010

**PricewaterhouseCoopers AS**



Fredrik Melle

State Authorised Public Accountant (Norway)

**Golden Ocean Group Limited**  
**Consolidated Comprehensive Income Statement**

(in thousands of \$, except per share data which are in \$)

		Year ended 12/31/2009	Year ended 12/31/2008
	<b>Note</b>		
<b>Operating revenue</b>			
Revenue	3	350 235	877 278
Other operating (loss)/income	3	(646)	70 225
<b>Total operating revenue</b>	<b>3</b>	<b>349 590</b>	<b>947 503</b>
<b>Operating expenses</b>			
Voyage expenses and commission		77 084	136 805
Vessel operating expenses		21 936	16 687
Charter hire expenses		123 008	544 166
Administrative expenses		10 374	14 662
Depreciation	12,13	17 038	11 435
<b>Total operating expenses</b>		<b>249 440</b>	<b>723 755</b>
<b>Other gain/losses net</b>			
Gain on sale of assets	4	51 279	209 119
Other gain/(losses) net	6	(14 525)	(36 025)
<b>Total other gain/(losses) net</b>		<b>36 754</b>	<b>173 094</b>
<b>Operating profit</b>		<b>136 904</b>	<b>396 842</b>
Finance income	7	620	3 939
Finance costs	8	(15 730)	(20 163)
Other financial items	9	96 317	657
<b>Net financial items</b>		<b>81 207</b>	<b>(15 567)</b>
<b>Profit before income tax</b>		<b>218 111</b>	<b>381 275</b>
Income tax	10	(108)	(59)
<b>Profit for the year</b>		<b>218 003</b>	<b>381 216</b>
<b>Profit attributable to:</b>			
Owners of the parent		216 988	380 143
Minority interest		1 015	1 073
<b>Profit for the year</b>		<b>218 003</b>	<b>381 216</b>
<b>Other comprehensive income</b>			
Change in value of available for sale assets	17	22 893	(22 920)
<b>Total comprehensive income for the year</b>		<b>240 896</b>	<b>358 296</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		239 881	357 223
Minority interest		1 015	1 073
<b>Total comprehensive income for the year</b>		<b>240 896</b>	<b>358 296</b>
<b>Basic and fully diluted earnings per share</b>	<b>11</b>	<b>\$0.53</b>	<b>\$1.37</b>

*See accompanying notes that are an integral part of these financial statements*

**Golden Ocean Group Limited**  
**Consolidated Balance Sheet**

<i>(in thousands of \$)</i>	Note	As at 12/31/2009	As at 12/31/2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Vessels and equipment, net	12	355 279	174 513
Vessels held under finance leases, net	13	103 194	127 269
Vessels under construction	14	480 454	496 425
Intangible assets	15	11 267	17 587
Investment in associated companies		150	-
Other long term receivables	4	6 552	5 000
<b>Total non-current assets</b>		<b>956 897</b>	<b>820 794</b>
<b>Current assets</b>			
Inventories		4 388	3 482
Trade and other receivables	16	32 725	74 761
Available for sale fin. assets	17	-	16 669
Cash and cash equivalents	27	92 728	50 868
<b>Total current assets</b>		<b>129 840</b>	<b>145 780</b>
Non-current assets held for sale	4	-	40 084
<b>Total assets</b>		<b>1 086 737</b>	<b>1 006 658</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	18	45 699	27 699
Additional paid in capital		104 801	14 798
Other reserves	32	16 635	(6 258)
Retained earnings		356 263	139 004
		<b>523 398</b>	<b>175 243</b>
Minority interest		4 038	2 427
<b>Total equity</b>		<b>527 436</b>	<b>177 670</b>
<b>Non-current liabilities</b>			
Long term debt	19	414 856	-
Obligations under finance leases	20	58 340	90 803
Provisions	31	-	5 450
Deferred income		-	71 280
<b>Total non-current liabilities</b>		<b>473 196</b>	<b>167 533</b>
<b>Current liabilities</b>			
Long-term debt - current portion	19	57 729	592 501
Obligations under finance leases – current portion	20	6 333	10 181
Amount due to related parties	26	2 040	3 690
Provisions	31	-	21 986
Trade payables and other current liabilities	21,25	20 003	33 097
<b>Total current liabilities</b>		<b>86 105</b>	<b>661 455</b>
<b>Total equity and liabilities</b>		<b>1 086 737</b>	<b>1 006 658</b>

*See accompanying notes that are an integral part of these financial statements*

**Golden Ocean Group Limited**  
**Consolidated Cash Flow Statement**

(in thousands of \$)

	Note	Year ended 12/31/2009	Year ended 12/31/2008
<b>OPERATING ACTIVITIES</b>			
Profit for the period		216 988	380 143
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Share options	24	270	569
Profit on sale of assets	4	(51 279)	(209 119)
Loss on sale of marketable securities	6	15 562	(2)
Profit on purchase of convertible bond	9	(97 571)	(830)
Interest income	7	(620)	(3 939)
Depreciation	12,13	17 038	11 435
Amortisation of deferred charges	5	3 821	789
Amortisation of intangible assets	15	6 320	6 320
Long term receivables adjustment		(325)	-
Impairment		-	28 527
Fair value gain on foreign exchange forward contracts		(1 704)	-
Provisions		(27 436)	27 436
Net change in working capital:			
Amount due to related parties		(1 650)	(813)
Other financial assets		-	51 001
Trade and other receivables		46 715	(2 302)
Inventories		(906)	6 778
Other financial liabilities		-	(60 795)
Other long term receivables		-	(5 000)
Trade payables and other current liabilities		(11 013)	(35 838)
<b>Net cash provided by operating activities</b>		<b>114 210</b>	<b>194 360</b>
<b>INVESTING ACTIVITIES</b>			
Maturity of restricted cash		(1 747)	5 122
Interest received	7	620	3 939
Payments on vessels	14	(177 537)	(420 372)
Net proceeds from the sale of vessels, including exercise of purchase options	4	6 830	451 440
Purchase of marketable securities	17	-	(54 974)
Purchase of long term investments		(150)	-
Sale of marketable securities	17	24 000	6 860
<b>Net cash used in investing activities</b>		<b>(147 984)</b>	<b>(7 985)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of financing charges		(2 585)	(1 527)
Repayment of obligations under finance leases		(7 432)	(10 920)
Repayment of long term debt		(93 686)	(385 371)
Proceeds from long term debt		141 702	333 742
Payment of dividends	30	-	(347 074)
Repurchase of convertible bond		(72 115)	(8 463)
Purchase of own shares		-	(15 889)
Settlement of share options	24	-	(2 430)
Proceeds from issue of shares	18	108 003	1 314
<b>Net cash (used in) / provided by financing activities</b>		<b>73 888</b>	<b>(436 618)</b>
<b>Net change in cash and cash equivalents</b>		<b>40 113</b>	<b>(250 243)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>40 780</b>	<b>291 023</b>
<b>Cash and cash equivalents at end of period</b>	<b>27</b>	<b>80 893</b>	<b>40 780</b>

**Supplementary cash flow information:**

Interest paid	32 113	39 831
Taxes paid	148	141

See accompanying notes that are an integral part of these financial statements

**Golden Ocean Group Limited**  
**Consolidated Statement of**  
**Changes in Equity**

**Total Attributable to equity holders of the parent**

*(in thousands of \$)*

	<b>Share Capital</b>	<b>A dditional paid in capital</b>	<b>Other Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>	<b>Minority interest</b>	<b>Total Equity</b>
Balance at January 1, 2008	27 177	29 895	16 662	107 796	181 530	1 354	182 884
Comprehensive income for the period	-	-	(22 920)	380 142	357 222	1 073	358 295
Share issue for cash	872	442	-	-	1 314	-	1 314
Value of services under stock options scheme	-	-	-	569	569	-	569
Purchase of own shares	(350)	(15 539)	-	-	(15 889)	-	(15 889)
Dividend paid	-	-	-	(347 074)	(347 074)	-	(347 074)
Stock options paid in cash	-	-	-	(2 430)	(2 430)	-	(2 430)
<b>Balance at December 31, 2008</b>	<b>27 699</b>	<b>14 798</b>	<b>(6 258)</b>	<b>139 004</b>	<b>175 243</b>	<b>2 427</b>	<b>177 670</b>
Balance at January 1, 2009	27 699	14 798	(6 258)	139 004	175 243	2 427	177 670
Comprehensive income for the period	-	-	22 893	216 988	239 882	1 015	240 897
Share issue for cash	18 000	90 003	-	-	108 003	-	108 003
Value of services under stock options scheme	-	-	-	270	270	-	270
<b>Changes in ownership interest in subsidiaries that do not result in loss of control:</b>							
Minority interest arising from the inception of Golden Ocean Trading Limited	-	-	-	-	-	596	596
<b>Balance at December 31, 2009</b>	<b>45 699</b>	<b>104 801</b>	<b>16 635</b>	<b>356 263</b>	<b>523 398</b>	<b>4 038</b>	<b>527 436</b>

## **1. GENERAL**

Golden Ocean Group Limited (the “Company” or “Golden Ocean”) was incorporated in Bermuda on November 8, 2004 as a limited company. The Company’s registered address is Par la Ville Place, Par la Ville Road, Hamilton, Bermuda. The Company was formed as a wholly owned subsidiary of Frontline Ltd. (“Frontline”), a Bermuda publicly listed company, for the purpose of acquiring, by way of contribution, certain drybulk shipping interests held by Frontline. These assets were transferred to the Company on December 1, 2004 and were, at the same date, capitalised in the Company’s accounts as contributed surplus.

On December 1, 2004 the Board of Frontline approved the spin off, or demerger, of Golden Ocean to Frontline’s shareholders. The demerger of Golden Ocean from Frontline was consummated and effective for accounting purposes from December 1, 2004. The Company subsequently de-merged from Frontline and was listed on the Oslo Stock Exchange on December 15, 2004.

The Group consists of the Company and its subsidiary companies (note 33) and special purpose entities. The principal activities of the Group are ship ownership and operation. The Company is also involved in the charter, purchase and sale of vessels. The Group operates a fleet of owned and leased Panamax and Capesize drybulk vessels. The Group also trades forward freight agreements for the purpose of managing its exposure to vessel spot market rates and for speculating.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards and have been prepared on a going concern basis. This contemplates the realisation of assets and liabilities in the ordinary course of business. No adjustments have been made in these financial statements to the carrying value of assets and classification of liabilities which may be necessary in the event that the Group is no longer a going concern.

The following are the significant accounting policies adopted by the Group:

### **(a) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and entities (including special purpose entities) controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company has the intention to consolidate when the substance of the relationship between the Company and the entity indicates that the entity is controlled by the Company.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions and balances are eliminated on consolidation.

The Company was incorporated on November 8, 2004 for the purpose of acquiring by way of a contribution, certain drybulk shipping assets and associated liabilities of Frontline. This is a group reconstruction and has been accounted for using de-merger principles. This has resulted in the assets and liabilities contributed by Frontline being recorded at their historical net book values as recorded in Frontline’s consolidated financial statements.

### **(b) Revenue and expenditure**

Revenue and expenditure are measured at fair value received or receivable and paid or payable respectively. Revenue and expenses for voyage charters are recorded on a percentage of completion based on days. Full provision is made for any losses on voyages in progress at the balance sheet date. Where the Group is party to a profit sharing arrangement, revenue is accounted for on a daily basis as earned and receivable in accordance with the terms of the arrangement.

Normal vessel repair and maintenance costs are charged to the income statement when incurred. The Group capitalises the cost of a dry docking at the time the dry docking takes place. The capitalised costs are written off as vessel running costs on a straight line basis over the estimated period to the next dry docking.

**(c) Pensions**

The Company has set up a defined benefit scheme with a life insurance company to provide pension benefits for its employees. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employee's pension qualifying period, salary at retirement age and the size of benefits from the National Insurance Scheme. Full retirement pension will amount to approximately 70% of the scheme pension-qualifying income (limited to 12G). The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is aged 67 years.

The Company may at any time make alterations to the terms and conditions of the pension scheme and undertake that they will inform the employees of any such changes. The benefits accruing under the scheme are funded obligations.

All pension schemes are calculated in accordance with the IFRS (IAS 19). Changes in the pension obligations as a result of changed actuarial assumptions and variations between actual and anticipated return on pension funds will be entered on the average remaining earnings period according to the "corridor" regulations.

**(d) Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

**(e) Translation of foreign currencies**

The entity's functional and presentational currency is the United States Dollar (US Dollars, or \$) as most of the revenue and expenses of the Company and its subsidiaries are denominated in US Dollars.

Transactions in currencies other than the functional currency are recorded at the rate of exchange on the date of the transaction. At the balance sheet date all monetary items are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at historical rates, unless such items are carried at fair value, in which case they are translated at the rate of exchange in effect at the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences on non-monetary items carried at fair value are included in the income statement for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognized directly in equity.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in US Dollars using the prevailing exchange rates on the balance sheet date. Income and expense items are translated at the average rates for the period. Exchange differences are presented in equity.

**(f) Property plant and equipment and depreciation**

Assets are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on the basis that the book value of the assets, less any estimated residual value, is written off on a straight line basis over the remaining useful life. In accordance with IAS 16 – "Property, Plant and Equipment", the Group annually reviews the useful life and residual value of assets.

When the Company enters into newbuilding contracts, the Company assesses if it has a practice of settling similar contracts net in cash by entering into offsetting contracts or by selling the contract before taking delivery of the vessel. Similarly, when the Company enters into an agreement to buy a vessel, and subsequently enters into a contract to sell it prior to taking delivery, or a short time after delivery, the Company assesses if the contract to sell the vessel creates a practice of net settlement. Contracts settled net in cash are carried at fair value in the balance sheet and changes in the fair value are recorded in the income statement. Similarity is assessed on a contract by contract basis by evaluating past

transactions where newbuilding contracts have been settled net in cash. As at the balance sheet date management believes that the Company does not have a past practice of settling any newbuilding contracts net in cash.

Other newbuilding contracts are treated as Property, Plant and Equipment in a separate category (“vessels under construction”), and accounted for at cost, including capitalised interest and other capitalised finance costs. Capitalised interest are borrowing costs directly and indirectly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in the income statement during the period in which they are incurred.

Assets in the course of construction are carried at cost, less any recognized impairment losses. Costs include professional fees and borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation commences when assets are available for their intended use.

The vessels are depreciated from the date the vessel is available for its intended use over the remaining useful life. Depreciation is calculated using the straight line method based on the cost of the vessels, less any estimated residual value. The vessels residual value and useful life are reviewed at the end of each year. Residual value is based on broker valuations at balance sheet date.

Vessels held under finance leases are depreciated over their expected useful lives on the same basis as owned vessels or, where shorter, the term of the relevant lease.

Dry-docking costs are capitalised and written off over the estimated period to the next dry-dock. Unamortised costs are written off on disposal of the vessel.

The gain or loss arising on the disposal or retirement of a vessel is determined as the difference between the sales proceeds and the carrying amount of the asset is recorded the income statement.

Fixtures and equipment are depreciated over their expected useful lives.

**(g) Intangible assets**

Intangible assets represent part of the original consideration paid to acquire a fleet of vessels with existing time charter contracts in 2005. Intangible assets are amortised on a straight line basis over a 365 day period based on the minimum lease period for the individual vessels as defined by IAS 17. Intangible assets are not amortised until the vessel is delivered to the Group.

**(h) Impairment**

At each balance sheet date, the Group reviews the carrying amount of its non-current assets to determine if there is any indication the assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. Fair value is determined as the average of three independent broker valuations, and reflects the underlying economic value of the assets in normal market conditions (where supply and demand is in reasonable equilibrium) and assumes adequate time for a sale and a willing buyer and seller. The valuations have been prepared on a charter free basis and do not take into account the long-term charters that the Group has entered into for some of the vessels. In a period of inactivity, where transactions between willing buyers and sellers are limited, and where supply and demand are not in reasonable equilibrium, the Group does not rely on broker valuations to determine the recoverable amount but uses the value in use methodology. When determining the value in use, the discounted future cash flow is based on forward market revenues less an estimate of operating expenses over the remaining useful life at a WACC rate of 10% and a future growth factor of 4%. Revenue on open positions is estimated by the Group based on the forward freight curve for the next five years and then an estimated growth of 4% for the remaining life. The growth in expense is estimated to be 4% yearly from latest year. Assets are assessed individually.

When an impairment loss is identified the carrying value of the asset is reduced to the recoverable amount and the impairment loss is recorded in the income statement.

**(i) Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is calculated on a first in first out basis. Inventories consist of ship stores and supplies.

**(j) Financial instruments**

***Classification of financial assets***

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

**(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

**(c) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

***Recognition and measurement of financial assets***

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other (losses)/gains'.

**Derivatives**

Derivative financial instruments are initially measured at fair value on the date a derivative contract is entered into and are subsequently measured at the fair value. Movements in the fair value of derivative financial instruments that are not effective hedges are recognized in the income statement in other (losses)/gains.

#### Trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less appropriate allowances for credit losses per the Group's accounting policy on note 2(m). If collection is expected in more than one year, they are presented as non-current assets.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with a maturity of less than three months, and other highly liquid investments with a maturity of less than three months when acquired that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

#### Impairment of financial assets

##### (a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

##### (b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

#### Trade and other payables

Trade payables are initially recognized at fair value, and are subsequently measured at amortised cost, using the effective interest method.

#### Bank borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement and redemption of borrowings is recognized over the term of the borrowings.

Substantial modifications of the terms of existing borrowings are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any costs or fees incurred are then recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the liability's carrying amount and are amortised over the modified liability's remaining term.

#### Convertible bonds

The liability component of the convertible bond is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the convertible bond as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible bonds is measured at amortised cost using the effective interest method. The equity component of the convertible bonds is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

When the Company repurchases convertible bonds, the difference between the fair value liability component at the repurchase date and the original fair value is recognized in the income statement under other financial items. Any remaining gains or losses are recognized as a repurchase of the equity component of the convertible bond.

#### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received.

#### **(k) Share based payments**

The Group issues equity settled share-based payments to certain directors and employees. Equity settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will vest and adjusted for the effect of non market-based vesting conditions.

The fair value is measured using a Black-Sholes model. The inputs used in the model are based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

#### **(l) Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board.

#### **(m) Critical accounting estimates and judgements**

Estimates and judgements are evaluated and based on experience and other factors that are believed to be reasonable under the current circumstances. The following summarises the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the judgements made in applying the Group's accounting policies.

#### Asset impairment testing

The Group reviews its non-current assets for impairment at each balance sheet date as discussed in note 2(f). In order to assess if impairment exists, management estimates discounted future cash flows, residual values, and remaining lives of the assets. Market factors affecting expected future revenue, operating costs, residual values and obsolescence may affect the discounted future cash flows. Actual outcomes may vary significantly from the estimates of the discounted future cash flows.

If the estimated cost of capital (WACC) used in the Vessel valuation model had been 1% higher than management's estimates (11% instead of 10%), the Group would have recognized a total impairment of \$9.3 million on two of the open capsized vessels. The other factor with influence on the Vessel valuation model is the growth factor used in the terminal period between 5 -25 years. The Group use 4% growth based on China growth as the main driven factor and with 1% reduced growth to 3%, the impairment would have been \$ 5, 3 million on one capsized vessel. A change in both factors simultaneously would have given a total impairment of \$16, 7 million.

The Group also reviews its available for sale financial assets for impairment at each balance sheet date. In order to assess if impairment exists the Group considers whether there is a significant or prolonged decline in the fair value of the asset. The Group considers a decline in the fair value to be significant or prolonged when it is below average purchase price for three consecutive quarters.

#### Onerous contracts

The Group has made accruals and provisions for partially completed lease-in contracts and for losses or adjustments to existing and previously completed contracts. Revenue on open positions is estimated by the Group based on the forward freight curve. Provisions for losses on existing contracts are made when the unavoidable costs of the contract exceed the expected revenue. Management believe that the provisions made for these items are adequate based upon the information available. As these estimates are based upon information available at the balance sheet date, they are subject to change as further information becomes available. Such changes in estimates may affect the earnings of future periods.

The Group had made no accruals for onerous contracts at year end. All the TC-in contracts were fixed out with an expected gain apart from one short term vessel open for one month after running contract at year end. A 10% reduction in revenue compared to FFA-curve at December 31, 2009 would not give any effect as onerous contract.

#### Legal provisions

The Group is party to various legal proceedings. Additional claims could be made that may not be covered by existing provisions or by insurance. There can be no assurance that there will not be further claims, proceedings or investigations. Such further claims may be material and impact future periods.

#### Leases

The Group is party to leasing transactions as both lessee and lessor. The accounting for a lease transaction is mainly determined by whether the lease is considered to be a finance lease or an operating lease. Management look to the substance of the transaction in judging whether substantially all the risks and rewards of ownership are transferred.

### **(n) Recent accounting pronouncements**

#### *New interpretations and revisions to existing standards effective for the year ended December 31, 2009*

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'no owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company have adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group or Company's financial statements.

*(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with no controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquirer at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or Company's financial statements.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of noncurrent assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group and Company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

### **3. SEGMENT INFORMATION**

More than 99 percent of the Group's revenue and operating results relate to its chartering operations which are carried out internationally and cannot be attributable to any particular geographical location or separate into any various products. No analysis by either business or geographical segment is required by key management and is therefore not included in the financial reporting. Revenue recognized by category is analysed as follows:

<i>(in thousands of \$)</i>	<b>2009</b>	2008
Time charter and voyage charter revenue	<b>350 235</b>	877 278
	<b>350 235</b>	877 278
Other operating income/(loss)	<b>(646)</b>	70 225
<b>Total operating revenue</b>	<b>349 590</b>	947 503

Other operating income consists of loss from demurrage and despatch of \$-646,000 (2008- gain of \$31,193,000). The Group has one counterpart that contributes to more than 10% of the total operating revenue amounting to \$90,440,000 (2008- \$374,098,000).

#### **4. SALE OF ASSET**

In March 2009 the Group sold M/V Bellflower for \$50 million. The terms of the agreement included a \$40 million receipt on delivery of the vessel and \$10 million to be received over a period of seven years. The outstanding balance of \$10 million has been discounted to its present value and classified as other long term receivables of \$6,552,000. The Group exercised a purchase option for the Bellflower in 2008 and paid \$21,133,000 for the vessel. The vessel was classified as non-current assets held for sale at December 31, 2008.

In November 2007 the Group entered into an agreement with Britannia Bulk Finance Limited regarding the sale of six Panamax vessels under construction. The Group received a down payment of \$71,280,000 which was classified as deferred income in the balance sheet. Britannia Bulk Finance Limited has since March 2009 been subject to administration under the supervision of the UK courts. Due to this situation there was a high uncertainty linked to Britannia Bulk's ability to ultimately take delivery of the six vessels. In August 2009 the Group entered into an agreement with Britannia Bulk Finance Limited where the parties mutually accepted to terminate the purchase agreements for all six vessels against a termination fee of \$17.5 million. This further resulted in a gain of \$53.8 million which was recorded in third quarter 2009.

In August 2009 the Group terminated the bareboat agreement for the 1994 built Panamax vessel M/V Golden Joy by purchasing the vessel for \$10.7 million. Simultaneously the Group sold the vessel for \$16.1 million. The Group has recognised a loss of \$4.0 million related to the sale. Delivery to the buyers took place in October 2009 and had a positive cash effect of \$3.8 million after repayment of the remaining debt of \$ 1.5million.

<b><i>Cost or valuation</i></b>	<b>2009</b>	2008
<i>(in thousands of \$)</i>		
Vessels	-	40 084
<b>Total</b>	-	40 084

<i>(in thousands of \$)</i>	<b>2009</b>	2008
Net consideration received (agreement)	<b>115 907</b>	480 440
Excercise of purchase option	<b>(31 883)</b>	(29 000)
Net assets disposed off	<b>(32 745)</b>	(242 321)
<b>Gain on sale of assets</b>	<b>51 279</b>	209 119

## 5. OPERATING PROFIT

Operating profit for the year from continuing operations is stated after charging/ (crediting):

<i>(in thousands of \$)</i>	2009	2008
Net foreign exchange gain	(352)	(51)
Depreciation of owned vessels and equipment (note 12)	12 771	6 006
Depreciation of vessels held under finance leases (note 13)	4 267	5 429
Amortisation of intangible assets	6 320	6 320
Amortisation of deferred financing charges	3 821	789
Employee benefit expense	5 603	10 353
Auditors' remuneration	409	441

## 6. OTHER GAIN/(LOSSES) NET

<i>(in thousands of \$)</i>	2009	2008
Impairment newbuildings	-	(20 000)
Gain/(loss) marketable securities (note 17)	(15 562)	(8 525)
Foreign exchange forward contracts held for trading	1 061	-
Loss from freight future	(24)	(7 500)
<b>Total other gain/(losses) net</b>	<b>(14 525)</b>	<b>(36 025)</b>

## 7. FINANCE INCOME

<i>(in thousands of \$)</i>	2009	2008
Interest on bank deposits	620	3 939
<b>Total finance income</b>	<b>620</b>	<b>3 939</b>

## 8. FINANCE COSTS

<i>(in thousands of \$)</i>	2009	2008
Interest on bank overdrafts and loans	26 449	31 667
Interest on obligations under finance leases	5 334	7 232
<b>Finance cost</b>	<b>31 783</b>	<b>38 899</b>
Less amounts included in the cost of qualifying assets	(16 053)	(18 736)
<b>Total finance cost</b>	<b>15 730</b>	<b>20 163</b>

## 9. OTHER FINANCIAL ITEMS

<i>(in thousands of \$)</i>	2009	2008
Profit on re-purchase of Convertible bond	97 571	830
Other financial items	(1 254)	(173)
<b>Total finance income</b>	<b>96 317</b>	<b>657</b>

## 10. INCOME TAX

At the date of this report, there is no Bermuda income, corporation, or profits tax, nor is there any withholding tax, capital tax, capital transfer tax, estate duty or inheritance tax payable by the Company.

The Company has obtained, from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 28, 2016, be applicable to the Company or to any of its operations, or to the Company's shares, debentures or other obligations, except in so far as such tax applies to persons ordinarily resident in Bermuda and holding the Company's shares, debentures or other obligations, or any property in Bermuda leased or let to the Company.

The Company's subsidiaries Golden Ocean Management AS and Golden Ocean Management Asia Pte. Ltd. are subject to taxation in Norway and Singapore respectively. The tax charge for the year for Golden Ocean Management AS was \$103,000 (2008 -\$59,000) and for Golden Ocean Management Asia Pte. Ltd. was \$5,100 (2008 - \$nil).

## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent for continuing operations is based on the following data:

<i>(in thousands of \$)</i>	2009	2008
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the parent)	216 988	380 143
Effect of interest expense on convertible debt	279	-
Earnings for the purposes of diluted earnings per share	217 267	380 143

  

<i>(in thousands of shares)</i>	2009	2008
Weighted average number or ordinary shares for the purposes of basic earnings per share	411 990	275 590
Effect of dilutive potential ordinary shares: Convertible bonds	932	23 914
Weighted average number or ordinary shares for the purposes of diluted earnings per share	412 922	299 504

  

<i>(in \$)</i>	2009	2008
Earnings per share basic	\$0.53	\$1.379
Earnings per share fully diluted	\$0.53	\$1.360

## 12. VESSELS AND EQUIPMENT, NET

The Group has the following owned vessels at December 31, 2009.

Vessel	Built	DWT	Flag
Channel Alliance	1996	171 978	Philippines
Channel Navigator	1997	172 058	Philippines
Golden Shadow	2005	73 732	Hong Kong
Golden Saguenay	2008	75 500	Hong Kong
Golden Opportunity	2008	75 500	Hong Kong
Golden Ice	2008	75 845	Hong Kong
Golden Feng (delivered in 1st quarter)	2009	170 500	Marshall Island
Golden Strenght (delivered in 2nd quarter)	2009	75 745	Hong Kong
Golden Shui (delivered in 2nd quarter)	2009	170 500	Marshall Island

<i>(in thousands of \$)</i>	<i>Vessels</i>	<i>Drydocking</i>	<i>Fixtures and Equipment</i>	<i>Total</i>
<b>Cost:</b>				
At January 1, 2008	87 967	1 884	381	90 232
Transferred from vessels under construction (note 14)	332 206			332 206
Disposals	(223 086)			(223 086)
<b>At December 31, 2008</b>	<b>197 087</b>	<b>1 884</b>	<b>381</b>	<b>199 352</b>
At January 1, 2009	197 087	1 884	381	199 353
Additions	1 517			1 517
Transferred from vessels under construction (note 14)	191 924	-	96	192 020
<b>At December 31, 2009</b>	<b>390 529</b>	<b>1 884</b>	<b>477</b>	<b>392 890</b>
<b>Accumulated depreciation:</b>				
At January 1, 2008	18 342	377	114	18 833
Charge for the year	5 554	377	75	6 006
<b>At December 31, 2008</b>	<b>23 896</b>	<b>754</b>	<b>189</b>	<b>24 839</b>
At January 1, 2009	23 896	754	189	24 839
Charge for the year	12 331	377	64	12 771
<b>At December 31, 2009</b>	<b>36 227</b>	<b>1 131</b>	<b>253</b>	<b>37 611</b>
<b>Carrying amount:</b>				
<b>At December 31, 2009</b>	<b>354 302</b>	<b>753</b>	<b>224</b>	<b>355 279</b>
At December 31, 2008	173 191	1 130	192	174 513

The Group has pledged all its vessels to secure various banking facilities (note 19).

M/V Golden Shadow is owned by Front Shadow Inc, a 100% subsidiary of Ship Finance International Limited. The substance of the transaction with Front Shadow Inc indicates that the activities of Front Shadow Inc are controlled by the Group and this makes it a special purpose entity under SIC Interpretation 12 – “Special purpose Entities” and should therefore be consolidated.

During the year, the Group carried out a review of the recoverable amount of its vessel fleet including trading vessels (note 12), vessels held under finance leases (note 13) and vessels under construction (note 14). The recoverable amounts of the relevant assets are determined as the higher of fair value less costs to sell and value in use.

### 13. VESSELS HELD UNDER FINANCE LEASES, NET

The Group has the following vessels on financial lease at December 31, 2009.

Vessel	Built	DWT	Flag
Golden Lyderhorn	1999	74 242	Hong Kong
Ocean Minerva	2007	75 698	Panama
Golden Heiwa	2007	76 662	Panama
<i>(in thousands of \$)</i>			
<b>Cost:</b>			
At January 1, 2008			180 391
Disposals			(69)
Transferred to non-current assets held for sale			(42 366)
<b>At December 31, 2008</b>			<b>137 956</b>
At January 1, 2009			137 956
Additions			246
Transferred to non-current assets held for sale			(20 905)
<b>At December 31, 2009</b>			<b>117 297</b>
<b>Accumulated depreciation:</b>			
At January 1, 2008			7 540
Charge for the year			5 429
Transferred to non-current assets held for sale			(2 282)
<b>At December 31, 2008</b>			<b>10 688</b>
At January 1, 2009			10 688
Charge for the year			4 267
Transferred to non-current assets held for sale			(853)
<b>At December 31, 2009</b>			<b>14 103</b>
<b>Carrying amount:</b>			
<b>At December 31, 2009</b>			<b>103 194</b>
At December 31, 2008			127 269

The Group has pledged vessels held under finance leases to secure various banking facilities (note 19).

In third quarter 2009 M/V Golden Joy was transferred to non-current assets held for sale and subsequently sold.

The Group carried out a review of the recoverable amount of vessels held under finance leases at the balance sheet date. Based on this review management believe there is no evidence of impairment.

The Group leases M/V Golden Lyderhorn in from Mount Lyderhorn LLC, a third party. The substance of the transaction indicates that the activities of Mount Lyderhorn LLC are controlled by the Group and this makes it a special purpose entity under SIC Interpretation 12 – “Special purpose Entities” and should therefore be consolidated. The necessary information to consolidate is not available, and as a result Mount Lyderhorn LLC has not been consolidated. This has no impact on either the profit for the year or net assets of the Group but only affects the presentation of certain amounts in the balance sheet.

#### 14. VESSELS UNDER CONSTRUCTION

<i>(in thousands of \$)</i>	<i>New Buildings</i>
<b>Cost value:</b>	
At January 1, 2008	428 259
Additions	420 372
Impairment loss	(20 000)
Transferred to vessels and equipment (note 12)	(332 206)
<b>At December 31, 2008</b>	<b>496 425</b>
At January 1, 2009	496 425
Additions	176 049
Transferred to vessels and equipment (note 12)	(192 020)
<b>At December 31, 2009</b>	<b>480 454</b>

The Group has pledged all vessels under construction to secure various banking facilities (note 19).

Three vessels have been delivered to the Group in 2009. Two Capesize vessels have been delivered from Daehan Shipyard, M/V Golden Feng in March and M/V Golden Shui in May. One Panamax vessel from Rongsheng Shipyard (M/V Golden Strenght) was delivered in April (note12). Additions include installment, interest and supervision and reallocation of deferred charges.

The vessels under construction are scheduled to be delivered as follows: 11 vessels during 2010, 6 vessels in 2011 and 7 vessels in 2012.

For the vessels under construction, the recoverable amounts determined by the value in use calculations were compared to the net present value of the instalments paid or payable. Based on this review, management believe there is no evidence of impairment on owned vessels.

#### 15. INTANGIBLE ASSETS, NET

<i>Cost and net book value</i>	
<i>(in thousands of \$)</i>	
<b>Cost:</b>	
<b>At January 1, December 31, 2008 and December 31, 2009</b>	<b>57192</b>
<b>Amortisation</b>	
<b>At January 1, 2008</b>	<b>33 285</b>
Charge for the year	6 320
<b>At December 31, 2008</b>	<b>39 605</b>
Charge for the year	6 320
<b>At December 31, 2009</b>	<b>45 925</b>
<b>Carrying amount:</b>	
<b>At December 31, 2009</b>	<b>11 267</b>
At December 31, 2008	17 587

Intangible assets represents part of the original consideration paid to acquire a fleet of vessels with existing time charter contracts in 2005.

## 16. TRADE AND OTHER RECEIVABLES

<i>(in thousands of \$)</i>	2009	2008
Trade receivables	13 817	58 030
Other receivables	18 561	14 460
Prepayments	4 738	2 846
Accrued income	2 162	4 425
	<b>39 277</b>	<b>79 761</b>
Less non-current portion: other receivables	(6 552)	(5 000)
<b>Current portion</b>	<b>32 725</b>	<b>74 761</b>

Non-current receivables are due within six years from the end of the reporting period. The non-current receivables are secured with a mortgage in the sold vessel.

The fair value of trade and other receivables are as follows:

<i>(in thousands of \$)</i>	2009	2008	Fair value	
			2009	2008
Trade receivables	13 817	58 030	13 817	58 030
Other receivables	18 561	14 460	18 957	14 460
	<b>32 378</b>	<b>72 490</b>	<b>32 774</b>	<b>72 490</b>

The fair values of other receivables are based on cash flows discounted using a rate based on the borrowings rate of 6% (2008:7%). The discount rate equals to LIBOR plus appropriate credit rating.

As of December 31, 2009, trade receivables of \$ 8.8 million were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

<i>(in thousands of \$)</i>	2009	2008
Up to 3 months	7 891	1 612
3 to 6 months	447	1 245
More than 6 months	491	1 675
	<b>8 829</b>	<b>4 532</b>

The carrying amounts of the Group's trade and other receivables are denominated in US dollars. The Group has made no provisions for impairment of trade receivables in 2009 (2008: \$nil).

## 17. AVAILABLE FOR SALE FINANCIAL ASSETS

<i>(in thousands of \$)</i>	2009	2008
At January 1, 2009	16 669	-
Additions	-	54 974
Disposals	(24 000)	(6 858)
Increase/Decrease in value recognized as other comprehensive income (note 32)	22 893	(22 920)
Other losses recognized in the income statement (note 6)	(15 562)	(8 527)
<b>At December 31, 2009</b>	<b>-</b>	<b>16 669</b>

Available for sale financial assets consisted of shares in the US listed entity Navios Maritime denominated in US dollars.

The Group sold 5,275,145 shares in Navios during the year for an average price of \$4.55. The sale of the shares increased the cash position with \$24.0 million. The transaction gave a loss of \$15.6 million in the comprehensive Income statement.

## 18. SHARE CAPITAL

Authorised share capital is as follows:

<i>(in thousands of \$)</i>	2009	2008
5,000,000,000 ordinary shares of \$0.10 par value each	500 000	500 000

Issued and fully paid share capital is as follows:

<i>(in number of shares)</i>	2009	2008
At January 1	276 990 107	271 765 107
Issued during the year	180 000 000	8 725 000
Shares repurchased and cancelled		(3 500 000)
<b>At December 31, 2009</b>	<b>456 990 107</b>	<b>276 990 107</b>

<i>(in thousands of \$)</i>	2009	2008
At January 1	27 699	27 177
Issued for cash	18 000	872
Shares repurchased and cancelled	-	(350)
<b>At December 31, 2009</b>	<b>45 699</b>	<b>27 699</b>

The Company's ordinary shares are listed on the Oslo Stock Exchange ("OSE"). The issued shares are fully paid. All issued shares in the Company are of the same class and have the same rights in the Company. Each share in the Company carries one vote. During the year the Company issued 180,000,000 (2008-8,725,000) shares at \$0.625 (2008-\$0.15) per share. The nominal value of the shares was \$18,000,000 (2008-\$872,000) and a premium of \$90,003,000 (2008-\$442,000) has been recognized as additional paid in capital.

During the year the Company has issued share options to board members of 500,000 shares (2008–nil), management and other key employees (note 24).

The twenty largest shareholders as at December 31, 2009 are as follows:

Name	Number of Shares	Percentage of outstanding shares
Hemen Holding Limited	183 666 158	40.19%
HSBC Bank	14 744 924	3.23%
Folketrygdfondet	9 800 000	2.14%
Skandinaviska Enskilda Banken	7 109 255	1.56%
Dnb Nor Bank ASA	5 705 831	1.25%
Clearstream Banking S.A	4 646 009	1.02%
MLPF&S Norwegian Custody Account	4 045 648	0.89%
Brown Brothers Harriman & Co	4 015 500	0.88%
Bank of New York Mellom SA/NV	3 769 000	0.82%
RS Platou Markets AS	3 600 000	0.79%
Pensjonskassen Statoil Hydro	3 175 127	0.69%
Carlings AS	3 150 000	0.69%
State Street Bank and Trust & Co	2 958 280	0.65%
Citibank N.A New York Branch	2 933 715	0.64%
Bank of New York Mellom SA/NV	2 817 895	0.62%
Euroclear Bank S.A./N.V ('BA')	2 624 654	0.57%
Danske Bank A/S	2 623 531	0.57%
DnB Nor Navigator	2 476 950	0.54%
Bank of New York Mellom SA/NV	2 325 445	0.51%
SHB Stockholm clients accounts	2 197 496	0.48%
<b>Total 20 largest shareholders</b>	<b>268 385 418</b>	<b>58.73%</b>
Other shareholders	188 604 689	41.27%
<b>Total</b>	<b>456 990 107</b>	<b>100.00%</b>

## 19. LONG-TERM DEBT

<i>(in thousands of \$)</i>	2009	2008
Within one year	57 729	592 501
Between one and two years	39 875	-
Between two and five years	180 839	-
After five years	197 058	-
<b>Total debt</b>	<b>475 501</b>	<b>592 501</b>
Current portion	(57 729)	(592 501)
<b>Long-term debt, nominal value</b>	<b>417 772</b>	<b>-</b>
Deffered transaction costs	(2 916)	(4 926)
<b>Long-term debt, net</b>	<b>414 856</b>	<b>-</b>

Of the total debt, \$465,358,000 (December 31, 2008 -\$415,846,000) is secured by mortgages over sailing vessels and vessels under construction. The remaining debt of \$7,227,000 (December 31, 2008-\$176,655,000) relates to the liability component of unsecured convertible bonds issued in December 2007, the majority of which were repurchased in April 2009 (note 28).

Long-term debt and finance lease liabilities:

<i>(in thousands of \$)</i>	2009	2008
<b>Non-current</b>		
Bank borrowings	407 629	
Convertible bond	7 227	
Finance lease liabilities	58 340	90 803
	<b>473 196</b>	90 803
<b>Current</b>		
Bank borrowings	57 729	415 846
Convertible bond	-	176 655
Finance lease liabilities	6 333	10 181
	<b>64 062</b>	602 682
<b>Total borrowings</b>	<b>537 258</b>	693 485

All debt is in \$ at LIBOR plus a fixed margin of 2.75 and is repriced on a monthly basis.

## 20. OBLIGATIONS UNDER FINANCE LEASES

<i>(in thousands of \$)</i>	Within one year		2-5 years		Total	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Minimum Lease Payments						
Interest	4 768	6 529	6 146	9 049	10 914	15 578
Instalments	6 333	10 181	58 340	90 803	64 673	100 984
Total Minimum Lease Payments	<b>11 101</b>	16 710	<b>64 486</b>	99 852	<b>75 587</b>	116 562
<b>Present Value of Lease Obligations</b>					<b>64 673</b>	100 984
Current portion					6 333	10 181
Non-current portion					<b>58 340</b>	90 803

It is the Group's practice to lease certain vessels under finance leases. The average remaining lease term is 1.75 years (2008 - 2.75 years). The discount rate used to calculate the present value of minimum lease payment was 7 percent (2008 - 7 percent), the weighted average cost of capital or the implicit rate of the lease. All leases are on a fixed repayment basis.

The Group has recorded finance leases on three vessels at December 31, 2009 (December 31, 2008 - four vessels). The leases have a purchase option and the exercise price of the option changes based upon the date the option is exercised. The table below lays out the approximate exercisable dates and purchase option amounts, based on the date the purchase options are first exercisable, and the first lease renewal date.

<i>(in thousands of \$)</i>	Purchase option first exercisable date	Purchase option amount	Lease renewal date
Golden Lyderhorn	September 2009	26 350	September 2016
Ocean Minerva	January 2010	23 952	January 2010
Golden Heiwa	March 2011	23 031	March 2011

All lease payments are denominated in US Dollars.

The Group's finance lease obligations are secured by the lessor's title to the leased assets.

## 21. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

<i>(in thousands of \$)</i>	2009	2008
Trade payables	2 722	10 375
Accruals	6 392	12 198
Income received in advance	7 270	7 506
Other current liabilities	3 619	3 018
	<b>20 003</b>	<b>33 097</b>

Income received in advance relates to time charter revenue received in advance for future periods and has therefore been deferred. The decrease in trade payables is mainly due to the reduced activity in FFA trading during the period. Other current liabilities include non-current pension obligations of \$1.1 million (2008:\$0.7million).

The Group has no contingent liabilities in respect of legal claims arising in the ordinary course of business.

## 22. CAPITAL COMMITMENTS

<i>(in thousands of \$)</i>	Within one year		2-5 years		Total	
	2009	2008	2009	2008	2009	2008
Vessels under construction	283 074	135 307	446 788	868 445	729 862	1 003 752

Capital commitments have been reduced due to a future payback from Jinhaiwan Shipyard in relation to the Kamsarmax newbuildings, instalments on the existing newbuildings and one cancellation at Daehan Shipyard (Golden Island).

The unfinanced portion of the total commitment was \$384.7 million at the end of the year, whereas \$236.4 million relates to six Kamsarmax in single purpose companies without any guarantees given from the Group.

## 23. OPERATING LEASES

### Rental expense

The future minimum rental payments under the Group's non-cancellable operating leases as of December 31, 2009 are as follows:

<i>(in thousands of \$)</i>	2009	2008
Within one year	52 964	80 696
In the second to fifth years	35 429	56 794
Later than five years	-	6 261
Total minimum lease payments	<b>88 393</b>	<b>143 751</b>

Total rental expense for the year ended December 31, 2009 for operating leases was \$123,008,000 (2008-\$544,166,000).

### Rental income

The future minimum revenue to be received under the Group's non-cancellable operating leases as of December 31, 2009 is as follows:

<i>(in thousands of \$)</i>	2009	2008
Within one year	181 472	181 458
In the second to fifth years	535 389	663 356
Later than five years	198 955	396 441
Total minimum lease revenue	<b>915 816</b>	<b>1 241 255</b>

Total rental income from operating leases was \$356,555,000 for the year ended December 31, 2009 (2008-\$883,597,000). Included in intangible assets is the fair value of six time charter contracts. Amortisation of future revenue from these contracts of \$6,320,000 (2008 -\$6,320,000) is recorded in rental income.

## 24. SHARE BASED PAYMENTS

### Equity settled share option scheme

On March 21, 2005 the Company approved a share option plan under which share options may be granted to directors and eligible employees. The plan has a limited term of ten years and the Board may grant up to 15 million options.

During the term of the plan the Board may grant options to acquire the Company's shares at a subscription price that the Board shall resolve, provided that such price is not lower than the average of the middle market quotations of the shares as derived from the Oslo Stock Exchange (or any stock exchange on which the Company's shares are traded) for the three immediately subsequent dealing days on that Exchange, and the nominal value of \$0.10. For options granted to date under the plan, the total vesting period is three years and 1/3 of the option vest each year.

Details of the share options outstanding during the year are as follows:

	2009		2008	
	Number of share options	Weighted average exercise price USD	Number of share options	Weighted average exercise price USD
At the beginning of the year	812 500	4.26	10 250 000	0.15
Granted during the year	500 000	1.82	-	-
Exercised during the year	-	-	(9 437 500)	0.10
Outstanding at the end of the year	1 312 500	3.33	812 500	3.00
Exercisable at the end of the year	541 666	4.26	270 833	3.00

The options at the end of 2009 have a weighted average remaining contractual life of 3.5 years (2008 – 3.6 years). In November 2009, the Group granted the board of Director's 500,000 share options at a strike price of NOK 10.52. The fair value of options granted during 2009 was \$3,617,000.

The Company's shares are traded on the Oslo Stock Exchange in Norwegian Kroner ('NOK'). All share option calculations have been made in NOK and converted at the exchange rate prevailing at the balance sheet date.

The Group recognized total expenses of \$270,000 (2008:\$569,000) relating to equity settled share-based payment transactions during the year.

## 25. PENSION PLAN

The Group has a defined benefit pension plan in NOK that covers 13 (2008:13) of total 15 employees (2008:16), as of December 31, 2009. The majority of the plan administration is handled by a third party insurance company.

The primary beneficiaries are residents of Norway and they are entitled to approximately 70 per cent of their last year's salary at a retirement age of 67 years. The pension is transferable on death of the employee to the spouse or children up to a maximum of 60 per cent of the employee's original benefit. The actuarial report is prepared on January 12<sup>th</sup>, 2010.

<b>1. NET PENSION COST</b>	<b>2009</b>	<b>2008</b>
Service cost	517	445
Interest cost	70	47
Pension cost (Gross)	586	492
Estimated return on plan assets	54	32
Pension cost (Net)	533	459
Administrative expenses	9	6
Amortization of actuarial losses / (gains)	7	10
Payroll tax (PT)	75	65
<b>Cost in financial statement</b>	<b>624</b>	<b>540</b>
<b>2. CHANGE IN PROJECTED BENEFIT OBLIGATION (PBO)</b>	<b>2009</b>	<b>2008</b>
PBO at the beginning of year	1 622	997
Service cost	517	445
Interest cost	70	47
Actuarial loss / (gain)	(158)	(150)
<b>PBO at end of year</b>	<b>2 051</b>	<b>1 339</b>
<b>3. CHANGE IN PLAN ASSETS</b>	<b>2009</b>	<b>2008</b>
Plan assets at beginning of year	838	539
Estimated return on plan assets	54	32
Actuarial loss / (gain)	(137)	(92)
Contribution	278	217
Administrative expenses	8	5
<b>Plan assets at end of year</b>	<b>1 025</b>	<b>691</b>
<b>4. OBLIGATION IN FINANCIAL STATEMENT</b>	<b>2009</b>	<b>2008</b>
Funded status (overfunded)	1 026	648
Payroll tax	145	91
Unrecognized actuarial (loss) / gain	(141)	(141)
<b>Obligation in financial statement</b>	<b>1 030</b>	<b>598</b>
<b>5. RECONCILIATION</b>	<b>2009</b>	<b>2008</b>
Balance sheet provision (prepayment) at beginning of year	724	305
Cost in financial statement	624	540
Contributions/benefits paid during the year (including PT)	317	248
<b>Balance sheet provision (prepayment) at end of year</b>	<b>1 030</b>	<b>598</b>
<b>6. ASSUMPTIONS</b>	<b>2009</b>	<b>2008</b>
Number of employees	13	13
Total salary	2 112	1 741
Average salary	162	134
Average age	42	42,3
Average remaining service period	18	19
Resignation rate (over/under 40 years)	0-8%	0-8%
Tariff	K2005/KU	K 2005/KU
Corridor in %	10 %	10 %
Estimated return on plan assets	6,30 %	5,75 %
Discount rate	4,30 %	4,70 %
Salary increase	4,50 %	4,50 %
Increase of pension from the Norwegian National Insurance	4,25 %	4,25 %
Pension increase	4,25 %	4,25 %
Payroll tax	14,10 %	14,10 %

## 26. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Frontline and its subsidiaries and Ship Finance International Limited and its subsidiaries, are related parties due to the significant influence of a single shareholder and common directors on the boards of each company.

Frontline provides the Group with certain administrative services under the terms of an administrative management contract relating to the Bermuda office. The Group also pays Frontline a fixed fee of \$24,000 per owned vessel. In the year ended December 31, 2009, the Group was charged \$236,000 (2008- \$163,000) under this arrangement. The Group also pays Frontline for supervision of the vessels under construction and the Group was charged \$3,723,500 (2008- \$6,400,000) under this arrangement. The Group has administrative expenses related to the London office of \$142,000 (2008 – nil).

On January 1, 2005 the Company entered into an agency agreement with Frontline whereby it provides chartering services in relation to Frontline's fleet of oil/bulk/ore carriers. Frontline pays the Company a fixed amount per vessel for charters arranged under this agreement. During the year \$96,000 (2008 - \$96,000) was charged in respect of the agency agreement.

The Group has the following year end balances with related parties:

<i>(in thousands of \$)</i>	Amounts owed to related parties	
	2009	2008
Frontline and subsidiaries	650	1 821
Ship Finance Int. Ltd. and subsidiaries	1 390	1 869
	<b>2 040</b>	<b>3 690</b>

The amounts outstanding are unsecured, bear no interest, and will be settled in cash. No guarantees have been given or received.

No expense has been recognized in the period for any allowances for credit losses in respect of the amounts owed by related parties.

### Remuneration of key management personnel and directors

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Group, as a non EU country company, is not required by Norwegian accounting principles to report director fees separately per person (NUES).

The remuneration of directors and other key management during the year was as follows:

<i>(in thousands of \$)</i>	2009	2008
Managing director	645	527
Director fees	286	83
Share based payments	110	233
	<b>1 041</b>	<b>843</b>

The table below shows the total number of shares owned directly or indirectly by key management and directors as at December 31, 2009.

	Number of shares	Percentage of outstanding shares
John Fredriksen (Chairman, CEO, President and Director)	183 666 158	40.19%
Tor Olav Tøim (Director)	584 982	0.13%
Kate Blankenship (Director)	206 000	0.05%
Hans Christian Børresen (Director)	106 000	0.02%
	<b>184 563 140</b>	<b>40.39%</b>

## 27. CASH AND CASH EQUIVALENTS

<i>(in thousands of \$)</i>	2009	2008
Current accounts	<b>50 893</b>	20 780
Short-term deposits	<b>30 000</b>	20 000
<b>Cash and cash equivalents, none restricted</b>	<b>80 893</b>	40 780
Restricted cash	<b>11 835</b>	10 088
<b>Cash and cash equivalents at year end</b>	<b>92 728</b>	50 868

Details of restricted cash are given in note 28.

## 28. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

<i>(in thousands of \$)</i>	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale	Total
<b>At December 31, 2009</b>				
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	-	-
Trade and other receivables excluding pre-payments	<b>34 540</b>	-	-	<b>34 540</b>
Financial assets at fair value through profit or loss	-	<b>1 071</b>	-	<b>1 071</b>
Cash and cash equivalents	<b>92 728</b>	-	-	<b>92 728</b>
<b>Total</b>	<b>127 268</b>	<b>1 071</b>	-	<b>128 339</b>

(in thousands of \$)	value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
<b>At December 31, 2009</b>				
<b>Liabilities as per balance sheet</b>				
Borrowings (excluding finance lease liabilities)	-	-	472 585	472 585
Finance lease liabilities	-	-	64 673	64 673
Derivative financial instruments	-	-	-	-
Trade and other payables excluding statutory liabilities	-	-	22 043	22 043
<b>Total</b>	-	-	<b>559 301</b>	<b>559 301</b>

(in thousands of \$)	Loans and receivables	Assets at fair value through profit and loss	Available- for-sale	Total
<b>At December 31, 2008</b>				
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	16 669	16 669
Trade and other receivables excluding pre-payments	76 915	-	-	76 915
Financial assets at fair value through profit or loss	-	-	-	-
Cash and cash equivalents	50 868	-	-	50 868
<b>Total</b>	<b>127 783</b>	-	<b>16 669</b>	<b>144 452</b>

(in thousands of \$)	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
<b>At December 31, 2008</b>				
<b>Liabilities as per balance sheet</b>				
Borrowings (excluding finance lease liabilities)	-	-	592 501	592 501
Finance lease liabilities	-	-	100 984	100 984
Derivative financial instruments	-	-	-	-
Trade and other payables excluding statutory liabilities	-	-	108 067	108 067
<b>Total</b>	-	-	<b>801 552</b>	<b>801 552</b>

## Financial Risk Management

### Financial Risk factors

Through its activities the Group is exposed to a variety of financial risks: market risk (including currency risk and interest rate risk) credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group makes use of derivative financial instruments such as foreign exchange forward contracts to moderate certain risk exposures.

## Market risk

### Interest Rate Risk

The Group's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows.

Breakdown of long-term debt with average effective interest rates:

<i>(In thousands of \$)</i>	2009		2008	
	Loan amount	Average interest rate	Loan amount	Average interest rate
Loan on vessels	256 403	3.65%	141 568	3.78%
Loans on vessels under construction	208 955	3.65%	269 778	3.81%
Loan on marketable securities	-	0.00%	4 500	4.58%
Convertible bond	7 227	6.23%	176 655	6.23%
	<b>472 585</b>		<b>592 501</b>	

Breakdown of cash and cash equivalents with average effective interest rates:

<i>(In thousands of \$)</i>	2009		2008	
	Amount	Average interest rate	Amount	Average interest rate
Current accounts	50 893	0.72%	20 780	3.00%
Short-term deposits	30 000	0.95%	20 000	0.90%
Restricted cash	11 835	0.70%	10 088	2.50%
Other	-		-	
	<b>92 728</b>		<b>50 868</b>	

Cash and cash equivalents and long-term debt (excluding convertible bonds) bear interest at LIBOR plus a fixed margin. The LIBOR is fixed in one month period. Debt issued at variable rates expose the Group to cashflow interest rate risks which is partially offset by the cash held at variable rates.

The convertible bonds have a coupon rate of 3.625%, and the conversion price includes a premium of 40% from the issue date adjusted with dividend paid. The convertible bond exposes the Group to fair value interest rate risk.

In 2009 and 2008, the Group's debt at variable rate was denominated in US Dollars.

The convertible bonds recognized in the balance sheet are calculated as follows:

<i>(in thousands of \$)</i>	2009	2008
<b>At January 1</b>	<b>176 655</b>	183 704
Face value of convertible bonds issued	-	-
Equity components	-	-
Liability component at initial recognition	<b>176 655</b>	183 704
Interest expense	<b>3 070</b>	9 534
Interest paid	<b>(1 944)</b>	(7 285)
Repurchase of convertible bond	<b>(170 554)</b>	(9 298)
<b>Liability component at December 31</b>	<b>7 227</b>	176 655

During the year, the Group repurchased 1,823 bonds at \$0.04 million (40%) per bond at nominal value of \$182.3 million.

If interest rates as of December 31, 2009 and December 31, 2008 had increased / decreased by 1% with all other variables remaining constant, the decrease / increase in profit would have been \$ 1.4 million (2008-\$ 1.1m) mainly as a

result of higher/lower interest expense on floating rate long-term debt. Interest directly attributable to the construction of vessels is capitalised and has no effect on profits. If interest rates had moved by 1% the effect on the amount capitalised would be \$2.7 million (2008-\$1.6m). The sensitivity is higher in 2009 than in 2008 because of an increase in long-term debt attributable to vessels under construction.

The Group's chief financial officer monitors the sensitivity to the interest rates on a regular basis as part of his role. As of December 31, 2009, no interest rate hedges are held by the Group.

### Currency Risk

The value of monetary assets and liabilities denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. The majority of the Group's financial assets and liabilities are denominated in US Dollars and at December 31 2009 and 2008, there were no material assets and liabilities denominated in foreign currencies.

The Group monitors its exposure to currency risk on a regular basis. The Group use forward foreign exchange contracts to mitigate against currency risk for the Norwegian management Company.

At December 31 2009, had the exchange rate between the US Dollar and the Norwegian Kroner increased or decreased by 5 per cent with all other variables held constant, the decrease or increase respectively in net assets would not be material.

### Equity Price Risk

The Group has invested in marketable securities in the dry bulk segment on different stock exchanges, to take advantage of market movements in the equity markets.

All marketable securities present a risk of loss of capital. The Group moderates this risk through a careful selection of securities. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Group's overall market positions are monitored on a quarterly basis. The Group's maximum exposure to risk at the balance sheet date is \$nil (2008-\$16,669,000).

The Group is not exposed to commodity price risk.

### Credit Risk

The Group is exposed to credit risk, inherent in the risk that a counterparty will be unable to perform under the time and voyage charter contracts and unable to pay amounts in full when due. Allowances are made for credit losses that have been incurred by the balance sheet date, if any. The maximum exposure to credit risk on cash and cash equivalents and trade and other receivables (ignoring collateral and credit quality) at December 31, 2009 was \$132,005,000 (2008-\$130,629,000).

Concentration of credit risk exists to the extent that at December 31, 2009 approximately 90% of cash and cash equivalents were held with two financial institutions with credit ratings according to Standard & Poor's as follows:

The Group has the following derivative financial instruments:

Counterparty	Rating	Geographical segment	2009	2008
<i>Cash and cash equivalents</i>				
Skandinaviska Enskilda Banken (SEB)	A	Norway	53 974	17 602
DNB NOR		Norway	-	20 000
Nordea	AA-	Norway	29 661	2 007
NOS - SEB		Norway	-	317
Other		Norway	9 094	10 942
			<b>92 728</b>	<b>50 868</b>

In addition concentration of credit risk exists to the extent that amounts of \$10,900,000 which represent 33% of trade and other receivables are due from three counterparties. The Group does not expect any recoverability issues with these

amounts and collected \$5,900,000, which represents 54% of these amounts, subsequent to the balance sheet date. The remaining \$5,000,000 is due in June 2010.

If there is no independent rating on the customers, the credit control department assesses the credit quality of the counterparty taking into account its financial position, past experience and other factors.

Given the current economic crisis and the number of counterparty defaults worldwide, the Group monitors the exposure to credit risk on a daily basis and manages risk by concentrating on chartering activities with a number of major shipping companies and financially strong counterparties and placing bank deposits with blue-chip financial institutions.

### Liquidity Risk

The table below analyses the Group's long-term debt into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. As at December 31, 2008 the long term debt was reclassified in current liabilities at the balance sheet date, a consequence of the breach of the terms of the loan agreements (note 19).

<i>(in thousands of \$)</i>	2009	2008
Within one year	57 729	592 501
Between one and two years	39 375	0
Between two and five years	178 839	0
After five years	196 642	0
<b>Total debt</b>	<b>472 585</b>	<b>592 501</b>
Current portion	(57 729)	(592 501)
<b>Long-term debt</b>	<b>414 856</b>	<b>-</b>

The table below analyses the Group's long-term interest obligations:

<i>(in thousands of \$)</i>	Within one year	Between one and two years	Between two and five years	After five years	Total
Short-term debt (excluding bank overdraft)	1 824	-	-	-	1 824
Long-term debt	24 538	22 373	51 718	25 904	124 533
<b>Total</b>	<b>26 362</b>	<b>22 373</b>	<b>51 718</b>		<b>126 357</b>

The interest obligations is calculated by using 5 year LIBOR (2.95) plus margin of 2.75 that gives interest rate of 5.70%.

The table below analyses the Group's obligations under finance leases into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows (note 20).

<i>(in thousands of \$)</i>	2009	2008
Within one year	10 914	16 710
Between one and five years	64 673	99 852
	<b>75 587</b>	<b>116 562</b>

Cash of \$500,000 (2008- \$1,000,000) has been restricted in relation to the initial margin requirement by NOS Clearing ASA on open freight forward contracts. Restricted cash of \$3,300,000 (2008-\$3,300,000) relates to a pre-delivery deposit to Scotia bank in respect of a \$32 million loan facility for a vessel under construction, \$5,210,000 (2008-\$5,210,000) relates to a deposit in respect of a legal claim against Transfield and \$2,794,000 relates to cash deposit and guarantees.

The Group's finance department monitors the liquidity position of the Group on a regular basis between each loan drawdown and repayment period, to ensure sufficient funds are available.

### Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2009:

<i>(in thousands of \$)</i>	<b>Level 1</b>	<b>Total</b>
<b>At December 31, 2009</b>		
<b>Assets</b>		
Financial assets at fair value through profit or loss	<b>1 071</b>	<b>1 071</b>
<b>Total assets</b>	<b>1 071</b>	<b>1 071</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	-	-
<b>Total liabilities</b>	-	-

<i>(in thousands of \$)</i>	<b>Level 1</b>	<b>Total</b>
<b>At December 31, 2008</b>		
<b>Assets</b>		
Available-for-sale financial assets	16 669	16 669
<b>Total assets</b>	<b>16 669</b>	<b>16 669</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	-	-
<b>Total liabilities</b>	-	-

Level 1 is the fair value of financial instruments traded in active markets based on quoted market prices at the balance sheet date.

## 29. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital, and to enhance the ability of the Group to reinvest in future projects by sustaining a strong balance sheet position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long-term debt, obligations under finance leases and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at December 31, 2009 and December 31, 2008 were as follows:

<i>(in thousands of \$)</i>	2009	2008
Total borrowings	563 237	831 415
Less: Cash and cash equivalents	(92 728)	(50 868)
Net debt	470 509	780 547
Total equity	527 436	177 670
Total capital	997 945	958 217
<b>Gearing ratio</b>	<b>47 %</b>	<b>81 %</b>

### 30. DIVIDENDS PAID AND PROPOSED

<i>(in thousands of \$)</i>	2009	2008
<i>Declared and paid during the year</i>		
Final dividends	-	84 072
First interim dividend	-	152 207
Second interim dividend	-	110 795
Third interim dividend	-	-
	-	347 074
<i>Proposed but not recorded</i>		
Final dividend for the year	-	-

The Group has not paid any dividend per share during 2009. The dividends paid in 2008 were \$1.25 per share.

### 31. PROVISIONS FOR ONEROUS LEASES

<i>(in thousands of \$)</i>	<i>Fixed Vessels</i>	<i>Fair value</i>	<i>Total</i>
At January 1, 2008	-	-	-
Provided in the period	-	-	-
At December 31, 2008	10 358	17 078	27 436
At January 1, 2009	10 358	17 078	27 436
Additions	-	-	-
Amounts used	(10 196)	(10 733)	(20 929)
Reversed during the period	(162)	(6 345)	(6 507)
At December 31, 2009	-	-	-

The Group has not chartered in vessels on operating leases, which are expected to generate losses over the course of the leases (December 31, 2008-\$27,436,000). The expected future revenue on spot vessels is calculated by the Group based on the forward freight curve and on fixed vessels the Group use the actual earnings. At the end of balance sheet day, no vessels were expected to generate losses. Fixed vessels are vessels on contract with customers and fair value is for open positions.

Provisions are reversed through the income statement as a reduction in charter hire expenses.

### 32. OTHER RESERVES

Other reserves represent the gain or loss arising from the change in the fair value of marketable securities which are classified as available for sale financial assets (note 17) and the equity component of convertible bonds issued (note 28). Other reserves are broken down between the two categories as follows:

<i>(in thousands of \$)</i>	Marketable Securities (change in fair value)	Convertible Bonds (equity component)	Total
<b>At January 1, 2008</b>	27	16 635	16 662
Other comprehensive income (loss)			-
<b>At December 31, 2008</b>	(22 893)	16 635	(6 258)
<b>At January 1, 2009</b>	(22 893)	16 635	(6 258)
Disposal of available for sale financial assets	22 893		22 893
<b>At December 31, 2009</b>	-	16 635	16 635

### 33. SUBSIDIARY COMPANIES

The following are the Company's subsidiaries as at December 31, 2009:

Name	Country of residence	Ownership interest
Front Carriers Ltd	Liberia	100 %
Golden Ambition Inc	Liberia	100 %
Golden Beijing Inc	Liberia	100 %
Golden Brilliant Inc	Liberia	100 %
Golden Changi Inc	Liberia	100 %
Golden Crystal Inc	Liberia	100 %
Golden Dena Corporation	Liberia	100 %
Golden Diamond Inc	Liberia	100 %
Golden Eclipse Inc	Liberia	100 %
Golden Emerald Inc	Liberia	100 %
Golden Eminence Inc	Liberia	100 %
Golden Empress Inc	Liberia	100 %
Golden Endeavour Inc	Liberia	100 %
Golden Endurer Inc	Liberia	100 %
Golden Enterprise Inc	Liberia	100 %
Golden Excellence Inc	Liberia	100 %
Golden Explorer Inc	Liberia	100 %
Golden Feng Inc	Liberia	100 %
Golden Future Inc	Liberia	100 %
Golden Grouse Inc	Liberia	100 %
Golden Gunn Corporation	Liberia	100 %
Golden Hilton Shipping Corporation	Liberia	100 %
Golden Ice Inc	Liberia	100 %
Golden Island Inc	Liberia	100 %
Golden Nantong Inc	Liberia	100 %
Golden Nassim Inc	Liberia	100 %
Golden Opportunity Inc	Liberia	100 %
Golden Pearl Inc	Liberia	100 %
Golden President Shipping Corporation	Liberia	100 %
Golden Saguenay Inc	Liberia	100 %
Golden Sapphire Inc	Liberia	100 %
Golden Sentosa Inc	Liberia	100 %
Golden Shui Inc	Liberia	100 %
Golden Straits Inc	Liberia	100 %
Golden Strength Inc	Liberia	100 %
Golden Zhejiang Inc	Liberia	100 %
Golden Zhoushan Inc	Liberia	100 %
Golden Ocean Management Asia Pte Ltd	Singapore	100 %
Golden Ocean Management AS	Norway	100 %
Golden Ocean Group Management (Bermuda) Limited	Bermuda	100 %
Golden Ocean Trading Limited	Bermuda	88,09 %

The accounts of Golden Ocean Management AS are prepared in Norwegian Kroner, and the accounts of Golden Ocean Management Asia Pte. Ltd. are prepared in Singapore Dollars. At December 31, 2009 the foreign exchange on conversion to US Dollars is not material and has been recognized in the income statement.

### **34. CLAIMS**

The Group has recorded a loss in 2009 of \$4.5 million related to French Court decision in the case against Transfield. The Group has appealed on a point of law and the next decision will be in second quarter 2010. Independent of the outcome, there has been new rules in the American legislation (Rule B) and the Transfield deposit of \$15.0 million can be released. The Group are still of the opinion that they have a strong case. The total claim against Transfield included interest is around \$15.0 million.

### **35. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of directors and authorized for issue on April 29, 2010.

### **36. SUBSEQUENT EVENTS**

#### Vessel operations

In February 2010 the Group announced that Trustworth Shipping PTE Limited, Singapore failed to honor its obligations as charterer of a ten year time charter contract on a newbuilding Capesize vessel named M/V Golden Future. The vessel was chartered on 2 February 2008 by Golden Ocean to Trustworth at a rate of \$40,500 per day. Golden Ocean will make every effort to pursue and secure its claim for damages through legal proceedings.

In February 2010 the Group has in order to mitigate losses subsequent to Trustworth's failure fixed out on time charter the Capesize vessel M/V Golden Future. The vessel is chartered out for a three years time charter contract. The agreed daily time charter rate is \$31,500 less 5% total commission.

In February 2010 the Group has agreed to restructure the time charter contract for M/V Golden Beijing. In order to secure the cash flow from the time charter contract and to reduce the counterparty risk. The new agreement includes \$6 million in cash paid upfront by the charterer and in return a 25% reduction in the time charter rate. The new agreement includes a fixed time charter rate of \$33,050 per day. In addition to the fixed time charter rate, the Company has agreed on a profit share structure where significant upside exists for Golden Ocean in case of a continued strong market.

#### Financials

In March 18, 2010 the Group completed a secondary listing on the Singapore Exchange (SGX). The Company already has a substantial operational presence in Asia and views a listing in Singapore as a natural next step in its corporate development.

## **RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND PRESIDENT/CEO.**

We confirm, to the best of our knowledge, that the financial statement for the period 1 January to 31 December 2009 has been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and loss of the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties facing the group.

Oslo, 29 April 2010

The Board of Directors of Golden Ocean Group Limited

BY: /s/ John Fredriksen  
John Fredriksen  
President, CEO and Chairman

BY: /s/ Tor Olav Trøim  
Tor Olav Trøim  
Vice President and Director

BY: /s/ Kate Blankenship  
Kate Blankenship  
Director

BY: /s/ Hans Christian Børresen  
Hans Christian Børresen  
Director

BY: /s/ Cecilie Fredriksen  
Cecilie Fredriksen  
Director

## **CORPORATE GOVERNANCE STATEMENT 2009**

Golden Ocean Group Limited is a Bermuda registered company the shares of which are listed on Oslo Stock Exchange. As a result, the Company is required to publish an annual statement on the Company's principles for corporate governance in accordance with the Norwegian Code of Practice for Corporate Governance (the "Code"). The Code is published on the website of the Oslo Stock Exchange: [www.ose.no](http://www.ose.no). The Code is a non binding recommendation which all companies listed on the Oslo Stock Exchange are required to relate to on a "comply or explain" basis.

Golden Ocean Group Limited is committed to ensuring that its principles of corporate governance meet the highest standards and generally supports the principles set forth in the Code. Being subject to two different sets of corporate governance regulations (Norway and Bermuda) means, however, that Golden Ocean Group Limited will have to rely on some exceptions from the Code. As a Bermudian registered Company Golden Ocean Group Limited is also subject to Bermudian company law requirements, which in some matters differ from Norwegian law.

Golden Ocean Group Limited's corporate government policies and procedures are explained below in relation to the Code.

### **Corporate Governance**

The board of Golden Ocean Group Limited (the "Board") recognizes the importance of sound corporate governance. Golden Ocean Group Limited has not adopted any specific set of ethical guidelines, but the core values of honesty, respect and co-operation are applied in its behaviour towards competitors, suppliers, shareholders and the market in general. The Board believes that the principles it has implemented and maintained in this respect meet a sound ethical standard.

### **Business**

The business of Golden Ocean Group Limited and its subsidiaries (the "Group") is dry bulk shipping. The Company's annual report includes a more specific description of the Group's business, including the overall objectives and current strategy of the Company. The Company's annual report can be accessed at the Company's website: [www.goldenocean.no](http://www.goldenocean.no)

### **Equity and dividend**

At present, the Board is authorized by the general meeting to issue up to 500,000,000 shares. Bermudian companies have an authorized and an issued share capital. The authorized share capital is the amount up to which the Board can allot shares. The bye-laws of the Company (bye-law 12) state that the unissued shares of the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons at such times and for such consideration and upon such terms and conditions as the Board may determine. There is therefore, in accordance with Bermudian corporate law and the Company's Bye-Laws, no time limit on the Board's authority to issue shares up to the amount of 500,000,000.

As at December 31, 2009 the issued share capital of Golden Ocean Group Limited was US \$ 456,990,010.70. By a board' resolution passed on 7 April 2009 the issued share capital was increased by 180,000,000 shares of \$0.10 each thereby increasing the issued share capital by US \$18,000,000. The Board is of the opinion that, after the equity issue is completed, the financial standing appropriate, considering the Company's objectives, strategy and risk profile.

Bermudian law allows a company to repurchase its own shares for cancellation or to be held as Treasury Shares. In the case of Golden Ocean Group Limited this right is also stated in the Company's bye-laws (bye-laws 9, 10 and 11). Unlike Norwegian law (Public Limited Companies Act), which restricts the total nominal value of holding of own shares to 10% of the total share capital, and which limits the board of directors' power to resolve that a company acquire its own shares to a time period of 18 months from when the power is granted, under Bermudian law there is no time limit within which the repurchase needs to take place. A company cannot repurchase its shares if there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. In addition, if the company purchases its own shares, the amount due to a shareholder (i) may be paid in cash, (ii) be satisfied by the

transfer or any part of the undertaking or property of the company having the same value, or (iii) a combination of (i) and (ii).

The Company's bye-laws 118 to 124 (inclusive) deal with dividends and other payments to shareholders and provide that the Board can declare cash dividends or distributions out of contributed surplus, and may also pay a fixed cash dividend half yearly or on other dates. Bermudian law permits the Company to declare interim dividends out of profits and retained earnings. This differs from the position of a Norwegian public limited company which is not permitted to do this.

The Company has not adopted a fixed dividend policy. The Company believes that given the nature of its business, that having no specific dividend policy is just as sound as having a dividend policy. Without a dividend policy the Company can use its profit earnings to reinvest and expand the Company and its business. Having a fixed dividend policy may have the consequence that such opportunities are lost. The Company's goal is to achieve a high dividend capacity, and maximize shareholder return. However, dividend payments will depend on the Company's financial situation, need for working capital and investments or acquisition possibilities from time to time.

### **Equal treatment of the shareholders**

As a listed company, the Company is obliged to comply with the information requirements of the Oslo Stock Exchange. All information relevant to the share price is published to the marked through Hugin Connector and the Oslo Stock Exchange. This is also made available immediately at the Company's website.

The Company publishes all reports, presentations given by the management and dates for financial releases on its website.

Golden Ocean Group Limited has only one class of shares.

Under Bermudian corporate law shareholders in a Bermudian company do not have any preferred right to subscribe for further shares when new shares are issued. The Company's bye-laws (bye-law 49) allows the Company by ordinary resolution of the shareholders to direct that the new shares (or any of them) shall be offered in the first instance, either at par or at a premium, (subject to the provisions of the Bermudian Companies Act) to all the holders for the time being of shares of any class or classes in proportion to the number of such shares held by them respectively, or make any other provision as to the issue of new shares.

Golden Ocean Group Limited will, if acquiring its own shares, always do this through purchases on the Oslo Stock Exchange or Singapore Exchange Securities Trading Limited at the prevailing stock exchange price.

The Company's policy is to enter into related party transactions solely on terms that are at least as favorable to the Company as those that can be obtained when contracting with an unrelated third party. Thus any contracts entered into between the Company and related parties are always made on arm's length market terms.

It follows from the Bermudian Companies Act that an officer or director of the Company shall, at the first available opportunity, notify the Board of his interest in any material contract or any person that is a party to a material contract of the Company. Further the Company's bye-laws contain (in bye-laws 95-100) specific provisions addressing director's interests.

### **Freely negotiable shares**

Subject to (i) Bermudian company law, (ii) the terms of the Company's bye-laws 38 to 42, inclusive, which deal with transfer of shares and (iii) the terms of any applicable United States securities laws (including the United States Securities Act 1933), Golden Ocean Group Limited's shares are freely transferable provided that the shares are listed on an appointed stock exchange (which terms includes Oslo Stock Exchange).

The Company's bye-law 39 (ii) gives the Board the option to decline to register the transfer of any shares if the registration of such transfer would be likely to result in 50% or more of the aggregate issued share capital of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway.

Under the Company's bye-law 39 (ix) where a person or entity becomes the owner of more than 30% of the issued shares, the Board can decline to register the interest in excess of 30% unless the acquirer makes an offer to purchase the remaining shares of the Company or agrees to sell part of the shares acquired to reduce the interest to below 30%.

### **General meeting**

The bye-laws of Bermudian companies are generally extensive and regulate in detail matters relating to the internal management and activities of the Company. The Company's bye-laws 57 to 88 (inclusive) deal extensively and in detail with matters concerning general meetings of the Company, including the rights of shareholders. These bye-laws cover annual and special general meetings, notice of general meetings, proceedings at general meetings, voting rights, and proxies and corporate representatives.

The Company's general meetings are open to all of the Company's shareholders, and are held on an annual basis (subject to any need for any additional special general meeting at any time). The notice period for both annual and special general meetings is, under bye-law 58, no less than 7 days' notice which shall be provided in writing which extends the statutory period of at least 5 days' notice, contained in section 75(1) of the Bermudian Companies Act. Shareholders may exercise their vote through a representative or proxy. The Company's bye-laws 82 to 87 (inclusive) specifically address proxies and corporate representatives. Bye-law 87 permits the Board, subject to the Bermudian Companies Act, to waive any of the provisions of the bye-laws related to proxies or authorizations and, in particular, the Board may accept verbal or other assurances as it thinks fit as to the right of any person to attend and vote on behalf of any shareholder at general meetings. All shares have equal voting rights. No shareholder is permitted to own more than 30% of the outstanding shares of the Company pursuant to bye-law 39(xi). Other than that restriction, there are no restrictions on ownership or any known shareholder agreements. (See further discussion below at "Change in Control, takeovers").

### **Nomination Committee**

Golden Ocean Group Limited has no nomination committee. The Board is able to nominate candidates for election as directors. Although the resolutions tabled by the Board are subject to the shareholder(s) Common Law right to move an amendment to the Board's proposed resolution. In addition, the shareholder(s) have a Common Law right under Bermuda law to put forward nominations. This Common Law right is modified by section 79 of the Bermuda Companies Act which provides a framework within which shareholder(s) may put resolutions before a general meeting. The independence of the Board of the Company is commented on under the section below headed Corporate Assembly and Board of Directors.

The Board would also propose candidates for election as auditors, in the case of a need for re-election, and also proposals concerning the level of remuneration for directors and senior management.

### **Corporate assembly and board of directors**

Golden Ocean Group Limited does not have a corporate assembly or any other non executive supervisory board. This is not required under Bermudian company law. In accordance with the Company's bye-law 89, and subject to the Bermudian Companies Act, directors hold office until the annual general meeting following their election or until a successor is elected. The Company's bye-law 91 provides that the Company may in a special general meeting of the shareholders remove a director provided that notice of the special general meeting has been given to the director not less than 14 days before the special general meeting, the director is entitled to be heard at the special general meeting. The shareholder may elect a person to replace the director so removed and, in the event they do not, the Board can appoint a director. The Board can appoint a new director to fill a casual vacancy until the annual general meeting.

The Company's bye-law 92 deals with resignation and disqualification of directors, and sets out certain events which would result in a director being disqualified, and thereby vacating his office. Amongst other events, these include a director becoming of unsound mind and the Board resolving he should be removed, if he becomes bankrupt, or if he is prohibited by law from being a director.

The Board currently consists of five directors. Three of the directors, John Fredriksen, Tor Olav Trøim and Cecilie Fredriksen are not independent from Golden Ocean Group Limited's main shareholder, Hemen Holding Limited. Kate

Blankenship and Hans Chr. Børresen are both independent. The composition of the Board therefore satisfies the recommendation of the Code for two independent directors.

The Company believes that in the context of its business and operations it is important to have a small and focused Board with a close working knowledge of Golden Ocean Group Limited's strategy and operations, and an ability to react quickly when the situation so requires. The current composition of the Board satisfies these needs.

The Board is constantly evaluating the necessity to establish sub-committees. The Board can delegate its powers to committees under the Company's bye-law 103. The Company has appointed an audit committee as a sub-committee of board of directors. The audit committee has meetings each quarter ahead of finalizing quarterly reports.

The size and focus of the Board and the direct communication between the management and the Board supports the view of the Board that other sub- committees are not required. The Board evaluates its work and competence constantly and adopts any required changes, always with a view to protecting the interests of the Company.

### **The Board of directors' work**

The Board receives quarterly financial reports for the Company with comments on the Group's economic and financial status. The Board discusses strategy and investment opportunities in meetings held as required and in addition to the regular scheduled Board meetings. The Board holds –between four and six regular Board meetings each year. The Board attends to the organization of the Group, institutes plans and budgets and ensures that the Company's accounting and financial administration are in good order. The Board also actively supervises the day to day management of the Company's operations.

### **Compensation to the board of directors and executive employees**

Total remuneration to key management and directors appear in the annual report.

Golden Ocean Group Limited has no compensation committee. The Company's Bye-law 94 deals with directors' fees and additional remuneration and expenses. Directors' fees are determined by the Company by Ordinary Resolution and in the absence of a determination to the contrary in the general meeting and the Board determines the compensation of individual directors.

Golden Ocean Group Limited has not, at present, established any written guidelines for the remuneration of the members of its executive management, but only immediate superiors are involved in the decision making process involving employment, pay, bonuses and incentives to employees. The remuneration to executive management is considered by the Company to be in line with market practice and prevailing conditions.

The day-today management of the Company is undertaken by Golden Ocean Management (Bermuda) Ltd. under the terms of a written management agreement with Golden Ocean Management AS (a Norwegian company in the Group), and Golden Ocean Management Asia Pte Ltd. (a Singapore company in the Group), acts as sub-contractor to Golden Ocean Management (Bermuda) Ltd. subject to the terms of written management agreements. The management and employees of these two companies are experienced and qualified to perform the management tasks allocated to them.

The Company operates a share option incentive program for the Group's directors and senior employees. The general terms of the share option program are approved by the shareholders in a general meeting.

### **Risk management and internal control**

In general, the Board ensures that all necessary controls of the Group's business are carried out. This includes processes for internal controls, external audit, strategic assessment, business assessment, and management resources. In addition, the Company has invested in a risk management system that constantly keeps track of the positions of all vessels under operation. The Board receives a weekly report that gives an overview of the open positions and the sensitivity related to changes in market conditions.

The annual report does not include comments on the internal control and risk management systems.

### **Information and communication**

Relevant issues of particular importance concerning the Company are communicated through the Company's website, and include information relating to results and economic development. The Company's policy is to comply with standards to provide good information.

Golden Ocean Group Limited publishes annual and quarterly reports at its website. The Company acknowledges the importance of providing shareholders, and the equity market in general, with correct and relevant information about the Company and its activities.

### **Change in Control, takeovers**

The bye-laws of Golden Ocean Group Limited do not include any mechanisms that hinder a takeover or deter takeover-bids. However, the Board would, in case of a takeover-bid, take such actions that are in the best interests of the shareholders, such as advising the shareholders in the assessment of the bid and, if appropriate, seeking to find a competing bidder.

If a take-over bid were made for Golden Ocean Group Limited's shares it is the opinion of the Board that the shareholders of the Company should be treated equally and provided with sufficient information and time to consider the offer.

In connection with transfers of shares the Company's bye-law 39.(ix) contains terms to comply with the requirements of Norwegian securities law and states that if any person or entity becomes the owner of shares representing more than 30% of the then issued shares the Board can refuse to register the transfer unless the acquirer makes an offer for the purchase all of the Company's issued shares, or sells some of shares so that the ownership is reduced to less than 30%.

### **Auditor**

The Company's independent auditor, appointed by its general meeting, is PricewaterhouseCoopers AS.

The Company employs the same auditing firm as all its subsidiaries. The auditor reviews the internal control system of the Group on a yearly basis and reports back to the Board. The auditor participates in the Board meeting that approves the annual accounts of the Company, and otherwise as required. The auditor provides a statement to the Board each year in connection with the annual audit. The shareholders authorise the board to set the auditor's remuneration in the annual general meeting.