



GOLDEN OCEAN™



**GOLDEN OCEAN™**

Consolidated financial statement 2010

Annual Report 2010

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## Directors' report for Golden Ocean Group Limited for the year ended December 31, 2010

### INTRODUCTION

Golden Ocean Group Limited ("Golden Ocean", "Group" 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.

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 Singapore Stock Exchange approved the listing of Golden Ocean Group Limited on their Main Board and the listing was effective as of end of March 18, 2010.

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 of second hand tonnage and newbuildings, as well as through time charter and bareboat agreements.

The Company now owns or controls 18 vessels, has 16 vessels (including 2 option vessels) under construction for delivery between 2011 and 2012, and has several chartered-in vessels. In addition, the Company has substantial time charter contract coverage.

### 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 optimize 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 dry bulk market did surprise on the upside during 2010. In spite of a net fleet growth of 76 million dwt or 14 per cent of the existing fleet and slightly lower iron ore imports to China, average earnings for the entire fleet came out more or less at same level as for 2009. But there were big differences in earnings between the sizes which reflect the influx of newbuildings. As many as 205 Capesizes were delivered in 2010, this represents a net fleet growth of 23 per cent, while the Panamax segment in comparison had a net fleet growth of 11 per cent. In combination with lower volumes of long haul shipments of iron ore from Brazil to Asia, the Capesizes did suffer and from time to time they earned less than the smaller sizes.

Outside the normal supply / demand balance there are a few reasons why the utilization of the dry bulk fleet was well supported in 2010.

- Chinese coastal trade is growing fast and could account for as much as 6 per cent of total dry bulk trade
- Waiting time at load and discharge ports was tying up between 5 and 9 per cent of the total fleet during last year.
- The inefficient utilization of the fleet, due to the fact that a continuously bigger portion of the dry bulk fleet ends up in Asia and have to sail empty back to loading areas in the Western hemisphere. In addition piracy in Gulf of Aden and Indian Ocean is adding waiting time for military convoys, slower steaming during convoy passages and deviations in general.

Some key figures related to global dry bulk demand are as follows:

In million tons	2009	2010
Iron ore imports	906	983
Coal Imports	875	1011
Grain / Soya Beans	310	317
Steel Products	160	184
<b>Total</b>	<b>2251</b>	<b>2495</b>

On average a Panamax vessel earned \$24,997 per day during the 2010, while a Capesize vessel earned \$33,254 per day for the year (average time charter earnings reported by Baltic).

The total dry bulk fleet grew by 15.7 per cent year on year during fourth quarter 2010 and 3.8 per cent compared to the previous quarter. There is a substantial gap between the official order book and what is actually being delivered. About 67 per cent of the official order book was delivered during 2010.

There was downward pressure on asset values during last year. Sale and purchase shipbrokers estimated the value of a five year old Panamax vessel to be \$35 million (down from \$39 million) by the end of 2010 and \$51 million (down from \$56 million) for a similarly aged Capesize vessel.

Recent developments with natural disasters in Australia resulted in a sharp decline in coal exports from this region and adverse weather in general in the Southern Hemisphere had a strong negative impact on the dry bulk market. Even though coal production has started to resume it will most likely take a few months before coal exports out of Australia is back to normal. In addition the filing for bankruptcy protection of Korea Line, a major dry bulk operator, has added to the negative sentiment.

There is a lot of uncertainty among dry bulk market forecasters both when it comes to supply and demand. Everybody agrees to the fact that the order book is massive, around 50 per cent of the existing fleet is on order. About 140 million dwt is scheduled for delivery during 2011. The last two years, actual deliveries were lagging substantially compared to the official order book. Just in excess of 60 per cent of the official order book has been delivered on average during each of the last two years. If same delivery rate continues this

year we could expect to “welcome” additional 85 million dwt carrying capacity. Scrapping is first and foremost a function of spot earnings and due to the fact that scrapping has been very slow over the last four years there are many scrapping candidates in the dry bulk sector.

On the demand side, Chinese iron ore imports represents the biggest uncertainty. As stated above, the small decline witnessed last year came as a surprise to most forecasters. For 2011 the spread between the most optimistic and most pessimistic analysts is about 150 million tons or approximately 150 Capesize equivalent vessels.

Historically grain has had the greatest impact when it comes to seasonality, but due the rapid growth of iron ore and coal transportation during the last decade, the relative importance of grain has diminished. Still the Panamax and Handymaxes are enjoying good support from grain demand in peak seasons, which is taking place in second quarter from the southern hemisphere and end of third quarter and fourth quarter from the northern hemisphere.

The strong volatility we have witnessed in dry bulk earning over the last couple of years is most likely coming from other reasons than straight seasonality. Quarterly pricing of iron ore between Australian and Brazilian suppliers and receivers in China and other Asian countries is either encouraging or discouraging buyers based on the average price previous quarter compared to spot prices. Further adverse weather conditions like what we experienced in Australia in late December and January is having a strong impact, and meteorologists are stating that our planet could face more frequent adverse weather in the years to come. Finally port congestion which at peaks is tying up as much as ten per cent of the total dry bulk fleet is creating volatility, not necessarily with a strong seasonal correlation.

In a fairly optimistic demand scenario with a continuation of two digit growth in ton mile demand the market needs close to 40 per cent delays / slippage and cancellations of the official order book to bring the utilization close to 90 per cent.

## **HIGHLIGHTS IN 2010**

In February 2010 the Company 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 continues to make every effort to pursue and secure its claim for damages through legal proceedings.

In March 2010 Golden Ocean announced the secondary listing of Golden Ocean at Singapore Stock Exchange (SGX).

In May 2010 the Company succeeded in the restructuring of the newbuilding program at Pipavav Shipyard in India. Golden Ocean agreed to construct four vessels at a price of \$31 million each, resulting in a discount of \$4.6 million per vessel compared to the original construction price. The two remaining construction contracts with the yard were converted into purchase options.

Also in May 2010, Golden Ocean reached an agreement with the Company's banks in order to change the covenant structure in the loan agreements. The new structure creates increased flexibility and opened up for dividend payments. The Company has during 2010 paid out 12.5 cent in dividend to the shareholders.

In June 2010 the Company announced the investment in Knightsbridge Tankers Limited (KTL) through the sale of the Capesize vessel Golden Future at a final sales price of \$73.6 million. The agreement includes cash settlement of \$47 million and the remaining \$26.6 million was settled with common shares in KTL. The transaction was completed in July 2010. The cash received were used to pay down the debt of \$47 million on the asset. Following this transaction, in September 2010 the Company completed a similar transaction for the Capesize Vessel Golden Zhejiang. The final sales price was \$67.8 million and the Company received a cash settlement for \$47 million and shares for the remaining \$20.8 million. The Company owned as of

December 31, 2010 more than 2.4 million shares in KTL, and is the largest shareholder with 9.98% of the outstanding shares.

The Company received in June 2010 an award in the arbitration proceedings against Transfield. The settlement was received in the beginning of July and the Company took a net gain after expenses of \$6.25 million.

In September 2010 the Company entered into an agreement with Zhoushan Jinhaiwan Shipyard Co., Ltd. (“Jinhaiwan”) to restructure the newbuilding program. The Company will construct four Kamsarmax vessels and four ice class Panamax vessels, and keep the existing order for the Capesize vessel Golden Nantong for a total price of \$339.5 million. Six of the vessels were previously orders for Kamsarmax vessels entered into in SPC without parent company guarantees. Two of these vessels were converted into ice class Panamax contracts as part of the restructuring.

In September 2010 the Company decided to exercise its right under the shipbuilding contract for the Capesize vessel Golden Changi to cancel the contract. The Company received full refund including interest thereon in the fourth quarter of 2010.

Golden Ocean took during 2010 delivery of three Capesize vessels, Golden Beijing, Golden Future and Golden Zhejiang, and four Kamsarmax vessels, Golden Eclipse, Golden Eminence, Golden Empress and Golden Endeavour, from the shipyards.

The Company sold four vessels, Golden Eclipse, Golden Future, Golden Zhejiang and Golden Shadow during the year. Golden Eclipse was chartered back to the Company on bareboat for ten years.

## **FINANCIAL REVIEW**

### ***Income statement***

The Company's consolidated revenues for 2010 were \$384.9 million, increasing by \$29 million compared to 2009.

For the same period the consolidated operating profit reached \$127.4 million, down from \$133.1 million in 2009. This includes gains on sale of assets amounting to \$3.2 million and \$51.3 million for 2010 and 2009, respectively. The 2010 numbers also include a gain of \$16.8 million that is a partly reversal of the impairment taken in 2008 of \$ 20 million on eight vessels under construction. No impairment charge has been recorded in 2010.

The Company's net profit for 2010 was \$108.0 million which is equivalent to earnings per share of \$0.24. In 2009 the Company had a net profit of \$218 million and earnings per share of \$ 0.53.

### ***Balance sheet***

In 2010, the Company's total assets increased from \$1.1 billion at the start of the year to \$1.2 billion. Total current assets increased by \$132 million whereas non-current assets increased by \$6 million. The increase in current assets was mainly related to increased cash and marketable securities, only offset by a decrease in trade and other receivables of \$11 million.

During 2010 the current liabilities decreased by \$13.2 million to \$69.7 million. Total non-current liabilities increased by \$94.6 million to \$583.0 million. Net interest bearing debt was at year end 2010 \$486.9 million, compared to \$472.6 million in the preceding year.

In 2010, the minority interests have decreased by \$3.4 million to \$0.6 million. The decrease is related to the de-consolidation of Front Shadow Inc due to sale of the vessel Golden Shadow.

The Company's total shareholders' equity increased from \$516.3 million to \$574.5 million during 2010. This reflects the net Comprehensive Income for the year of \$114.9 million, adjusted for the paid out dividends in 2010 amounting to \$57.4 million and other adjustments of \$0.7 million.

The Company revised the accounting for two vessels under finance leases in fourth quarter 2010. The restatement is described in note 3 in the financial statement.

### **Cash flow**

Golden Ocean Group Limited had as of December 31, 2010 free cash and cash equivalent balance totaling \$179.5 million, which is an increase of \$98.6 million compared to the preceding year. For the year the net cash provided by operating activities amounted to \$141.4 million, compared to \$114.2 million in 2009. Net cash provided in investing activities amounted to \$10.2 million of this \$173 million, was used on installments for newbuildings and \$171.2 million is related to sale of assets. Net cash used in financing activities was \$53.0 million.

### **Going Concern**

The Company considers itself to be in a financially 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 3 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 2010, Golden Ocean had one incident that required medical treatment and one incident was classified as Lost Time Injuries (LTIs). LTI frequency changed from six incidents in 2009 to one in 2010 and incidents requiring medical treatment changed from three in 2009 to one in 2010. 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 2010. The absence due to sickness is less than one percent.

### **HUMAN RESOURCES AND DIVERSITY**

Golden Ocean has currently 14 employees who are mainly of Norwegian nationality. Females constituted 20 per cent of the workforce, 50 per cent of Management 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, and hiring, promotion, training and remuneration is based 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 October 21, 2010. For further information on the Code of Practice see separate attachment.

### **SHAREHOLDERS**

Golden Ocean Group Limited is listed on the Oslo and Singapore Stock Exchanges. The largest shareholder is Hemen Holding Limited, which is a company indirectly controlled by a trust established by Mr. John Fredriksen, the Company's Chairman, President and CEO, for the benefit of his family. Hemen Holding Limited controls some 40 percent of the Company. In the shareholder register as of December 31, 2010 no other shareholder owns or controls more than 10 per cent of the Company's shares. In total the twenty largest shareholders controls some 62.0 percent of the shares, with the remaining held by more than 9,900

investors. The number of outstanding shares in Golden Ocean is 456,990,107. The Company's does not have 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. When the Company is performing cargo contract the Company is exposed to bunker price fluctuations. Although we have entered and may enter into some hedging transactions to partially mitigate the risk of bunker rate fluctuations, such hedging or our hedging policy may not adequately cover our exposure to these fluctuations.

### ***Operational risks***

The Company's operations may be subject to a number of risks. This includes construction risks, risks of counterparties failing to honor 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 rates and exchange rates. By the nature of the Company's business, its revenues are primarily earned in USD. The costs are also mainly in USD, the Companies loans are in USD and the Company reports in USD. Exchange rate risk is related to the cost of the management Companies as well as other costs incurred in other currencies than USD. The Company is exposed to the interest rate fluctuations through the loan agreements where the cost is based on a floating interest rate plus a fixed margin. Changes in the interest rates may have a material adverse impact in the financial performance of the Company. Although we have entered and may enter into some hedging transactions to partially mitigate the risk of exchange rate and interest rate fluctuations, such hedging or our hedging policy may not adequately cover our exposure to interest rate and exchange rate fluctuations.

### ***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 interest 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 contracts and keep the existing level of gearing on sailing vessels in place.

#### **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.

### **STRATEGY AND OUTLOOK**

After having utilized the relative strength of the dry bulk market in parts of 2010 to achieve the targeted coverage of the Golden Ocean Fleet, the focus will change going forward. Even if the most pessimistic dry bulk analysts should prove correct in their assumption, Golden Ocean should be well positioned to face a difficult market environment. The short term strategy is to protect the solid financial platform through a strong focus on physical performance towards the clients of the Company, being pro active and hands on operationally. Further the Management will without hesitation do its utmost to secure any existing and potential future claim the Company may have against any counterpart.

The Company has high contract coverage for the coming years. Most of the owned vessels are fixed out on long term charters, most vessels have charters of between five to ten years from delivery. For 2011 the Company has secured its earnings for around 85 per cent of the fleet. For 2012 the same number is around 75 per cent and for 2013 around 65 per cent. The Capesize fleet has secured earnings at around \$40,000 per day, while the Panamax fleet has secured earnings at approximately \$20,000 per day on average for the period.

The Company has secured financing for most of the newbuilding program. The Company has decided to postpone financing of six vessels until delivery of the vessels in 2012. The vessels are the last two Kamsarmax vessels and four ice class Panamax vessels from Jinhaiwan. This strategy is chosen based on the strong cash position of the company and the payment terms to the yard for some of the vessels. The Board is confident that Golden Ocean will obtain financing for these vessels when they are delivered. This is supported by the fact that four of the vessels are committed on long term time charter and the contract price of the vessels are in line with or slightly below today's market level.

Given the cyclical nature of the dry bulk shipping industry and the strong financial position and unique shareholder base of Golden Ocean, the longer term strategy will be to search for acquisition opportunities and / or long term time charters with the aim to grow Golden Ocean going forward.

#### **Outlook**

For several quarters the Board has expressed its concern for the size of the dry bulk order book. Even though demand for dry bulk transportation continues its solid growth, the influx of newbuildings seems to be putting a downward pressure on the utilization of the dry bulk fleet.

After the restructuring of Golden Ocean which took place during first quarter 2009, the Board has continuously communicated a conservative chartering strategy and an opportunistic asset play strategy. Consequently the Board is pleased with the low exposure to the spot market through 2013.

In addition the Company is properly capitalized and should be better positioned to take advantage of expected market opportunities than other comparable dry bulk companies.

The Boards' intention is to continue to pay out a major part of the free cash flow after debt services as dividend to its shareholder. The amount paid out in dividends will be a function of the general market environment and counterparty issues.

The Company is expected to take delivery of another 14 new buildings over the next 24 months, but the Board is not ruling out that additional restructuring could take place. Total debt is expected to peak during second half of 2012. Without any new acquisitions Golden Ocean will at the end of 2012 own a core fleet of 30 vessels (about 3 million dwt) with an average age just in excess of 4 years.

Given the high visibility and contract coverage it is expected that the company will deliver fairly stable EBITDA's through 2011. The interest cost and depreciation will increase slowly as the Company takes delivery of vessels going forward.

Based on the homogenous fleet and the Company's outsourcing philosophy it is expected that both operating and administrative cost will remain low in the coming years.

### Forward Looking Statements

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 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, Bermuda, April 26, 2011  
Board of Directors  
Golden Ocean Group Limited  
Oslo, April 26, 2011  
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



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

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

		Year ended December 31	
		2 010	2 009
	Note		Restated
<b>Operating revenue</b>			
Revenue	4	378 629	355 910
Other operating revenue	4	6 250	-
<b>Total operating revenue</b>	<b>4</b>	<b>384 879</b>	<b>355 910</b>
<b>Operating expenses</b>			
Voyage expenses and commission		65 878	77 084
Vessel operating expenses		30 723	25 768
Charter hire expenses		139 384	123 008
Administrative expenses		10 074	10 374
Depreciation and amortisation	13,14,16	30 717	23 358
<b>Total operating expenses</b>		<b>276 776</b>	<b>259 592</b>
<b>Other gain/losses net</b>			
Gain on sale of assets	5	3 166	51 279
Other gain/(losses) net	7	16 168	(14 525)
<b>Total other gain/(losses) net</b>		<b>19 334</b>	<b>36 754</b>
<b>Operating profit</b>		<b>127 437</b>	<b>133 072</b>
Finance income	8	827	620
Finance costs	9	(20 350)	(15 730)
Other financial items	10	209	100 149
<b>Net financial items</b>		<b>(19 314)</b>	<b>85 039</b>
<b>Profit before income tax</b>		<b>108 123</b>	<b>218 111</b>
Income tax	11	(89)	(108)
<b>Profit for the year</b>		<b>108 034</b>	<b>218 003</b>
<b>Profit attributable to:</b>			
Owners of the parent		111 133	216 988
Minority interest		(3 099)	1 015
<b>Profit for the year</b>		<b>108 034</b>	<b>218 003</b>
<b>Other comprehensive income</b>			
Change in value of marketable securities	19	6 871	22 893
<b>Total comprehensive income for the year</b>		<b>114 905</b>	<b>240 896</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		118 004	239 881
Minority interest		(3 099)	1 015
<b>Total comprehensive income for the year</b>		<b>114 905</b>	<b>240 896</b>
<b>Basic and fully diluted earnings per share</b>	<b>12</b>	<b>\$0.24</b>	<b>\$0.53</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>	Notes	As at December 31	
		2010	2009 Restated
<b>ASSETS</b>			
<b>Non current assets</b>			
Vessels and equipment, net	13	533 308	355 279
Vessels held under finance leases, net	14	155 187	104 417
Vessels under construction	15	262 337	480 454
Other long term receivables	18	7 010	6 552
Investment in associated companies/JV		558	150
Amount due from joint venture		905	-
Intangible assets	16	5 594	10 903
<b>Total non-current assets</b>		<b>964 898</b>	<b>957 756</b>
<b>Current assets</b>			
Cash and cash equivalents	17	180 041	92 728
Trade and other receivables	18	18 161	31 659
Derivative financial instruments	10	3 612	1 071
Available for sale financial assets	19	54 299	-
Inventories		6 207	4 388
<b>Total current assets</b>		<b>262 320</b>	<b>129 846</b>
<b>Total assets</b>		<b>1 227 218</b>	<b>1 087 602</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	20	45 699	45 699
Additional paid in capital		104 801	104 801
Other reserves	21	23 506	16 635
Retained earnings		399 813	345 078
		573 820	512 213
Minority interest		644	4 038
<b>Total Equity</b>		<b>574 464</b>	<b>516 251</b>
<b>Non-Current Liabilities</b>			
Long term debt	22	450 986	414 856
Obligations under finance leases	23	129 218	73 557
Other long term liabilities		2 808	-
<b>Total non-current liabilities</b>		<b>583 012</b>	<b>488 413</b>
<b>Current Liabilities</b>			
Long-term debt - current portion	22	35 993	57 729
Obligations under finance leases – current portion	23	6 112	3 530
Amount due to related parties	29	871	2 040
Trade payables and other current liabilities	24	26 766	19 639
<b>Total current liabilities</b>		<b>69 742</b>	<b>82 938</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 227 218</b>	<b>1 087 602</b>

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



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

(in thousands of \$)

	Year ended December 31	
	2010	2009 Restated
<b>OPERATING ACTIVITIES</b>		
Profit for the period	108 034	218 003
Adjustments to reconcile profit for the period to net cash provided by operating activities:		
Share options	726	270
Gain on sale of assets	(3 166)	(55 240)
Loss on sale of marketable securities	9	15 563
Income associate / JV	(408)	-
Profit on purchase of convertible bond	-	(97 572)
Interest income	(827)	(620)
Interest expensed	23 850	31 950
Depreciation and amortisation	13,14,16 30 717	27 179
Golden Joy adjustment to fair value	-	3 961
Amortisation of deferred charges	271	-
Impairment / reversal of Impairment	7 (16 800)	-
Long term receivables adjustment	(459)	(325)
Unrealized currency gains/losses	9 024	-
Unrealized gain/loss on foreign exchange forwards	(2 375)	(1 704)
Net change in:		
Amount due to related parties	(2 073)	(1 650)
Trade and other receivables	10 958	46 709
Inventories	(1 819)	(906)
Provisions	33 -	(27 436)
Other long term liabilities	2 808	-
Trade payables and other current liabilities	6 809	(12 023)
<b>Net cash provided by operating activities</b>	<b>165 280</b>	<b>146 159</b>
<b>INVESTING ACTIVITIES</b>		
Net maturity of restricted cash	11 281	(1 747)
Interest received	827	620
Payments on vessels	(173 033)	(177 537)
Net proceeds from sale of vessels incl. purchase option	171 223	6 830
Purchase of long term investments	(102)	(150)
Sale of marketable securities	-	24 000
<b>Net cash used in investing activities</b>	<b>10 196</b>	<b>(147 984)</b>
<b>FINANCING ACTIVITIES</b>		
Payment of financing charges	(929)	(2 585)
Interest paid	(23 850)	(31 950)
Repayment of obligations under finance leases	(7 909)	(7 432)
Repayment of long term debt	(192 551)	(93 686)
Proceeds from long term debt	205 787	141 702
Payment of dividends	(57 432)	-
Repayment of convertible bonds	-	(72 115)
Proceeds from issue of shares	-	108 003
<b>Net cash (used in) / provided by financing activities</b>	<b>(76 884)</b>	<b>41 938</b>
<b>Net change in cash and cash equivalents</b>	<b>98 593</b>	<b>40 113</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>80 893</b>	<b>40 780</b>
<b>Cash and cash equivalents at end of period</b>	<b>17 179 486</b>	<b>80 893</b>



**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>Additional 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 December 31, 2008	27 699	14 798	(6 258)	139 004	175 243	2 427	177 670
Impact of restatement (note 3)				(11 184)	(11 184)		(11 184)
Restated balance at January 1, 2009 (note 3)	27 699	14 798	(6 258)	127 820	164 059	2 427	166 486
Comprehensive income for the period	-	-	22 893	216 988	239 881	1 015	240 896
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	-	-	-	-	-	596	596
Restated balance at December 31, 2009 (note 3)	45 699	104 801	16 635	345 078	512 213	4 038	516 251
Comprehensive income for the period	-	-	6 871	111 133	118 004	(3 099)	114 905
Share issue for cash	-	-	-	-	-	-	-
Dividend paid	-	-	-	(57 124)	(57 124)	(308)	(57 432)
Value of services under stock options scheme	-	-	-	726	726	-	726
Minority interest	-	-	-	-	-	13	13
<b>Balance at December 31, 2010</b>	<b>45 699</b>	<b>104 801</b>	<b>23 506</b>	<b>399 813</b>	<b>573 820</b>	<b>644</b>	<b>574 464</b>

## 1. GENERAL

Golden Ocean Group Limited (the “Company”, “Group” 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, capitalized 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 34) and single purpose companies. 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 may also trade 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 realization 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. A voyage is defined as starting after unloading at the end of the previous voyage, as long as a signed contract is in place (discharge to discharge basis). Under IAS 18, revenues are not allocated to ballast days, unless a signed contract is in place. In such circumstances the earning process starts

when the goods are loaded on to the vessel and the voyage starts. The earnings process is completed upon discharge. Voyage related expenses for vessels without an agreed charter contract in place (idle time or freight seeking days), are expensed in the period incurred. Demurrage revenue is recognized if it is considered probable that the Group will receive payment.

Freight revenues from time charters are accounted for as operating leases under IAS 17 and are recognized on a straight-line basis over the rental periods of such charters, as service is performed.

Losses from time charters or voyage charters are provided for in full when they become probable in accordance with the provisions for onerous contracts in IAS 37.

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 capitalizes the cost of a dry docking at the time the dry docking takes place. The capitalized 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, USD 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 IAS16 – “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 capitalized borrowing costs. Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds 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. Borrowing costs are capitalized 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 eligible for capitalization.

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 capitalized 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 (25 years). 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 (25 years) or, where shorter, the term of the relevant lease.

Dry-docking costs are capitalized and written off over the estimated period to the next dry-dock. Unamortized 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 amortized 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 amortized 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 9% and a future growth factor of 4%. The Weighted Average Cost of Capital (WACC) is calculated as Debt Ratio \* (20 year US Government bond + loan margin) + Equity Ratio \* (20 years US Government bond + Beta \* Risk Premium). The Company has used a peer group of in total six dry bulk companies in order to calculate the beta and the debt and equity ratio and measured the risk for these companies relative to the world market index. The loan margin represents the current margin level that Golden Oceans can obtain in the market today.

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 realizable 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 categorized 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 derecognized 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 amortized 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 financial items 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 financial items.

Trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized 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 amortized 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 (12 months) 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 amortized 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 amortized 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 amortized cost using the effective interest method. The equity component of the convertible bonds is not re-measured subsequent to initial recognition.

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 behavioral 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 judgments**

Estimates and judgments are evaluated and based on experience and other factors that are believed to be reasonable under the current circumstances. The following summarizes the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the judgments 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 (10% instead of 9%), the Group would have recognized a total impairment of \$2.5 million on one 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%, there would not have been recognized any impairment either. A change in both factors simultaneously would have given a total impairment of \$7.6 million on two capsized vessels.

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 believes 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 at year end. A 10% reduction in revenue compared to FFA-curve at December 31, 2010 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 looks to the substance of the transaction in judging whether substantially all the risks and rewards of ownership are transferred.

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

#### *(i) New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

IFRS 3(revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

The group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognized in the financial statements.

IFRS 2 - Share-based Payment (Amendment). The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions.

#### *(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)*

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 was published in November 2008. 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.

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group.

IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

### **3. RESTATEMENT**

In fourth quarter 2010 management has revised the accounting for two vessels under finance leases. It was established that operating costs had been included in the original minimum lease payment calculation. Based on the revised calculation, it is management's assessment that the purchase options on the two vessels most likely will be exercised in 2017 and 2018, and not 2010 and 2011 as assumed based on the original lease calculation. The accounting for the leases has been amended to reflect this.

It was also identified that the purchase option exercise prices are payable in Japanese Yen. As a consequence, the relating lease creditors have been restated to reflect the retranslation of the balance into USD at each balance sheet date. Also, costs incurred in acquiring the leases on the two vessels, together with borrowing costs and foreign currency translation gains/losses incurred during the construction of the vessels have been included in the cost of the vessels and are depreciated over the life of the vessels.

These elements had a net negative effect on equity as of December 31, 2008 of \$11.2 million, with a corresponding increase in vessels held under finance leases, net of \$4.2 million, and an increase of \$15.4 million in obligations under finance leases as of December 31, 2008. As a result of the above adjustment, the December 31, 2008 basic earnings per share figure decreased from \$1.37 per share to \$1.33 per share.

There are no material effects on the financial income statements for the year ended December 31, 2009, except for a reclassification of operating costs from finance costs to vessel operating expenses of \$3.9 million. The restated balance sheet at December 31, 2009 had a net negative effect on equity of \$11.2

million from prior to 2009. This is a split between increase in financial lease obligation of \$12.4 million and an increase in vessel held under finance leases of \$ 1.2 million.

#### 4. SEGMENT INFORMATION

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>	2010	2009
Time charter and voyage charter revenue	<b>378 629</b>	355 910
	<b>378 629</b>	355 910
Other operating revenue	<b>6 250</b>	-
Total operating revenue	<b>384 879</b>	355 910

Other operating revenue of \$6 250 (2009: nil) is related to the final settlement received from the arbitration proceedings against Transfield. The Group has one counterpart that contributes to about 10% of the total operating revenue amounting to \$35 551 (2009: \$90 440).

#### 5. SALE OF ASSETS

In April 2010 the Group sold the vessel MV Golden Eclipse for \$55.7 million. The vessel has been leased back from the new owners on a ten years bareboat charter with a purchase option each year from year three and has been classified as financial lease. The gain from sale of the vessel of \$3 million is classified as other long term liabilities and amortized over the lease period under other financial items.

In July 2010 the Company sold the Capesize vessel Golden Future to Knightsbridge Tankers Limited ("KTL") for \$73.6 million. The agreement was entered into in June 2010, and the Company received \$47 million in cash and the remaining \$26.6 million to acquire shares in KTL. The vessel was sold with a two and a half year time charter agreement.

In October 2010 the Group sold the Capesize vessel Golden Zhejiang to Knightsbridge Tankers Limited ("KTL") for \$67.8 million. The vessel was sold with a four year time charter agreement. The Company received \$47 million in cash and the remaining \$20.8 million in shares in KTL.

In November 2010 the Company announced the sale of the Panamax vessel Golden Shadow at a price of \$26.7 million less 2% commission. The vessel was on bareboat charter from Ship Finance International Ltd ("Ship Finance") and the Company paid Ship Finance \$21.5 million. The delivery of the vessel took place in December 2010. Due to requirements under SIC 12, Front Shadow Inc, a company that is 100% owned by Ship Finance, has previously been consolidated by Golden Ocean Group. On the delivery of Golden Shadow, Front Shadow Inc was derecognized by the Company.

<i>(in thousands of \$)</i>	2010	2009
Net consideration received (agreement)	<b>218 651</b>	115 907
Exercise of purchase option	-	(31 883)
Net assets disposed off	<b>(212 320)</b>	(32 745)
Total gain on sale of assets	<b>6 331</b>	51 279
Deferred revenue on sale & leaseback	<b>(3 165)</b>	-
Gain on sale of assets	<b>3 166</b>	51 279

## 6. OPERATING PROFIT

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

<i>(in thousands of \$)</i>	2010	2009
Net foreign exchange gain	(571)	(352)
Depreciation of owned vessels and equipment (note 13)	18 637	12 771
Depreciation of vessels held under finance leases (note 14)	6 772	5 243
Amortisation of intangible assets (note 16)	5 309	5 344
Amortisation of deferred financing charges	271	3 821
Employee benefit expense	5 183	5 603
Auditors' remuneration	365	409

## 7. OTHER GAIN/ (LOSSES) NET

<i>(in thousands of \$)</i>	2010	2009
Impairment reversal	16 800	-
Gain/(loss) marketable securities (note 19)	(9)	(15 562)
Gain/(loss) on foreign exchange forward contracts (note 19)	(1 031)	1 061
Joint venture with United Freight Carriers	408	-
Loss from freight future	-	(24)
<b>Total other gain/(losses) net</b>	<b>16 168</b>	<b>(14 525)</b>

The impairment reversal is related to the six Kamsarmax vessels and one Capesize vessel from Jinhaiwan Shipyard that was previously impaired in 2008 with \$16.8 million. The reversal is done due to the renegotiated of the newbuilding contracts with the yard and therefore no longer any evidence of impairment.

## 8. FINANCE INCOME

<i>(in thousands of \$)</i>	2010	2009
Interest on bank deposits	827	620
<b>Total finance income</b>	<b>827</b>	<b>620</b>

## 9. FINANCE COST

<i>(in thousands of \$)</i>	2010	2009
Interest on bank overdrafts and loans	13 423	26 449
Interest on obligations under finance leases	10 525	5 334
<b>Finance cost</b>	<b>23 948</b>	<b>31 783</b>
Less amounts included in the cost of qualifying assets	(3 598)	(16 053)
<b>Total finance cost</b>	<b>20 350</b>	<b>15 730</b>



## 10. OTHER FINANCIAL ITEMS

<i>(in thousands of \$)</i>	2010	2009
Foreign exchange losses	(3 491)	-
Derivative financial instruments (note 30)	3 612	-
Dividend received	1 952	-
Profit on re-purchase of Convertible bond	-	97 571
Other financial items	(1 864)	2 578
<b>Total other financial items</b>	<b>209</b>	<b>100 149</b>

## 11. 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, Golden Ocean Management Asia Pte. Ltd. And Golden Ocean (Cyprus) Limited are subject to taxation in Norway, Singapore and Cyprus respectively. The tax charge for the year for Golden Ocean Management AS was \$85 (2009: \$103) and for Golden Ocean Management Asia Pte. Ltd. was \$4 (2009: \$5). The tax charge for Golden Ocean (Cyprus) Limited was \$12 (2009:\$nil).

## 12. 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>	2010	2009
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the parent)	111 133	216 988
Effect of interest expense on convertible debt	279	279
Earnings for the purposes of diluted earnings per share	111 412	217 267
<i>(in thousands of shares)</i>	2010	2009
Weighted average number or ordinary shares for the purposes of basic earnings per share	456 990	411 990
Effect of dilutive potential ordinary shares:		
Convertible bonds	1 279	932
Weighted average number or ordinary shares for the purposes of diluted earnings per share	458 269	412 922
<i>(in \$)</i>	2010	2009
Earnings per share basic	\$0.24	\$0.53
Earnings per share fully diluted	\$0.24	\$0.53

### 13. VESSELS AND EQUIPMENT, NET

The Group has the following owned vessels at December 31, 2010.

Vessel	Built	DWT	Flag	
Channel Alliance	1996	171 978	Philippines	
Channel Navigator	1997	172 058	Philippines	
Golden Saguenay	2008	75 500	Hong Kong	
Golden Opportunity	2008	75 500	Hong Kong	
Golden Ice	2008	75 845	Hong Kong	
Golden Feng	2009	170 500	Marshall Island	
Golden Strength	2009	75 745	Hong Kong	
Golden Shui	2009	170 500	Marshall Island	
Golden Beijing	2010	176 000	Hong Kong	
Golden Eminence	2010	79 447	Hong Kong	
Golden Empress	2010	79 600	Hong Kong	
Golden Endeavour	2010	79 600	Hong Kong	
<b>(in thousands of \$)</b>			<b>Fixtures and</b>	
	<b>Vessels</b>	<b>Drydocking</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost:</b>				
At January 1, 2009	197 087	1 884	381	199 352
Additions	1 517	-	-	1 517
Transferred from vessels under construction (note 15)	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>
At January 1, 2010	390 529	1 884	477	392 890
Additions	1 790	915	32	2 737
Transferred from vessels under construction (note 15)	406 249	-	-	406 249
Disposals	(219 527)	-	-	(219 527)
<b>At December 31, 2010</b>	<b>579 041</b>	<b>2 799</b>	<b>509</b>	<b>582 349</b>
<b>Accumulated depreciation:</b>				
At January 1, 2009	23 896	754	189	24 839
Charge for the year	12 331	377	64	12 772
<b>At December 31, 2009</b>	<b>36 227</b>	<b>1 131</b>	<b>253</b>	<b>37 611</b>
At January 1, 2010	36 227	1 131	253	37 611
Disposals	(7 207)	-	-	(7 207)
Charge for the year	17 898	683	56	18 637
<b>At December 31, 2010</b>	<b>46 918</b>	<b>1 814</b>	<b>309</b>	<b>49 041</b>
<b>Carrying amount:</b>				
<b>At December 31, 2010</b>	<b>532 123</b>	<b>985</b>	<b>200</b>	<b>533 308</b>
At December 31, 2009	354 302	753	224	355 279

The Group has pledged all of sailing vessels to secure various banking facilities (note 22).

M/V Golden Eclipse, M/V Golden Future, M/V Golden Zhejiang and M/V Golden Shadow has been sold and delivered to new owners during 2010.

During the year, the Group carried out a review of the recoverable amount of its vessel fleet including owned vessels (note 13), vessels held under finance leases (note 14) and vessels under construction (note 15). The impairment indicators were renegotiated vessel prices from the Shipyards. The

recoverable amounts of the relevant assets are determined as the higher of fair value less costs to sell and value in use. The Group did not record any impairment losses as a result of the review.

#### 14. VESSEL HELD UNDER FINANCE LEASES, NET

The Group has the following vessels on financial lease at December 31, 2010.

Vessel	Built	DWT	Flag
Golden Lyderhorn	1999	74 242	Hong Kong
Ocean Minerva	2007	75 698	Panama
Golden Heiwa	2007	76 662	Panama
Golden Eclipse	2010	79 600	Hong Kong
<b>(in thousands of \$)</b>			
<b>Cost:</b>			
Restated balance at January 1, 2009 (note 3)			139 277
Additions			246
Transferred to non-current assets held for sale			(20 905)
Restated balance at December 31, 2009 (note 3)			118 618
Restated balance at January 1, 2010 (note 3)			118 618
Additions			57 541
<b>At December 31, 2010</b>			<b>176 159</b>
<b>Accumulated depreciation:</b>			
Restated balance at January 1, 2009 (note 3)			9 810
Charge for the year			5 243
Transferred to non-current assets held for sale			(852)
Restated balance at December 31, 2009 (note 3)			14 201
Restated balance at January 1, 2010 (note 3)			14 201
Charge for the year			6 772
<b>At December 31, 2010</b>			<b>20 972</b>
<b>Carrying amount:</b>			
<b>At December 31, 2010</b>			<b>155 187</b>
Restated balance at December 31, 2009 (note 3)			104 417

Vessels held under finance leases are depreciated on the same basis as owned vessels.

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.

MV Golden Eclipse was sold after the Group took delivery of the vessel (note 13), and the vessel was then leased back from the new owners on a ten years bareboat charter with a purchase option each year from 2013. The lease has been classified as a financial lease.

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.

## 15. VESSELS UNDER CONSTRUCTION

<i>(in thousands of \$)</i>	<i>New Buildings</i>
<b>Cost value:</b>	
At January 1, 2009	496 425
Additions	176 049
Transferred to vessels and equipment (note 13)	(192 020)
<b>At December 31, 2009</b>	<b>480 454</b>
At January 1, 2010	480 454
Additions	209 926
Cancellation	(38 594)
Reversal of impairment (note 7)	16 800
Transferred to vessels and equipment (note 13)	(406 249)
<b>At December 31, 2010</b>	<b>262 337</b>

The Group has pledged most of the vessels under construction to secure various banking facilities (note 22).

Three Capesize vessels and four Kamsarmax vessels have been delivered to the Group during 2010 from Jinhaiwan Shipyard: M/V Golden Beijing, M/V Golden Future, M/V Golden Zhejiang, M/V Golden Eclipse, M/V Golden Eminence, M/V Golden Empress and M/V Golden Endeavour. Vessels that have been completed are transferred to vessel and equipment (note 13). Golden Ocean Group Limited has exercised its rights to cancel M/V Golden Changi and has been reimbursed by the builder, Daehan Shipbuilding Co Ltd of Korea, for the instalments of the price paid to date, with interest.

Additions include installments, capitalized interests and supervision on newbuildings.

The vessels under construction are scheduled to be delivered as follows: 9 vessels during 2011 and 7 vessels in 2012.

For the purpose of impairment testing, the recoverable amounts for the vessels under construction are determined by the value in use at net present value minus net present value of remaining installments payable compared to installments paid/cost. No impairment was recorded in 2010.

## 16. INTANGIBLE ASSETS, NET

<i>Cost and net book value</i>	
<i>(in thousands of \$)</i>	
<b>Cost:</b>	
<b>Restated at January 1, December 31, 2009 and December 31, 2010</b>	<b>53 895</b>
<b>Amortisation</b>	
<b>Restated at January 1, 2009</b>	<b>37 648</b>
Charge for the year	5 344
<b>Restated at December 31, 2009</b>	<b>42 992</b>
Charge for the year	5 309
<b>At December 31, 2010</b>	<b>48 301</b>
<b>Carrying amount:</b>	
<b>At December 31, 2010</b>	<b>5 594</b>
Restated at December 31, 2009	10 903

Intangible assets represents part of the original consideration paid to acquire a fleet of vessels with existing time charter contracts in 2005. The remaining period of amortization is about 3 years.

## 17. CASH AND CASH EQUIVALENTS

<i>(in thousands of \$)</i>	2010	2009
Current accounts	34 486	50 893
Short-term deposits	145 000	30 000
<b>Cash and cash equivalents, none restricted</b>	<b>179 486</b>	<b>80 893</b>
Restricted cash	554	11 835
<b>Cash and cash equivalents at year end</b>	<b>180 041</b>	<b>92 728</b>

Details of restricted cash are given in note 30.

## 18. TRADE AND OTHER RECEIVABLES

<i>(in thousands of \$)</i>	2010	2009
Trade receivables	3 004	13 817
Other receivables	13 247	17 490
Prepayments	7 715	4 743
Accrued income	1 205	2 162
	<b>25 171</b>	<b>38 211</b>
Less non-current portion: other receivables	(7 010)	(6 552)
<b>Current portion</b>	<b>18 161</b>	<b>31 659</b>

Non-current receivables relate to sale of MV Bellflower in 2009 and 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>	Fair value			
	2010	2009	2010	2009
Trade receivables	3 004	13 817	3 004	13 817
Other receivables	13 247	17 490	13 601	17 886
	<b>16 251</b>	<b>31 307</b>	<b>16 605</b>	<b>31 703</b>

The fair values of other receivables are based on the discounted cash flows of the assets. The discount rate equals LIBOR plus appropriate credit rating (6% for both 2010 and 2009).

As of December 31, 2010, trade receivables of \$2.1 million were over 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>	2010	2009
Up to 3 months	1 309	7 891
3 to 6 months	458	447
More than 6 months	363	491
	<b>2 130</b>	<b>8 829</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 2010 (2009:\$nil).

## 19. AVAILABLE FOR SALE FINANCIAL ASSETS

<i>(in thousands of \$)</i>	2010	2009
At January 1, 2010	-	16 669
Additions	47 428	-
Disposals	-	(24 000)
Increase/Decrease in value recognized as other comprehensive income (note 21)	6 871	22 893
Other losses recognized in the income statement (note 7)	-	(15 562)
<b>At December 31, 2010</b>	<b>54 299</b>	-

Available for sale financial assets consists of shares in Knightsbridge Tankers Limited (KTL) denominated in US Dollars. The shares were acquired through settlement of the sale of M/V Golden Future and M/V Golden Zhejiang. The Group owns 9.98% of the total shares in KTL at December 31, 2010. Knightsbridge tankers Limited is an international ship owning company listed on NASDAQ Stock Market (NASDAQ: VLCCF) and the primary business activity is international seaborne transportation of crude oil and dry bulk.

## 20. SHARE CAPITAL

Authorised share capital is as follows:

<i>(in thousands of \$)</i>	2010	2009
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>	2010	2009
At January 1	456 990 107	276 990 107
Issued during the year	-	180 000 000
Shares repurchased and cancelled	-	-
<b>At December 31, 2010</b>	<b>456 990 107</b>	456 990 107

<i>(in thousands of \$)</i>	2010	2009
At January 1	45 699	27 699
Issued for cash	-	18 000
Shares repurchased and cancelled	-	-
<b>At December 31, 2010</b>	<b>45 699</b>	45 699

The Company's ordinary shares are listed on the Oslo Stock Exchange ("OSE") and Singapore Stock Exchange ("SGX"). 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 nil (2009:180,000,000) shares at \$nil (2009:\$0.625) per share.

During the year the Company has issued share options of 2,750,000 shares (2009:500,000) to board members, management and other key employees (note 27).



The twenty largest shareholders as at December 31, 2010 are as follows:

Name	Number of Shares	outstanding shares
Hemen Holding Limited	183 666 158	40.19%
Deutsche bank AG London	18 620 764	4.07%
JP Morgan Clearing corp.	14 686 988	3.21%
Clearstream Banking S.A	7 186 087	1.57%
Ons Finans AS	7 100 000	1.55%
Swedbank	5 952 387	1.30%
Dnb Nor Bank ASA	5 537 111	1.21%
Morgan Stanley & Co Inc. Ne	5 304 035	1.16%
State Street Bank and Trust & Co	4 707 276	1.03%
Skandinaviska Enskilda Bank	3 686 720	0.80%
Carlings AS	3 550 000	0.78%
Folketrygdfondet	3 294 200	0.72%
Citibank N.A New York Branch	2 903 428	0.64%
DnB Nor Navigator	2 842 167	0.62%
Td Ameritrade Clearing Inc Seg	2 642 151	0.58%
Bank of New York Mellom SA/NV	2 619 756	0.57%
Bank of New York Mellom SA/NV	2 541 000	0.55%
SHB Stockholm clients accounts	2 230 980	0.49%
Danske Bank A/S	2 057 717	0.45%
Citibank N.A New York Branch	2 024 508	0.44%
<b>Total 20 largest shareholders</b>	<b>283 153 433</b>	<b>61.96%</b>
Other shareholders	173 836 674	38.04%
<b>Total</b>	<b>456 990 107</b>	<b>100.00%</b>

## 21. 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 19) and the equity component of convertible bonds issued (note 30). 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, 2009</b>	(22 893)	16 635	(6 258)
Other comprehensive income (loss)	22 893	-	22 893
<b>At December 31, 2009</b>	-	16 635	16 635
<b>At January 1, 2010</b>	-	<b>16 635</b>	<b>16 635</b>
Other comprehensive income (loss)	<b>6 871</b>	-	<b>6 871</b>
<b>At December 31, 2010</b>	<b>6 871</b>	<b>16 635</b>	<b>23 506</b>

## 22. LONG-TERM DEBT

<i>(in thousands of \$)</i>	2010	2009
Within one year	35 993	57 729
Between one and two years	49 747	39 875
Between two and five years	127 084	180 839
After five years	276 068	197 058
<b>Total debt</b>	<b>488 891</b>	<b>475 501</b>
Current portion	(35 993)	(57 729)
<b>Long-term debt, nominal value</b>	<b>452 898</b>	<b>417 772</b>
Deferred transaction costs	(1 912)	(2 916)
<b>Long-term debt, net</b>	<b>450 986</b>	<b>414 856</b>

Of the total debt, \$481 505 (2009: \$465 358) is secured by mortgages over sailing vessels and vessel under construction. The remaining debt of \$7 386 (2009: \$7 227) relates to the liability component of unsecured convertible bonds issued in December 2007.

<i>(in thousands of \$)</i>	2010	2009
<b>Non-current</b>		
Bank borrowings	443 600	407 629
Convertible bond	7 386	7 227
Finance lease liabilities	129 218	73 557
	<b>580 204</b>	<b>488 413</b>
<b>Current</b>		
Bank borrowings	35 993	57 729
Convertible bond	-	-
Finance lease liabilities	6 112	3 530
	<b>42 105</b>	<b>61 259</b>
<b>Total borrowings</b>	<b>622 309</b>	<b>549 672</b>

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

## 23. OBLIGATIONS UNER FINANCE LEASES

<i>(in thousands of \$)</i>	Within one year		2-5 years		6-10 years		Total	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Minimum Lease Payments		Restated		Restated		Restated		Restated
Interest	9 052	3 707	36 514	14 618	12 951	3 611	58 517	21 936
Purchase option	-	-	11 500	-	75 120	48 252	86 620	48 252
Instalments	6 112	3 530	34 559	20 575	8 039	4 730	48 710	28 835
Total Minimum Lease	15 164	7 237	82 574	35 193	96 110	56 593	193 847	99 023
<b>Present Value of Lease Obligations</b>							<b>135 330</b>	<b>77 087</b>
Current portion							6 112	3 530
Non-current portion							129 218	73 557

It is the Group's practice to lease certain vessels under finance leases. The average remaining lease term is 7.0 years (2009: 7.2 years). The discount rate used to calculate the present value of minimum

lease payment was 7 percent (2009: 6 percent), using the implicit rate of the lease. All leases are on a fixed repayment basis.

The Group has recorded finance leases on four vessels at December 31, 2010 (December 31, 2009: three vessels). The Group has 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 expected exercisable, and the first lease renewal date.

<i>(in thousands of \$)</i>	Purchase option expected exercisable date	Purchase option amount	Lease renewal date
Golden Lyderhorn	September 2016	14 200	September 2016
Ocean Minerva	January 2018	20 110	January 2015
Golden Heiwa	March 2017	21 459	March 2015
Golden Eclipse	April 2020	33 550	April 2020

The purchase option exercise prices for Ocean Minerva and Golden Heiwa are denominated in JPY, and are JPY 1.64 billion and JPY 1.75 billion respectively. The \$ amount is based on the exchange rate at December 31, 2010.

The lease payments for the other vessels are denominated in US Dollars. The Group's finance lease obligations are secured by the lessor's title to the leased assets.

#### 24. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

<i>(in thousands of \$)</i>	2010	2009
Trade payables	2 720	2 722
Accruals	5 236	6 031
Income received in advance	12 309	7 270
Other current liabilities	6 501	3 619
	<b>26 766</b>	19 642

Income received in advance relates to time charter revenue received in advance for future periods and has therefore been deferred. Other current liabilities include non-current pension obligations of \$1.1 million (2009:\$1.1 million).

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

#### 25. CAPITAL COMMITMENTS

<i>(in thousands of \$)</i>	Within one year		2-5 years		Total	
	2010	2009	2010	2009	2010	2009
Vessels under construction	217 330	283 074	128 135	446 788	345 465	729 862

The capital commitments include the new restructuring agreement with Jinhaiwan Shipyard with new prices on all the six latest Kamsarmax vessels and the one capsized vessel M/V Golden Nantong. Two of the latest Kamsarmax vessels are converted to ice-classes Panamax vessels. The unfinanced portion of the total commitment was \$166.6 million at the end of the year, all relating to six of the vessels recently restructured at Jinhaiwan.



## 26. OPERATING LEASES

### Rental expense

The future minimum rental payments under the Group's non-cancellable operating leases as of December 31, 2010 are as follows:

<i>(in thousands of \$)</i>	2010	2009
Within one year	14 418	52 964
In the second to fifth years	22 517	35 429
Total minimum lease payments	36 935	88 393

Total rental expense for the year ended December 31, 2010 for operating leases was \$139 384 (2009:\$123 008).

### Rental income

The future minimum revenue to be received under the Group's non-cancellable operating leases as of December 31, 2010 is as follows:

<i>(in thousands of \$)</i>	2010	2009
Within one year	170 874	181 472
In the second to fifth years	386 664	535 389
Later than five years	171 878	198 955
Total minimum lease revenue	729 416	915 816

Total rental income for operating leases was \$377 861 for the year ended December 31, 2010 (2009:\$356 555).

## 27. 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.

The total vesting period is three years, where 1/3 of the option vest each year for options granted before 2010 under the above mentioned plan. For options granted during 2010 under the plan, the total vesting period is four years and 1/4 of the option vest each year, starting from 2012.



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

	2010		2009	
	Number of share options	Weighted average exercise price USD	Number of share options	Weighted average exercise price USD
At the beginning of the year	1 312 500	4.26	812 500	4.26
Granted during the year	2 750 000	1.52	500 000	1.82
Exercised during the year	-	-	-	-
Outstanding at the end of the year	4 062 500	1.72	1 312 500	3.33
Exercisable at the end of the year	979 167	2.31	541 666	4.26

The options at the end of 2010 have a weighted average remaining contractual life of 4.7 years (2009: 3.5 years). In July 2010, the Group granted the Companies Director's and employees 2,750,000 share options at a strike price of NOK 9.50. The fair value of options granted during 2010 was \$2,895,000 (NOK 16,951,000).

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 \$726 (2009:\$270) relating to equity settled share-based payment transactions during the year.

## 28. PENSION PLAN

The Group has a defined benefit pension plan in NOK that covers 11 (2009:13) of total 14 employees (2009:15), as of December 31, 2010. 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 December 22, 2010. The actuarial report is performed on assumptions from insurance broker per December 31, 2010.

The cost in consolidated income statement is \$0.3 million (2009: \$0.6 million). The net obligations of \$1.0 million (2009:\$1.0 million) are included under other current liabilities.

## 29. 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, 2010, the Group was charged \$294,000 (2009:\$236,000) under this arrangement. The Group also pays Frontline for supervision of the vessels



under construction and the Group was charged \$4,662,800 (2009:\$3,723,500) under this arrangement. The Group has administrative expenses related to the London office of \$153,000 (2009:\$142,000).

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 (2009: \$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	
	2010	2009
Frontline and subsidiaries	871	650
Ship Finance Int. Ltd. and subsidiaries	-	1 390
	<b>871</b>	<b>2 040</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>	2010	2009
Managing director	539	645
Director fees	270	286
Share based payments	68	110
	<b>877</b>	<b>1 041</b>

The table below shows the total number of shares owned directly or indirectly by key management and directors as at December 31, 2010.

	Number of shares	Percentage of outstanding shares
John Fredriksen (Chairman, CEO, President and Director)	183 666 158	40.19%
Tor Olav Trøim (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>

### 30. FINANCIAL INSTRUMENTS

#### Categories of Financial Instrument

<i>(in thousands of \$)</i>	Loans and receivables	Derivative financial instruments	Available- for-sale	Total
<b>At December 31, 2010</b>				
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	54 299	54 299
Trade and other receivables excluding pre-payments (note 18)	17 456	-	-	17 456
Derivative financial instruments	-	3 612	-	3 612
Cash and cash equivalents	180 041	-	-	180 041
<b>Total</b>	<b>197 497</b>	<b>3 612</b>	<b>54 299</b>	<b>255 408</b>

<i>(in thousands of \$)</i>	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
<b>At December 31, 2010</b>				
<b>Liabilities as per balance sheet</b>				
Borrowings (excluding finance lease liabilities)	-	-	486 979	486 979
Finance lease liabilities	-	-	135 330	135 330
Trade and other payables excluding statutory liabilities	-	-	27 637	27 637
<b>Total</b>	<b>-</b>	<b>-</b>	<b>649 946</b>	<b>649 946</b>

<i>(in thousands of \$)</i>	Loans and receivables	Derivative financial instruments	Available- for-sale	Total
<b>At December 31, 2009</b>				
<b>Assets as per balance sheet</b>				
Trade and other receivables excluding pre-payments (note 18)	33 469	-	-	33 469
Derivative financial instruments	-	1 071	-	1 071
Cash and cash equivalents	92 728	-	-	92 728
<b>Total</b>	<b>126 197</b>	<b>1 071</b>	<b>-</b>	<b>127 268</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, 2009</b>				
<b>Liabilities as per balance sheet</b>				
Borrowings (excluding finance lease liabilities)	-	-	472 585	472 585
Finance lease liabilities	-	-	77 087	77 087
Trade and other payables excluding statutory liabilities	-	-	21 682	21 682
<b>Total</b>	-	-	571 354	571 354

## 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 and interest rate swaps 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:

(In thousands of \$)	2010		2009	
	Loan amount	Average interest rate	Loan amount	Average interest rate
Loan on vessels	356 850	3.42%	256 403	3.65%
Loans on vessels under construction	122 743	3.42%	208 955	3.65%
Convertible bond	7 386	6.03%	7 227	6.23%
	<b>486 979</b>		<b>472 585</b>	

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

(In thousands of \$)	2010		2009	
	Amount	Average interest rate	Amount	Average interest rate
Current accounts	34 486	0.20%	50 893	0.12%
Short-term deposits	145 000	0.27%	30 000	0.35%
Restricted cash	554	0.20%	11 835	0.10%
	<b>180 041</b>		<b>92 728</b>	

Cash and cash equivalents and long-term debt (excluding convertible bonds) bear interest at LIBOR plus a fixed margin. The LIBOR is fixed mostly for one month periods. 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 bond has a coupon rate of 3.625%, and the conversion price includes a premium of 40% from the issue date adjusted for dividend paid. The convertible bond exposes the Group to fair value interest rate risk.

In 2010 and 2009, 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>	<b>2010</b>	2009
<b>At January 1</b>	<b>7 227</b>	176 655
Face value of convertible bonds issued	-	-
Equity components	-	-
Liability component at initial recognition	<b>7 227</b>	176 655
Interest expense	<b>438</b>	3 070
Interest paid	<b>(279)</b>	(1 944)
Repurchase of convertible bond	-	(170 554)
<b>Liability component at December 31</b>	<b>7 386</b>	7 227

If interest rates as of December 31, 2010 and December 31, 2009 had increased / decreased by 1% with all other variables remaining constant, the decrease / increase in profit would have been \$3.9 million (2009:\$ 1.4m) mainly as a result of higher/lower interest expense on floating rate long-term debt. Interest directly attributable to the construction of vessels is capitalized and has no effect on profits. If interest rates had moved by 1% the effect on the amount capitalized would be \$1.1 million (2009:\$2.7m). The sensitivity is lower in 2010 than in 2009 because of a decrease 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 her role.

### **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 2010, the only material assets and liabilities denominated in foreign currencies are financial lease obligations that have purchase options in JPY for M/V Golden Heiwa and M/V Ocean Minerva (note 23).

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 2010, had the exchange rate between the JPY and US Dollars increased or decreased by 5 per cent with all other variables held constant, the decrease or increase in obligations under finance leases would have been \$1.9 million.

At December 31 2010, 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 \$54.3 million (2009:\$nil).

**Commodity Price Risk**

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, 2010 was \$208,824,000 (2009:\$132,010,000).

Concentration of credit risk exists to the extent that at December 31, 2010 approximately 98% 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:

<b>Counterparty</b>	<b>Rating</b>	<b>Geographical segment</b>	<b>2010</b>	<b>2009</b>
<i>Cash and cash equivalents</i>				
Skandinaviska Enskilda Banken (SEB)	<b>A</b>	<b>Norway</b>	<b>172 647</b>	53 974
Nordea	<b>AA-</b>	<b>Norway</b>	<b>4 655</b>	29 661
Other		<b>Norway</b>	<b>2 739</b>	9 094
			<b>180 041</b>	92 728

In addition concentration of credit risk exists to the extent that amounts of \$1.1 million represent 38% of trade and other receivables are due from one counterpart. The Group does not expect any recoverability issues with these amounts and collected \$1.1 million subsequent to the balance sheet date.

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 principal repayments.

<i>(in thousands of \$)</i>	<b>2010</b>	<b>2009</b>
Within one year	<b>35 993</b>	57 729
Between one and two years	<b>49 747</b>	39 875
Between two and five years	<b>127 084</b>	180 839
After five years	<b>276 068</b>	197 058
<b>Total debt</b>	<b>488 891</b>	475 501
Current portion	<b>(35 993)</b>	(57 729)
<b>Long-term debt, nominal value</b>	<b>452 898</b>	417 772
Deferred transaction costs	<b>(1 912)</b>	(2 916)
<b>Long-term debt, net</b>	<b>450 986</b>	414 856

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)	-	-	-	-	-
Long-term debt	23 138	21 245	42 436	10 370	97 188
<b>Total</b>	<b>23 138</b>	<b>21 245</b>	<b>42 436</b>	<b>10 370</b>	<b>97 188</b>

The interest obligations are calculated by using 5 year LIBOR (2.13) plus margin of 2.75 that gives interest rate of 4.88%.

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 23).

<i>(in thousands of \$)</i>	2010	2009
Within one year	15 164	7 237
Between two and five years	82 574	35 193
Between six and ten years	96 110	56 593
	<b>193 847</b>	<b>99 023</b>

Cash of \$nil (2009:\$500,000) has been restricted in relation to the initial margin requirement by NOS Clearing ASA on open freight forward contracts.

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, 2010:

<i>(in thousands of \$)</i>	Level 1	Total
<b>At December 31, 2010</b>		
<b>Assets</b>		
Available-for-sale financial assets	54 299	54 299
Derivative financial instruments	3 612	3 612
<b>Total assets</b>	<b>57 911</b>	<b>57 911</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>

<i>(in thousands of \$)</i>	Level 1	Total
<b>At December 31, 2009</b>		
<b>Assets</b>		
Derivative financial instruments	1 071	1 071
<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>	<b>-</b>	<b>-</b>

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



### 31. 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.

The Board's intention is to pay out a major part of the free cash flow after debt services as dividend to its shareholder. The amount paid out in dividends will be a function of the general market environment and counterparty issues. 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, 2010 and December 31, 2009 were as follows:

<i>(in thousands of \$)</i>	2010	2009
Total borrowings	653 398	575 392
Less: Cash and cash equivalents	(180 041)	(92 728)
Net debt	473 357	482 664
Total equity	574 549	516 251
Total capital	1 047 906	998 915
<b>Gearing ratio</b>	<b>45 %</b>	<b>48 %</b>

### 32. DIVIDENDS PAID AND PROPOSED

<i>(in thousands of \$)</i>	2010	2009
<i>Declared and paid during the year</i>		
Final dividends	-	-
First interim dividend	11 425	-
Second interim dividend	22 850	-
Third interim dividend	22 850	-
	57 124	-
<i>Proposed but not recorded</i>		
Final dividend for the year	22 850	-

The Group has paid dividend in 2010 of \$0.125 per share.



### 33. PROVISIONS FOR ONEROUS LEASES

<i>(in thousands of \$)</i>	<i>Fixed Vessels</i>	<i>Fair value</i>	<i>Total</i>
At January 1, 2009	10 358	17 078	27 436
Reversed during the period	(10 358)	(17 078)	(27 436)
At December 31, 2009	-	-	-
At January 1, 2010	-	-	-
Additions	3 162	596	3 758
Amounts used	(3 162)	(596)	(3 758)
<b>At December 31, 2010</b>	-	-	-

The Group has not chartered in vessels on operating leases which are expected to generate losses over the course of the leases (2009:\$nil). The expected future revenue on spot vessels is calculated by the Group based on the forward freight curve and on fixed vessels the Group uses the actual earnings. At the 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.



### 34. SUBSIDIARY COMPANIES

The following are the Company's active subsidiaries as at December 31, 2010:

Name	Country of residence	Ownership interest
Front Carriers Ltd	Liberia	100 %
Golden Beijing Inc	Liberia	100 %
Golden Brilliant Inc	Liberia	100 %
Golden Crystal Inc	Liberia	100 %
Golden Dena Corporation	Liberia	100 %
Golden Diamond Inc	Liberia	100 %
Golden Eclipse Inc	Liberia	100 %
Golden Effort 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 Extreme Inc	Liberia	100 %
Golden Feng 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 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 Shui Inc	Liberia	100 %
Golden Straits Inc	Liberia	100 %
Golden Strength 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 (Cyprus) Limited	Cyprus	100 %
Golden Ocean Trading Limited	Bermuda	87,81 %

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, 2010 the foreign exchange on conversion to US Dollars is not material and has been recognized in the income statement.



### **35. CLAIMS**

The Company received an award in the arbitration proceedings against Transfield. The settlement was received in the beginning of July and the Company has recognized a net revenue of \$6.25 million.

### **36. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of directors and authorized for issue on April 29, 2011.

### **37. SUBSEQUENT EVENTS**

In January 2011 Korea Line Corporation (KLC) filed for protection in Korea. The Company has two vessels on charter to KLC, Golden Eminence and Golden Empress. The Company has taken into account the possibility for earnings below the current charter rate on these vessels in the impairment testing. As per December 31 2010 there was no outstanding hire from KLC.

In January 2011 the Company took delivery of two vessels from Jinhaiwan, MV Golden Endurer and MV Golden Zhoushan. The Kamsarmax vessel Golden Endurer commenced directly on a 10 year time charter contract at \$22,800 per day and the Capesize vessel Golden Zhoushan commenced directly on a one year index contract. In relation to Golden Zhoushan the Company has bought a put option with settlement based on the cape index for 2011 with a strike price of \$20,000 per day.

To the shareholders and Board of Directors of 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, 2010, 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.

#### *The Board of Directors and the Management's responsibility for the financial statements*

The Board of Directors and the Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors and the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on 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 judgment, 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, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Oslo, April 28, 2011

**PricewaterhouseCoopers AS**



Fredrik Melle

State Authorized Public Accountant (Norway)



## 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 January 1 to December 31, 2010 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.

Hamilton, Bermuda, April 26, 2011

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 2010

Golden Ocean Group Limited (the "**Company**") is a Bermuda registered company whose shares are listed on the Oslo Stock Exchange. As a result, the Company is required to publish an annual statement on the Company's principles for corporate governance compared to 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 bye-laws are available on the Company's website: [www.goldenocean.bm](http://www.goldenocean.bm).

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 implemented a code of business ethics and conduct. The code has focus on the core values of honesty, respect and co-operation, and that these are applied in the employees' behaviour towards competitors, suppliers, shareholders and the market in general. The Board believes that the principles the Company adheres to in this respect represent 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.

### Equity and dividend

Bermudian companies have an authorized and an issued share capital. The authorized share capital is the amount up to which the Board is authorized to issue 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 maximum authorized capital.

As at December 31, 2010 the issued share capital of Golden Ocean Group Limited was US \$ 45,699,010.7, representing 456,990,107 shares.

At present, the Board is authorized by the Company's general meeting to issue up to 5,000,000,000 shares in the Company with a par value of US\$ 0.10.

Accordingly, the Board has the authority to issue a further 4,543,009,893 shares.

Bermudian law allows a company to repurchase its own shares for cancellation or to be held as treasury shares. This right is documented in the Company's bye-laws (bye-laws 9, 10 and 11). Unlike the

situation in Norwegian law (Public Limited Companies Act), which restricts a company's holding of treasury shares to 10% of the total shares in issue, and limits the authority of a board to resolve to acquire its own shares to a period of 18 months from when the authority is granted, there is no time limit within which the repurchase needs to take place under Bermudian law. A Bermuda company cannot, however, 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 consideration (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. Further, they allow the Company to 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, given the nature of its business, that not having a specific dividend policy is just as sound as having one. Without a dividend policy the Company can reinvest its profits 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 a high dividend capacity, and maximizing 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 Company's 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 has a secondary listing on the Singapore Stock Exchange. On a general basis, the Company is in compliance with the requirements on the Singapore Stock Exchange if the Company complies with the rules on the Oslo Stock Exchange and also publishes all messages on the SGX Net.

The Company publishes all reports, presentations 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 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 the Singapore Stock Exchange 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 a related party is 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 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 and (ii) the terms of the Company's bye-laws 38 to 42, inclusive, which deal with the transfer of shares, Golden Ocean Group Limited's shares are freely transferable provided that the shares are listed on an appointed stock exchange (which terms include the Oslo Stock Exchange and the Singapore 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 purchaser 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 regulate annual and special general meetings, notices of general meetings, proceedings at general meetings, voting rights, and requirements to proxies.

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 which shall be provided in writing. This exceeds 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. 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. 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 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. 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, in a special general meeting of the shareholders, may 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 shareholders 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 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 of directors' work**

The Board receives quarterly financial reports with comments on the Group's economic and financial status. The Board discusses strategy and investment opportunities in meetings held as and when required. 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.

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 the Board. The audit committee has meetings each quarter prior to the finalization of the quarterly reports.

The size and focus of the Board and its communication with the Company's management 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.

## **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, 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. 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-to-day management of the Company is undertaken by Golden Ocean Management (Bermuda) Ltd. under the terms of a written management agreement. 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-contractors to Golden Ocean Management (Bermuda) Ltd. on 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 employees. The general terms of the share option program have been 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 which provides 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**

Information of relevance to the Company's share price is communicated through the Company's website, and includes information relating to results and economic development. The Company's policy is to comply with all applicable standards aimed at securing a good information flow.

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 will, in the event of a takeover-bid, take such actions that are considered to be in the best interests of the shareholders, such as advising the shareholders in the assessment of the bid and, if appropriate, seeking to identify a competing bidder.

If a take-over bid is 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 same.

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 authorize the board to set the auditor's remuneration in the annual general meeting.