ARBITRON INC
Form 8-K
February 21, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): February 16, 2007

Arbitron Inc.

(Exact name of registrant as specified in its charter)

Delaware	1-1969	52-0278528
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

142 West 57th Street, New York, New York	10019-3300
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: 212-887-1300

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 3.01 Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing.

On February 16, 2007, Arbitron Inc. (the "Company") notified The New York Stock Exchange (the "NYSE") that, from September 2005 through February 2007, the Company was not in full compliance with the provisions of Section 303A of the NYSE's Corporate Governance Listing Standards (the "Listing Standards"). Specifically, the Company's non-compliance was caused by the failure of one member of the Company's Board of Directors (the "Board") to be independent (as such term is defined in Section 303A.2(b)(iii) of the Listing Standards, which contain requirements for director independence in addition to those specified under the Securities Exchange Act of 1934, as amended) because of the employment of the director's adult son by the Company's registered independent public accounting firm.

The director, Alan W. Aldworth, previously served on the Board's Corporate Governance and Audit Committees, each of which is required by the Listing Standards to be composed entirely of independent directors. On February 13, 2007, Mr. Aldworth offered, and the Company accepted, his resignation from both committees effective immediately. The Company has reassessed the independence of each member of the Board following Mr. Aldworth's resignation from the committees, and on February 16, 2007, the Company also submitted a Section 303A Interim Written Affirmation to the NYSE affirming that it is currently in full compliance with Section 303A of the Listing Standards.

As part of the Company's annual review of its Questionnaire for Directors and Officers in connection with the preparation of its Annual Report on Form 10-K and proxy statement for its 2007 Annual Meeting of Stockholders, the Company became aware that the adult son of Mr. Aldworth was currently employed by KPMG LLP ("KPMG"), the Company's registered independent public accounting firm, in a non-management position in KPMG's Chicago office. While Mr. Aldworth first reported his son's employment by KPMG in February 2006 in the Questionnaire for Directors and Officers he submitted in connection with the 2006 Annual Meeting of Stockholders, the Board was not informed, nor was it aware, prior to February 2007 that Mr. Aldworth's son was employed by KPMG.

KPMG has reviewed the facts and has determined that the relationship described above has no impact on its independence as the Company's registered public accounting firm. KPMG and the Company believe that the employment of Mr. Aldworth's son does not cause a violation of the Securities and Exchange Commission's rules for auditor independence and such employment has not created any actual conflict of interest between Mr. Aldworth and the Company. Mr. Aldworth's son is employed in KPMG's Chicago office, is not a partner of KPMG, and has never provided any audit services to the Company nor been involved in any Company audit in any capacity. The KPMG audit engagement partners for the Company are located in KPMG's Baltimore office.

The Company understands that the Listing Standards allow no method of appeal or waiver even in cases such as this where the Company believes that the chance of conflict of interest, real or perceived, is remote.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	Arbitron Inc.
February 21, 2007	*By: /s/ Timothy T. Smith*
	Name: Timothy T. Smith *Title: Executive Vice President & Chief Legal Officer, Legal & Business Affairs & Secretary*

div>

323,770

Total equity
1,446,343

1,447,350

Total liabilities and equity
2,886,654

2,501,768

See accompanying Notes that are an integral part of these Consolidated Financial Statements.

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Frontline Ltd.
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013
(in thousands of $)

	2015	2014	2013
Net income	124,380	86,255	69,499
Net loss from discontinued operations	131,006	51,159	—
Net income from continuing operations	255,386	137,414	69,499
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:			
Depreciation	52,607	31,845	25,144
Amortization of deferred charges	1,917	677	2,085
Gain on cancellation and sale of newbuilding contracts	(108,923)	(68,989)	(57,271)
Gain on sale of shares	—	(16,850)	—
Amortization of time charter contract value	816	2,822	2,822
Share of results from associated company and gain on equity interest	(2,727)	(16,064)	(8,783)
Debt modification fees paid	—	(2,640)	—
Impairment loss on shares	10,507	—	—
Mark to market loss (gain) on derivatives	3,618	5,765	(7,425)
Dividends received from Avance Gas	4,101	7,052	—
Other, net	1,015	339	50
Changes in operating assets and liabilities, net of acquisition:			
Trade accounts receivable	(21,037)	(6,116)	(4,051)
Other receivables	(5,049)	1	(428)
Inventories	9,367	(2,917)	(2,844)
Voyages in progress	15,505	(10,021)	(1,182)
Prepaid expenses and accrued income	5,892	(1,494)	(514)
Other current assets	(405)	—	—
Trade accounts payable	2,832	145	(5)
Accrued expenses	(7,771)	(2,443)	6,441
Related party balances	(8,601)	(1,715)	(189)
Other current liabilities	5,574	1,169	(492)
Other	(868)	—	—
Cash (used in) provided by operating activities of discontinued operations	(6,410)	661	—
Net cash provided by operating activities	207,346	58,641	22,857
Investing activities			
Change in restricted cash	35,713	(35,800)	—
Additions to newbuildings, vessels and equipment	(786,772)	(202,231)	(189,341)
Refund of newbuilding installments and interest	58,793	173,840	144,592
Sale proceeds received in advance	—	139,200	—
Proceeds from sale of newbuilding vessels	456,366	—	—
Cash acquired on merger with Frontline 2012	87,443	—	—
Investment in associated companies	—	—	(104,062)
Net proceeds from sale of shares in associated company	—	57,140	—
Cash used in investing activities of discontinued operations	(310,822)	(195,658)	(135,404)
Net cash used in investing activities	(459,279)	(63,509)	(284,215)
Financing activities			
Net proceeds from issuance of shares	—	—	527,791

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Proceeds from long-term debt	659,700	124,000	45,500
Repayment of long-term debt	(427,338)	(198,889)	(93,931)
Payment of obligations under finance leases	(5,491)	—	—
Lease termination receipt	3,266	—	—
Payment of related party loan note	(112,687)	—	—
Debt fees paid	(485)	(500)	(1,538)
Cash dividends paid	(39,228)	(36,969)	(1,439)
Acquisition of treasury shares	—	(50,397)	—
Cash provided by financing activities of discontinued operations	141,775	116,819	—
Net cash provided by (used in) financing activities	219,512	(45,936)	476,383
Net change in cash and cash equivalents	(32,421)	(50,804)	215,025
Net change in cash balances included in held for distribution	61,144	(61,144)	—
Cash and cash equivalents at beginning of year	235,801	347,749	132,724
Cash and cash equivalents at end of year	264,524	235,801	347,749
Supplemental disclosure of cash flow information:			
Interest paid, net of interest capitalized	17,544	8,744	9,576
Income taxes paid	—	—	—

Details of non-cash investing and financing activities in the years ended December 31, 2015, 2014 and 2013 are given in Notes 6 and 32.

See accompanying Notes that are an integral part of these Consolidated Financial Statements.

Frontline Ltd.
Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2014 and 2013
(in thousands of $, except number of shares)

	2015	2014	2013
Number of shares outstanding			
Balance at the beginning of the year	635,205,000	635,205,000	397,800,000
Shares issued	—	—	237,405,000
Treasury shares cancelled	(17,319,898)	—	—
Cancellation of shares held by the Company prior to the Merger	(34,323,000)	—	—
Effect of reverse business acquisition	198,375,547	—	—
Balance at the end of the year	781,937,649	635,205,000	635,205,000
Share capital			
Balance at the beginning of the year	635,205	635,205	397,800
Shares issued	—	—	237,405
Treasury shares cancelled	(17,320)	—	—
Cancellation of shares held by the Company prior to the Merger	(34,323)	—	—
Effect of reverse business acquisition	198,376	—	—
Balance at the end of the year	781,938	635,205	635,205
Treasury shares			
Balance at the beginning of the year	(50,397)	—	—
Shares purchased	—	(50,397)	—
Shares cancelled	50,397	—	—
Balance at the end of the year	—	(50,397)	—
Additional paid in capital			
Balance at the beginning of year	382,373	382,373	91,987
Shares issued	—	—	290,386
Gain attributable to change in non-controlling ownership	27,485	—	—
Stock dividend	(187,784)	—	—
Effect of reverse business acquisition	361,441	—	—
Transfer to contributed surplus	(474,129)	—	—
Balance at the end of year	109,386	382,373	382,373
Contributed surplus			
Balance at the beginning of year	—	—	—
Transfer from additional paid in capital	474,129	—	—
Balance at the end of year	474,129	—	—
Accumulated other comprehensive loss			
Balance at the beginning of year	—	—	—
Other comprehensive loss	(383)	—	—
Balance at the end of year	(383)	—	—
Retained earnings			
Balance at the beginning of year	156,399	45,579	(360)
Net income	154,624	149,469	69,499

Cash dividends	(39,228)	(38,649)	(1,439)

Stock dividends	(190,583)	—	(22,121)
Balance at the end of year	81,212	156,399	45,579
Total equity attributable to the Company	1,446,282	1,123,580	1,063,157
Non-controlling interest			
Balance at the beginning of year	323,770	—	—
Arising at date of acquisition	—	386,984	—
Impact of sale of shares in subsidiary	(27,485)	—	—
Net loss	(30,244)	(63,214)	—
Impact of de-consolidation	(265,980)	—	—
Balance at the end of year	61	323,770	—
Total equity	1,446,343	1,447,350	1,063,157

See accompanying Notes that are an integral part of these Consolidated Financial Statements

Frontline Ltd.
Notes to the Consolidated Financial Statements

1. ORGANIZATION AND BUSINESS

Historical Structure of the Company

Frontline Ltd., the Company or Frontline, is an international shipping company incorporated in Bermuda as an exempted company under the Bermuda Companies Law of 1981 on June 12, 1992. The Company's ordinary shares are listed on the New York Stock Exchange and the Oslo Stock Exchange under the symbol of "FRO".

A resolution was approved at the Company’s Special Meeting of Shareholders on January 29, 2016, to effect a capital reorganization with effect from February 3, 2016, for a 1-for-5 reverse share split of the Company’s ordinary shares and to reduce the Company’s authorized share capital from $1,000,000,000 divided into 1,000,000,000 shares of $1.00 par value each to $500,000,000 divided into 500,000,000 shares of $1.00 par value each. Share capital amounts in the balance sheet as of December 31, 2015 and 2014 have not been restated for the 1-for-5 reverse share split, however, retrospective treatment has been applied to the calculation of earnings per share.

On July 1, 2015, the Company, Frontline Acquisition Ltd, or Frontline Acquisition, a newly formed and wholly-owned subsidiary of the Company, and Frontline 2012 Ltd, or Frontline 2012, entered into an agreement and plan of merger, (as amended from time to time, the "Merger Agreement") pursuant to which Frontline Acquisition and Frontline 2012 agreed to enter into a merger transaction, or the Merger, with Frontline 2012 as the surviving legal entity and thus becoming a wholly-owned subsidiary of the Company. For accounting purposes, the acquisition of Frontline 2012 has been treated as a reverse business acquisition. The Merger was completed on November 30, 2015 and shareholders in Frontline 2012 received shares in the Company as merger consideration. One share in Frontline 2012 gave the right to receive 2.55 shares in the Company and 583.6 million shares were issued as merger consideration based on the total number of Frontline 2012 shares of 249.1 million less 6.8 million treasury shares held by Frontline 2012 and 13.46 million Frontline 2012 shares held by the Company, which were cancelled upon completion of the Merger. Because this transaction is accounted for as a reverse business acquisition, the financial statements included in this Form 20-F for the period through November 30, 2015 are those of Frontline 2012. The financial statements reflect the reverse business acquisition of the Company by Frontline 2012 for the period since November 30, 2015.

Frontline 2012 was incorporated in Bermuda on December 12, 2011. On December 16, 2011, Frontline 2012 completed a private placement of 100 million new ordinary shares of $2.00 par value at a subscription price of $2.85, raising $285.0 million in gross proceeds, subject to certain closing conditions. These conditions were subsequently fulfilled and Frontline 2012 was registered on the Norwegian Over The Counter list, or NOTC, in Oslo on December 30, 2011. Hemen Holding Ltd, or Hemen, a Cyprus holding company, indirectly controlled by trusts established by the Company's Chairman and President, Mr. Fredriksen, for the benefit of his immediate family, was allocated 50 million shares representing 50% of the share capital of Frontline 2012. The Company was allocated 8,771,000 shares, representing approximately 8.8% of the share capital of Frontline 2012.

On December 30, 2011, Frontline 2012 acquired five very large crude carrier, or VLCC, newbuilding contracts, six modern VLCCs, including one on time charter, and four modern Suezmax tankers from the Company at fair market value of $1,120.7 million. Frontline 2012 paid $128.9 million in cash and assumed $666.3 million in bank debt and $325.5 million in remaining new building commitments. Frontline 2012 accounted for the purchase of assets from the Company as a business combination after determining that Frontline 2012 acquired a business and not a group of assets.

As of December 31, 2015, Hemen was the Company's largest shareholder, owning 51.7% of the Company's outstanding shares.

Business

The Company operates oil tankers of two sizes: VLCCs, which are between 200,000 and 320,000 dwt, and Suezmax tankers, which are vessels between 120,000 and 170,000 dwt, and operates clean product tankers of two sizes: MR tankers, which are approximately 50,000 dwt, and LR2 tankers, which range in size from 111,000 to 115,000 dwt. The Company operates through subsidiaries and partnerships located in Bermuda, India, the Philippines, Liberia, Norway, the United Kingdom and Singapore. The Company is also involved in the charter, purchase and sale of vessels.

As of December 31, 2015, the Company's fleet consists of 88 vessels, including newbuildings, with an aggregate capacity of approximately 15 million dwt. The Company's operating fleet consists of (i) 24 vessels that it owns (six VLCCs, eight Suezmax tankers and ten product tankers), (ii) 15 vessels that are under capital leases (13 VLCCs and two Suezmax tankers) of which one VLCC was redelivered in February 2016 and was chartered-in for an additional period of 12 months including extension options, (iii) one VLCC that is recorded as an investment in a finance lease, (iv) three vessels chartered-in for periods of 12 months including extension options (one VLCC and two Suezmax tankers), (v) nine vessels that are under our commercial management (two Suezmax tankers and seven product/crude oil tankers), (vi) seven product tankers that are chartered-in on short term time charters with a remaining duration of less than one year with options to extend, and (vii) one VLCC where cost/revenue is split 50/50 with a third party. The Company also has a newbuilding program of 28 vessels, comprised of six VLCCs, eight Suezmax tankers and 14 LR2s.

2. ACCOUNTING POLICIES

Basis of presentation
The accompanying consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles. On November 30, 2015, a wholly-owned subsidiary of the Company acquired Frontline 2012. This transaction has been accounted for as a reverse business acquisition in which Frontline 2012 is treated as the accounting acquirer, primarily because Frontline 2012's shareholders owned 74.6% of the Company's ordinary shares upon completion of the Merger. As a result, the historical financial statements of Frontline 2012 became the historical financial statements of the Company as of the completion of the Merger. Therefore, the results for the years ended December 31, 2014 and December 31, 2013 reflect the operations and cash flows of Frontline 2012 only and the balance sheet at December 31, 2014 reflects the financial position of Frontline 2012 only. The results of operations and cash flows for the Company, the acquired company for accounting purposes, are included in the consolidated financial statements from November 30, 2015, the date on which the Merger was completed. Amounts shown as "Acquired upon the merger with Frontline 2012" in these financial statements are those of the Company due to the fact that Frontline 2012 was determined to be the accounting acquirer in the Merger.

Use of estimates
The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: vessels and obligations under capital leases, the amount of uncollectible accounts and accounts receivable, the amount to be paid for certain liabilities, including contingent liabilities, the amount of costs to be capitalized in connection with the construction of our newbuildings and the lives of our vessels. Actual results could differ from those estimates.

Fair values
We have determined the estimated fair value amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in these consolidated financial statements are not necessarily indicative of the amounts that we could realize in a current market exchange. Estimating the fair value of assets acquired and liabilities assumed in a business combination requires the use of estimates and significant judgments, among others, the following: the expected revenues earned by vessels held under capital lease and the operating costs (including dry docking costs) of those vessels, the expected contingent rental expense, if applicable, to be included in obligations under capital lease, the discount rate used in cash flow based valuations, the market assumptions used when valuing acquired time charter contracts and the value of contingent claims. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Principles of consolidation
The consolidated financial statements include the accounts for us and our wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated on consolidation. The operating results of acquired companies are included in our consolidated statement of operations from the date of acquisition.

For investments in which we own 20% to 50% of the voting shares and have significant influence over the operating and financial policies, the equity method of accounting is used. Accordingly, our share of the earnings and losses of these companies are included in the share of income (losses) in equity investments in the accompanying consolidated statements of operations.

Discontinued operations
We believe that the disposal of a component of an entity or a group of components of an entity shall be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. Frontline 2012 determined that the stock dividend of 75.4 million shares in Golden Ocean in June 2015 represented a

significant strategic shift in Frontline 2012's business and has, therefore, recorded the results of its dry bulk operations as discontinued operations in the years ended December 31, 2015 and 2014. The balance sheet at December 31, 2014 and the statement of cash flows for the years ended December 31, 2015, 2014 and 2013 have also been presented on a discontinued operations basis.

Foreign currency translation
Our functional currency is the U.S. dollar. Exchange gains and losses on translation of our net equity investments in subsidiaries are reported as a separate component of accumulated other comprehensive loss in shareholders' equity. Foreign currency transaction gains and losses are recorded in the consolidated statement of operations.

Cash and cash equivalents
For the purposes of the consolidated balance sheet and the consolidated statement of cash flows, all demand and time deposits and highly liquid, low risk investments with original maturities of three months or less are considered equivalent to cash.

Restricted cash and investments
Restricted cash consists of a bank deposit, which may only be used for certain purposes and is held under a contractual arrangement.

Marketable securities
Marketable equity securities held by the Company are considered to be available-for-sale securities and as such are carried at fair value. Any resulting unrealized gains and losses, net of deferred taxes if any, are recorded as a separate component of other comprehensive income in equity unless the securities are considered to be other than temporarily impaired, in which case unrealized losses are recorded in the consolidated statement of operations as impairment loss on shares.

Inventories
Inventories comprise principally of fuel and lubricating oils and are stated at the lower of cost and market value. Cost is determined on a first-in, first-out basis.

Vessels and equipment
The cost of the vessels less estimated residual value is depreciated on a straight-line basis over the vessels' estimated remaining economic useful lives. The estimated economic useful life of the Company's vessels is 25 years. Other equipment is depreciated over its estimated remaining useful life, which approximates five years. The residual value for owned vessels is calculated by multiplying the lightweight tonnage of the vessel by the market price of scrap per tonne. The market price of scrap per tonne is calculated as the ten year average, up to the date of delivery of the vessel, across the three main recycling markets (Far East, Indian sub continent and Bangladesh). Residual values are reviewed annually.

Vessels and equipment under capital lease
The Company charters in certain vessels and equipment under leasing agreements. Leases of vessels and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as capital leases. Each lease payment is allocated between liability and finance charges to achieve a constant rate on the capital balance outstanding. The interest element of the capital cost is charged to the income statement over the lease period.

Each of the Company's capital leases were acquired as a result of the Merger and contain a profit share (contingent rental expense), which was reflected in the fair valuation of the obligations under capital lease at the date of the Merger. Any variations in the estimated profit share expense as compared to actual profit share expense incurred will be accounted for as contingent rental income or expense and will be taken to the statement of operations in the period

in which it becomes realizable and recorded within 'Contingent rental (income) expense'. There were no such payments in 2015 subsequent to the Merger.

Depreciation of vessels and equipment under capital lease is included within "Depreciation" in the consolidated statement of operations. Vessels and equipment under capital lease are depreciated on a straight-line basis over the vessels' remaining economic useful lives or on a straight-line basis over the term of the lease.

Newbuildings

The carrying value of the vessels under construction, or Newbuildings, represents the accumulated costs to the balance sheet date which the Company has had to pay by way of purchase installments and other capital expenditures together with capitalized interest and associated finance costs. No charge for depreciation is made until the vessel is available for use.

Goodwill

Goodwill arising from a business combination, being the value of purchase consideration in excess of amounts allocable to identifiable assets and liabilities is not amortized and is subject to annual review for impairment or more frequently should indications of impairment arise. For purposes of performing the impairment test of goodwill, we have established that the Company

has one reporting unit: tankers. Impairment of goodwill in excess of amounts allocable to identifiable assets and liabilities is determined using a two-step approach, initially based on a comparison of the fair value of the reporting unit to the book value of its net assets; if the fair value of the reporting unit is lower than the book value of its net assets, then the second step compares the implied fair value of the Company's goodwill with its carrying value to measure the amount of the impairment.

Interest expense
Interest costs are expensed as incurred except for interest costs that are capitalized. Interest expenses are capitalized during construction of newbuildings based on accumulated expenditures for the applicable project at the Company's current rate of borrowing. The amount of interest expense capitalized in an accounting period shall be determined by applying an interest rate, or the capitalization rate, to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period shall be based on the rates applicable to borrowings outstanding during the period. The Company does not capitalize amounts beyond the actual interest expense incurred in the period.

If the Company's financing plans associate a specific new borrowing with a qualifying asset, the Company uses the rate on that borrowing as the capitalization rate to be applied to that portion of the average accumulated expenditures for the asset that does not exceed the amount of that borrowing. If average accumulated expenditures for the asset exceed the amounts of specific new borrowings associated with the asset, the capitalization rate to be applied to such excess shall be a weighted average of the rates applicable to other borrowings of the Company.

Impairment of long-lived assets
The carrying values of long-lived assets held and used by the Company and newbuildings are reviewed whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. Such indicators may include depressed spot rates, depressed second hand tanker values and issues at the shipyard. The Company assesses recoverability of the carrying value of each asset or newbuilding on an individual basis by estimating the future net cash flows expected to result from the asset, including eventual disposal. In developing estimates of future cash flows, the Company must make assumptions about future performance, with significant assumptions being related to charter rates, ship operating expenses, utilization, drydocking requirements, residual values, the estimated remaining useful lives of the vessels and the probability of lease terminations for the vessels held under capital lease. These assumptions are based on historical trends as well as future expectations. If the future net undiscounted cash flows are less than the carrying value of the asset, or the current carrying value plus future newbuilding commitments, an impairment loss is recorded equal to the difference between the asset's or newbuildings carrying value and fair value. In addition, long-lived assets to be disposed of are reported at the lower of carrying amount and fair value less estimated costs to sell.

Deferred charges
Loan costs, including debt arrangement fees, are capitalized and amortized on a straight-line basis over the term of the relevant loan. The straight line basis of amortization approximates the effective interest method in the Company's consolidated statement of operations. Amortization of loan costs is included in interest expense. If a loan is repaid early, any unamortized portion of the related deferred charges is charged against income in the period in which the loan is repaid.

Trade accounts receivable
Trade and other receivables are presented net of allowances for doubtful balances. If amounts become uncollectible, they are charged against income when that determination is made.

Revenue and expense recognition

Revenues and expenses are recognized on the accruals basis. Revenues are generated from voyage charters, time charters and a finance lease. Voyage revenues are recognized ratably over the estimated length of each voyage and, therefore, are allocated between reporting periods based on the relative transit time in each period. Voyage expenses are recognized as incurred. Probable losses on voyages are provided for in full at the time such losses can be estimated. Time charter revenues are recorded over the term of the charter as a service is provided. When the time charter is based on an index, the Company recognizes revenue when the index has been determined. The Company uses a discharge-to-discharge basis in determining percentage of completion for all spot voyages and voyages servicing contracts of affreightment whereby it recognizes revenue ratably from when product is discharged (unloaded) at the end of one voyage to when it is discharged after the next voyage. However, the Company does not recognize revenue if a charter has not been contractually committed to by a customer and the Company, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

Revenues and voyage expenses of the vessels operating in pool arrangements are pooled and the resulting net pool revenues, calculated on a time charter equivalent basis, are allocated to the pool participants according to an agreed formula on the basis of the number of days a vessel operates in the pool. The pool participants are responsible for paying voyage expenses. Adjustments between the pool participants are settled on a quarterly basis. Pool revenues are reported as voyage charter revenues for all periods presented.

Rental payments from the Company's sales-type lease are allocated between lease service revenue, lease interest income and repayment of net investment in leases. The amount allocated to lease service revenue is based on the estimated fair value, at the time of entering the lease agreement, of the services provided which consist of ship management and operating services.

Gain on cancellation and sale of newbuilding contracts
Gain on cancellation and sale of newbuilding contracts relate to gains arising on (i) the cancellation of newbuilding contracts, which are considered to be contingent gains, and are recognized when the gain is virtually certain which is generally on a cash basis, and (ii) the sale of newbuilding contracts, which are recognized when we are reasonably assured that substantially all of the risks of the newbuilding contract have been transferred.

Drydocking
Normal vessel repair and maintenance costs are expensed when incurred. The Company recognizes the cost of a drydocking at the time the drydocking takes place, that is, it applies the "expense as incurred" method.

Financial instruments
In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

Derivatives
Interest rate and bunker swaps
The Company enters into interest rate and bunker swap transactions from time to time to hedge a portion of its exposure to floating interest rates and movements in bunker prices. These transactions involve the conversion of floating rates into fixed rates over the life of the transactions without an exchange of underlying principal. The fair values of the interest rate and bunker swap contracts are recognized as assets or liabilities. None of the interest rate and bunker swaps qualify for hedge accounting and changes in fair values are recognized in 'Mark to market gain (loss) on derivatives' in the consolidated statement of operations. Cash outflows and inflows resulting from derivative contracts are presented as cash flows from operations in the consolidated statement of cash flows.

Earnings per share
Basic earnings per share is computed based on the income available to common shareholders and the weighted average number of shares outstanding. Diluted earnings per share includes the effect of the assumed conversion of potentially dilutive instruments.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 - Revenue from Contracts with Customers (“ASU 2014-09”), a comprehensive revenue recognition model that supersedes the current revenue recognition requirements and most industry-specific guidance. The underlying core principle of ASU 2014-09 is that a company should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services. ASU 2014-09 will be effective for the first interim period within annual reporting periods beginning after

December 15, 2017, and allows adoption either under a full retrospective or a modified retrospective approach. Early adoption is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Company is currently considering the impact of these amendments on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, which changes the presentation of debt issuance costs in the balance sheet as a direct deduction from the carrying amount of the related debt rather than as an asset. The guidance is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted, and must be applied on a retrospective basis to all prior periods presented in the financial statements. The amendments in this Update will affect the Company for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company had debt issuance costs of $3.2 million at December 31, 2015 (December 31, 2014: $4.8 million), which would be required to be presented as a deduction from the carrying amount of its debt.

In July 2015, the FASB issued ASU 2015-11-Inventory (Topic 330)-Simplifying the Measurement of Inventory, which applies to inventory that is measured using first-in, first-out (FIFO) or average cost. An entity should measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in IFRS. The amendments in this Update will affect the Company for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company does not expect these amendments to have a significant impact on its consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15 Interest-Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015. This Update made certain amendments to Subtopic 835-30 concerning Interest-Imputation of Interest and Other Presentation Matters. The amendments in this Update will affect the Company for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company does not expect these amendments to have a significant impact on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16 Business combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments. The amendments in the Update require that the acquirer recognize adjustments to provisional amounts recognized in a business combination that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition, an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amendments in this Update will affect the Company for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company may have measurement-period adjustments following the Merger but is unable to quantify the effect of any such adjustments on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01 Financial instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this Update require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this Update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments in this Update eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement for to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. The amendments in this Update will affect the Company for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently considering the impact of these amendments on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 - Leases (Topic 842). The amendments in this update require that lessees recognize a right-of-use asset and a lease liability for all leases except those that meet the definition of a

short-term lease. A dual model was retained for income statement purposes, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). The amendments in this Update are effective for the Company for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently considering the impact of these amendments on its consolidated financial statements.

4. MERGER WITH FRONTLINE 2012

The Transaction

On July 1, 2015, the Company, Frontline Acquisition and Frontline 2012 entered into a Merger Agreement pursuant to which Frontline Acquisition and Frontline 2012 agreed to enter the Merger, with Frontline 2012 as the surviving legal entity and thus becoming a wholly-owned subsidiary of the Company. The Merger was completed on November 30, 2015 and shareholders in Frontline 2012 received shares in the Company as merger consideration. One share in Frontline 2012 gave the right to receive 2.55 shares in the Company and 583.6 million shares were issued as merger consideration based on the total number of Frontline

2012 shares of 249.1 million less 6.8 million treasury shares held by Frontline 2012 and 13.46 million Frontline 2012 shares held by the Company, which were cancelled upon completion of the Merger. Following completion of the Merger, existing shareholders of the Company and Frontline 2012 owned 25.4% and 74.6%, respectively, of the Company.

Prior to the merger announcement, the Hemen and certain of its affiliates, owned approximately 13% of the common shares in the Company, approximately 59% of the ordinary shares in Frontline 2012, and approximately 37% of the ordinary shares in Ship Finance International Limited, or Ship Finance. Prior to the merger announcement, Ship Finance owned approximately 28% of the common shares in the Company. Approval of the Merger required that a minimum of 75% of the voting Frontline 2012 shareholders and 50% of the voting Company shareholders voted in favor of the Merger. In connection with the special general meetings of the Company and Frontline 2012, Hemen and Ship Finance entered into voting agreements to vote all of their respective shares in favor of the Merger. Following completion of the Merger, Hemen and Ship Finance, own 51.7% and 7.0%, respectively, of the Company's outstanding shares.

Accounting for the Merger

The Merger has been accounted for as a business combination using the acquisition method of accounting under the provisions of ASC 805, with Frontline 2012 selected as the accounting acquirer under this guidance. The factors that were considered in determining that Frontline 2012 should be treated as the accounting acquirer were the relative voting rights in the combined company, the composition of the board of directors in the combined company, the controlling interest of Hemen, the relative sizes of the Company and Frontline 2012, the composition of senior management of the combined company, the name of the combined company, the terms of exchange of equity interests and the continued stock exchange listings of the combined company. Management believes that the relative voting rights in the combined company, the composition of the board of directors in the combined company, the controlling interest of Hemen and the relative sizes of the Company and Frontline 2012 were the most significant factors in determining Frontline 2012 as the accounting acquirer.

The following represents the purchase price calculation (in thousands, total amounts may not recalculate due to rounding) and has not been restated for the 1-for-5 reverse share split:

(Number of shares in thousands)		
Total number of Frontline 2012 shares	249,100	
Cancellation of treasury shares	(6,792	)
Cancellation of shares held by the Company	(13,460	)
Number of Frontline 2012 shares qualifying for merger consideration	228,848	
Frontline 2012 shares that would be issued to maintain combined company shareholdings (1)	77,794	
Total number of Frontline 2012 shares if it was the legal acquirer	306,642	

1. As Frontline 2012 shareholders own approximately 74.6% of the combined company, it is calculated that Frontline 2012 would issue approximately 77,794,000 shares in order to retain a 74.6% shareholding if it was the legal acquirer.

(in thousands of $)	
Frontline 2012 shares that would be issued to maintain combined company shareholdings	77,794
Closing Frontline 2012 share price on November 30, 2015	$7.18
Total estimated purchase price consideration	558,571

The following represents the calculation of goodwill arising and the allocation of the total purchase price to the estimated fair value and historic cost of assets acquired and fair value of liabilities assumed:

(in thousands of $)	
Total estimated purchase price consideration	558,571

Fair value of net assets acquired and liabilities assumed	(333,298)
Goodwill	225,273

(in thousands of $)	
Cash and cash equivalents	87,443
Current assets	145,601
Vessels and equipment, net	132,712
Vessels held under capital lease, net	706,219
Favorable newbuilding contracts	16,523
Investment in finance lease, long term portion	41,468
Short-term debt and current portion of long-term debt	(4,004)
Current portion of obligations under capital lease	(96,123)
Other current liabilities	(91,250)
Long-term debt	(52,516)
Obligations under capital lease, long term portion	(453,007)
Other non-current liabilities	(99,768)
Fair value of net assets acquired and liabilities assumed	333,298

The Company believes that the goodwill may be attributable, in part or in whole, to the following factors; the expected synergies from combining the operations of the Company and Frontline 2012, particularly in respect of the benefits of operating an enlarged oil tanker fleet and assembled workforce. Also, the exchange ratio for the merger was agreed between the Company and Frontline 2012 in June 2015. Due to passage of time from June 2015 until completion of the merger in November 2015, the increase in Frontline 2012's share price resulted in a increase in the purchase price consideration, which increased the goodwill amount that was recognized upon completion of the Merger.

Vessels and equipment, net
The two vessels acquired upon the Merger have been valued at fair value (level 2) based on the average of broker valuations from two different ship broker companies The brokers assess each vessel based on, among others, age, yard, deadweight capacity and compare this to market transactions. The fair value of the vessels less estimated residual value is depreciated on a straight-line basis over the vessels' estimated remaining economic useful lives in accordance with Frontline 2012's existing policy.

Favorable newbuilding contracts
In November 2015, the Company entered into an agreement to purchase two Suezmax tanker newbuilding contracts from Golden Ocean at a purchase price of $55.7 million per vessel. The vessels have delivery dates in the first half of 2017. The contracts were acquired as a result of the Merger and were fair valued (level 2) at $16.5 million being the excess of the estimated fair value of the contracts less the purchase price. The fair value of favorable newbuilding contracts was added to the carrying value of Newbuildings when the purchase of these contracts was completed in December 2015.

Vessels acquired with existing time charters
The value of a time charter contract acquired with a vessel is recognized separately to the value of the vessel. These contracts are fair valued (level 3) using an 'excess earnings' technique whereby the terms of the contract are assessed relative to current market conditions and they are recorded at the sum of the incremental or decremental cash flows arising over the life of the contracts. The Company acquired five unfavorable time charter contracts upon the Merger. The value of such contracts is amortized over the term of the contracts on a straight line basis.

Vessels under capital lease
Leases of vessels, where the Company has substantially all the risks and rewards of ownership, are classified as capital leases. The Company acquired nineteen vessels under capital lease upon the Merger, fifteen of which are leased from Ship Finance (one lease was terminated in December 2015) and require daily hire payments to Ship Finance of $20,000 and $15,000 for VLCCs and Suezmaxes, respectively, and a profit share payment (contingent

rental expense) of 50% above the daily hire rates. The leasehold interest in these capital leased assets has been recorded at fair value (level 3) based on the discounted value of the expected cash flows from the vessels.

The obligations under these capital leases have been recorded at fair value (level 3) based on the net present value of the contractual lease payments and the estimated contingent rental expense that is expected to accrue over the terms of the leases. As of December 31, 2015, the Company has recorded total obligations under these capital leases of $536.4 million of which $309.9 million is in respect of the minimum contractual payments and $226.5 million is in respect of contingent rental expense.

Investment in finance leases
The Company acquired one sales-type lease as a result of the Merger. The fair value (level 3) of the leasehold interest is based on the expected future cash flows derived from the time charter out of the vessel over the remaining term of the lease. The difference between the gross investment in the lease and the sum of the present values of lease payments and residual value is recorded as finance lease interest income and is amortized to income over the period of the lease so as to produce a constant periodic rate of return on the net investment in the lease.

The Consolidated Statement of Operations for 2015 includes revenues of $43.5 million and net income of $9.8 million, which are attributable to the Company.

Unaudited Pro Forma Results

The following unaudited pro forma financial information presents the combined results of operations of the Company and Frontline 2012 as if the Merger had occurred as of the beginning of the years presented. The pro forma financial information is not intended to represent or be indicative of the consolidated results of operations or financial condition of the Company that would have been reported had the acquisition been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial condition of the Company.

(in thousands $, except per share data)	2015	2014
Total operating revenues	934,670	777,436
Net income (loss) from continuing operations	269,352	(90,672)
Loss from discontinued operations	(131,006)	(51,159)
Net income (loss)	138,346	(141,831)
Net loss attributable to non-controlling interest	30,244	63,214
Net income (loss) attributable to the Company	168,590	(78,617)
Basic and diluted earnings per share;		
Basic and diluted earnings (loss) per share attributable to the Company from continuing operations	$ 2.24	$ (0.73)
Basic and diluted (loss) income per share attributable to the Company from discontinued operations	$ (0.84)	$ 0.10
Basic and diluted earnings (loss) per share attributable to the Company	$ 1.40	$ (0.63)

Amounts shown above for basic and diluted earnings per share reflect the 1-for-5 reverse share split in February 2016.

5. ACQUISITION OF GOLDEN OCEAN

The Transaction

On April 3, 2014, Frontline 2012 and Knightsbridge Shipping Limited (NASDAQ: VLCCF), renamed Golden Ocean Group Limited, or Golden Ocean, entered into an agreement pursuant to which Frontline 2012 sold all of the shares of five SPCs, each owning a cash balance and a Capesize newbuilding, to Golden Ocean. On April 23, 2014, the closing date of the transaction, Golden Ocean issued 15.5 million newly issued common shares to Frontline 2012 as consideration and Golden Ocean assumed $150.0 million in remaining newbuilding installments in connection with the SPCs. The SPCs had newbuilding costs and cash of $41.6 million and $43.4 million, respectively, at this time. Frontline 2012 also agreed to continue the performance guarantees given in favor of the yard until the delivery of each newbuilding for no consideration and, Golden Ocean agreed to hold Frontline 2012 harmless against any claim under the performance guarantee after the closing date of the transaction. Golden Ocean also had the right but not the

obligation to sell the SPC back to Frontline 2012 if it reached a point whereby the newbuilding contract could be cancelled. All five newbuildings were delivered to Golden Ocean during 2014. Frontline 2012 owned approximately 31.6% of the total shares outstanding in Golden Ocean with a market value of $194.4 million as a consequence of this transaction and commenced equity accounting for this investment. Frontline 2012 recorded a gain of $74.8 million in 'Gain on cancellation and sale of newbuilding contracts', which has been included within income (loss) from discontinued operations, on the sale of the five SPCs, after elimination of $34.5 million representing 31.6% of the total gain of $109.3 million.

In April 2014, Frontline 2012 also agreed to sell twenty-five SPCs to Golden Ocean, each owning a fuel efficient dry bulk newbuilding. Thirteen of the SPCs were sold in September 2014 at which time Golden Ocean issued 31.0 million shares to Frontline 2012 and assumed $490.0 million in respect of remaining newbuilding installments. Cash of $25.1 million was disposed of on the sale of the SPCs. Frontline 2012 owned approximately 58% of the total shares outstanding in Golden Ocean as a consequence of this transaction and commenced consolidation of Golden Ocean. All consolidated balances are now recorded as 'Held for distribution' in the Consolidated Balance Sheet.

Frontline 2012 sold the remaining twelve SPCs in March 2015 and received 31.0 million shares of Golden Ocean as consideration. Golden Ocean assumed $404.0 million in respect of remaining newbuilding installments, net of a cash payment from Frontline 2012 of $108.6 million. Frontline 2012 owned 77.5 million shares of Golden Ocean following this transaction or 69.7% of the total shares outstanding.

Accounting for the Acquisition

Frontline 2012's acquisition of Golden Ocean in September 2014 was accounted for as a business combination using the acquisition method of accounting under the provisions of ASC 805, with Frontline 2012 selected as the accounting acquirer under this guidance. The carrying value of Frontline 2012's investment in Golden Ocean at the date of acquisition was $154.0 million and this was revalued at $178.4 million based on the closing share price on September 15, 2014 of $11.51 and $24.4 million was recorded as a gain in 'Share of results from associated company and gain on equity interest', which has been included within income (loss) from discontinued operations. The carrying value of Frontline 2012's investment in Golden Ocean at the date of acquisition of $154.0 million was equal to the $194.4 million market value as of April 3, 2014 less $34.5 million being 31.6% of the total gain of $109.3 million arising on the sale of the five SPCs in April 2014, less $5.9 million being the share of results from this associate until September 15, 2014.

The thirteen SPCs sold by Frontline 2012 to Golden Ocean in September 2014 were recorded at their historic cost of $131.6 million (including cash held in the SPCs of $25.1 million). The valuation of the remaining consideration is based on the fair value of the total number of common shares owned by Frontline 2012 and non-controlling interests based on the September 15, 2014 closing share price of $11.51:

(in thousands of $)	
Carrying value of the newbuilding contracts in the thirteen SPCs	106,406
Cash held in the thirteen SPCs	25,149
Fair value of non-controlling interest (33.6 million shares at $11.51 per share)	386,984
Fair value of previously held equity (15.5 million shares at $11.51 per share)	178,405
Total value of consideration	696,944

The following represents the calculation of goodwill arising on consolidation based on Frontline 2012's management's allocation of the total purchase price to the estimated fair value and historic cost of assets acquired and fair value of liabilities assumed:

(in thousands of $)	
Assets	125,421
Newbuildings	83,700
Vessels, net	465,334
Current liabilities	(27,757)
Long term liabilities	(230,791)
Fair value of net assets acquired and liabilities assumed	415,907
Newbuildings and cash at historic cost	131,555
Total value of net assets acquired and liabilities assumed	547,462
Total value of consideration	696,944

Goodwill arising on consolidation	149,482

The full amount of the goodwill arising on consolidation was written off in the fourth quarter of 2014 following Frontline 2012's impairment assessment at December 31, 2014, and has been included within income (loss) from discontinued operations, which was triggered by the significant fall in rates per the Baltic Dry Index and the significant fall in Golden Ocean's share price in the fourth quarter.

The Consolidated Statement of Operations for 2014 includes revenues of $33.4 million and a net loss of $63.2 million, which are attributable to Golden Ocean and have been recorded in Net loss from discontinued operations.

6. DISCONTINUED OPERATIONS

Frontline 2012 acquired a 31.6% shareholding in Golden Ocean in April 2014 following the sale of five SPCs to Golden Ocean and the receipt of 15.5 million shares as consideration and equity accounted for this interest from that time up to September 2014, at which time Frontline 2012 consolidated Golden Ocean. Frontline 2012 recorded share of earnings in respect of Golden Ocean of $0.3 million in the period from April to September 2014. Frontline 2012 also recorded a gain of $24.4 million in 'Share of results from associated companies and gain on equity interest', which has been included within income (loss) from discontinued operations, on the revaluation of its interest in Golden Ocean at the time it commenced consolidation.

Frontline 2012 owned 77.5 million shares of Golden Ocean or 69.7% of the total shares outstanding at the time of Golden Ocean's merger with the Former Golden Ocean on March 31, 2015. This ownership percentage was reduced to 44.9% as a result of the aforementioned merger. Frontline 2012 stopped consolidating at this time and equity accounted for its shareholding in Golden Ocean upto June 2015, at which time Frontline 2012 paid a stock dividend of Golden Ocean shares (see below).

Frontline 2012 received dividends of $6.2 million (2013: nil) from Golden Ocean, prior to its consolidation, in the year ended December 31, 2014.

The net revenues, net operating income and net income for Golden Ocean in the year ended December 31, 2014 were $96.7 million, $19.5 million and $16.0 million, respectively.

In June 2015, Frontline 2012 paid a stock dividend consisting of 75.4 million Golden Ocean shares. All shareholders holding 3.2142 shares or more, received one share in Golden Ocean for every 3.2142 shares held, rounded down to the nearest whole share. The remaining fractional shares were paid in cash. Frontline 2012 held 77.5 million Golden Ocean shares prior to this stock dividend and retained 2.1 million Golden Ocean shares in respect of the treasury shares held at the time of the dividend. This stock dividend was deemed to trigger discontinued operations presentation of the results of Golden Ocean as it represented a strategic shift that has a major effect on Frontline 2012's financial and operational results.

Amounts recorded in respect of discontinued operations in the years ended December 31, 2015 and 2014 are as follows;

(in thousands of $)	2015	2014
Operating revenues	18,083	33,432
Gain on sale of newbuilding contracts	—	74,834
Voyage expenses and commissions	(13,414)	(17,291)
Ship operating costs	(7,050)	(6,797)
Administrative expenses	(985)	(2,490)
Goodwill impairment loss	—	(149,482)
Depreciation	(7,712)	(6,187)
Vessel impairment loss	(62,489)	—
Interest income	—	17
Interest expense	(2,119)	(1,698)
Gain on revaluation of investment in Golden Ocean	—	24,422
Share of results from associated companies	(14,880)	321
Impairment loss on shares	(40,556)	—
Gain on non-controlling interest	192	—
Other financial items	(76)	—
Foreign exchange loss	—	(2)
Other non-operating expense	—	(238)
Net loss from discontinued operations	(131,006)	(51,159)
Net loss attributable to non-controlling interest	(30,305)	(63,214)
Net (loss) income from discontinued operations after non-controlling interest	(100,701)	12,055

The vessel impairment loss in 2015 relates to five vessels (KSL China, Battersea, Belgravia, Golden Future and Golden Zhejiang), which Golden Ocean agreed to sell to, and lease back, from Ship Finance. Impairment losses are taken when events or changes in circumstances occur such that future cash flows for an individual vessel will be less than its carrying value and not fully recoverable. In such instances an impairment charge is recognized if the estimate of the undiscounted cash flows expected to result from the use of the vessel and its eventual disposition is less than the vessel's carrying amount.

The impairment loss on shares in 2015 relates to the shares held in Golden Ocean and was incurred in the period from March 31, 2015 (being the date of de-consolidation of Golden Ocean) to June 26, 2015 (being the date of Frontline 2012's stock dividend of Golden Ocean shares). The total impairment loss in this period was $41.7 million, of which $1.1 million was allocated to continuing operations and $40.6 million was allocated to discontinued operations based on the number of Golden Ocean shares that were dividended and retained. An additional impairment loss of $9.4 million was recorded in the period April 1 to December 31, 2015 in relation to the retained non-controlling interest held as an available for sale security. The impairment losses were recorded in the consolidated statement of operations as Impairment loss on shares as it was determined that the losses were other than temporary in view of the significant fall in rates in the Baltic Dry Index.

Amounts recorded in respect of assets and liabilities held for distribution at December 31, 2014 are as follows;

(in thousands of $)	
Cash and cash equivalents	61,144
Trade accounts receivable, net	2,770
Related party receivables	35
Other receivables	3,841
Inventories	13,246
Voyages in progress	1,322
Prepaid expenses and accrued income	844
Current assets held for distribution	83,202
Newbuildings	250,118
Vessels and equipment, net	659,884
Long term assets held for distribution	910,002
Short term debt and current maturities of long-term debt	19,812
Related party payables	2,555
Trade accounts payable	4,935
Accrued expenses	4,192
Other current liabilities	3,285
Current liabilities held for distribution	34,779
Long term debt	343,688
Long term liabilities held for distribution	343,688

Cash and cash equivalents at December 31, 2014 includes cash balances of $18.9 million, which are required to be maintained by the financial covenants in Golden Ocean's loan facilities.

Newbuildings
In September 2014, Frontline 2012 sold thirteen SPCs as announced in April 2014, and received 31.0 million shares in Golden Ocean as consideration. As a consequence of this transaction, Frontline 2012 consolidated Golden Ocean and assumed $190.8 million of Golden Ocean newbuilding contracts in relation to eighteen newbuilding contracts, which included the value of the thirteen newbuilding contracts sold by Frontline 2012, which were assumed at historic cost of $106.4 million. In addition, the remaining newbuildings were recorded at their fair value of $83.7 million. Four of the thirteen newbuildings were subsequently delivered Golden Ocean in 2014. KSL Santiago and KSL Salvador were delivered in September 2014 and KSL San Francisco and KSL Santos were delivered in October 2014. As of December 31, 2014, Golden Ocean's newbuilding program comprised fourteen Capesize drybulk vessels.

Vessels and equipment, net
In September 2014, Frontline 2012 assumed nine vessels on the acquisition of Golden Ocean at a fair value of $465.3 million, of which four of these vessels KSL Sapporo, KSL Sydney, KSL Singapore and KSL Seattle were sold by Frontline 2012 to Golden Ocean in April 2014 and delivered between May and September 15, 2014.

In September 2014, Golden Ocean took delivery of the KSL Santiago and KSL Salvador at an aggregate value of $47.0 million and $57.2 million respectively.

In October 2014, Golden Ocean took delivery of the KSL San Francisco and KSL Santos at an aggregate value of $47.6 million each respectively.

Debt

$420.0 million term loan facility

This debt was assumed by Frontline 2012 as a result of the acquisition of Golden Ocean in September 2014. The facility consists of fourteen tranches of $30.0 million to finance, in part, fourteen of Golden Ocean's newbuildings. Each tranche is repayable by quarterly installments of $375,000 and all amounts outstanding shall be repaid on the final maturity date, which will be no later than 72 months after the first draw down date or June 2020. The final draw down date must be no later than October 2016. This

facility bears interest of LIBOR plus a margin of 2.5%. As of December 31, 2014, $238.5 million had been drawn under the facility and the available, undrawn amount was $180.0 million.

$175.0 million term loan facility
This debt was assumed by Frontline 2012 as a result of the acquisition of Golden Ocean in September 2014. This facility bears interest of LIBOR plus a margin of 2.5% and will mature in May 2016. As of December 31, 2014, the outstanding balance was $125.0 million and $10.0 million was available for vessel acquisitions but undrawn.

Loan covenants
As of December 31, 2014, Golden Ocean loan agreements contain a loan-to-value clause, which could require Golden Ocean to post collateral or prepay a portion of the outstanding borrowings should the value of the vessels securing borrowings decrease below a required level. In addition, the loan agreements contains certain financial covenants, including the requirement to maintain a certain level of free cash, positive working capital and a value adjusted equity covenant. With regards to free cash, Golden Ocean has covenanted to retain at least $18.9 million of cash and cash equivalents at December 31, 2014. The loans also include cross default provisions. Failure to comply with any of the covenants in the loan agreements could result in a default, which would permit the lender to accelerate the maturity of the debt and to foreclose upon any collateral securing the debt. Under those circumstances, Golden Ocean might not have sufficient funds or other resources to satisfy its obligations.

In addition, none of Golden Ocean vessel owning subsidiaries may sell, transfer or otherwise dispose of their interests in the vessels they own without the prior written consent of the applicable lenders unless, in the case of a vessel sale, the outstanding borrowings under the credit facility applicable to that vessel are repaid in full. Golden Ocean was in compliance with all of the financial and other covenants contained in its loan agreements as of December 31, 2014.

Assets Pledged
As at December 31, 2014, thirteen of Golden Ocean's vessels with an aggregate carrying value of $660.1 million were pledged as security for its debt.

Fair Values
The carrying values and estimated fair values of Golden Ocean’s financial instruments as of December 31, 2014 are as follows:

(in thousands of $)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	61,144	61,144	61,144	—	—
Liabilities:					
U.S. dollar denominated floating rate debt	363,500	363,500	—	363,500	—

The following methods and assumptions were used to estimate the fair value of each class of financial instrument;

Cash and cash equivalents – the carrying values in the balance sheet approximate their fair value.

U.S. dollar denominated floating rate debt - The fair value of floating rate debt has been determined using level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis.

Related Party Transactions
On April 3, 2014, Frontline 2012 and Golden Ocean, entered into an agreement pursuant to which Frontline 2012 sold all of the shares of five SPCs, each owning a Capesize newbuilding, to Golden Ocean. On April 23, 2014, the closing

date of the transaction, Golden Ocean issued 15.5 million newly issued common shares to Frontline 2012 as consideration and Golden Ocean assumed $150.0 million in remaining newbuilding installments in connection with the SPCs. Frontline 2012 disposed of cash of $43.4 million on the sale of the SPCs. Frontline 2012 owned approximately 31.6% of the total shares outstanding in Golden Ocean as a consequence of this transaction and commenced equity accounting for this investment.

In April 2014, Frontline 2012 also agreed to sell twenty-five SPCs to Golden Ocean, each owning a fuel efficient dry bulk newbuilding. Thirteen of the SPCs were sold in September 2014 at which time Golden Ocean issued 31.0 million shares to Frontline 2012 and assumed $490.0 million in respect of remaining newbuilding installments. Cash of $25.1 million was disposed of on the sale of the SPCs. Frontline 2012 owned approximately 58% of the total shares outstanding in Golden Ocean as a consequence of this transaction and accounted for it as a business combination achieved in stages.

Frontline 2012 sold the remaining twelve SPCs in March 2015 and received 31.0 million shares of Golden Ocean as consideration. Golden Ocean assumed $404.0 million in respect of remaining newbuilding installments, net of a cash payment from Frontline 2012 of $108.6 million.

Management Agreements
General Management Agreement
Golden Ocean was provided with general administrative services up to March 31, 2015, at which time the General Management Agreement was terminated, by ICB Shipping (Bermuda) Limited, or ICB, a subsidiary of the Company. ICB was entitled to a management fee of $2.3 million per annum, plus a commission of 1.25% on gross freight revenues from Golden Ocean's tanker vessels, 1% of proceeds on the sale of any of Golden Ocean's vessels, and 1% of the cost of the purchase of vessels. In addition, Golden Ocean, in its discretion, has awarded equity incentives to ICB based upon its performance. Such awards were subject to the approval the Golden Ocean Board of Directors.

Technical Management
The technical management of the Golden Ocean's vessels was provided by ship mangers subcontracted by its General Manager.
General Management Agreement fees, Technical Management fees, newbuilding commission and newbuilding supervision fees earned by the General Manager were $0.6 million, $0.2 million, nil and $1.1 million, respectively, for the period January 1, 2015 to March 31, 2015 and $0.7 million, $0.2 million, $0.2 million and $1.5 million, respectively, for the period September 15, 2014 to December 31, 2014.

Commercial Management with the Former Golden Ocean
Pursuant to a commercial management agreement, or the Dry Bulk Commercial Management Agreement, the Former Golden Ocean managed Golden Ocean's dry bulk carriers. The Former Golden Ocean was able to subcontract some or all of the services provided to Golden Ocean and its subsidiaries to its affiliates or third parties. Pursuant to the Dry Bulk Commercial Management Agreement, the Former Golden Ocean was entitled to receive a commission of 1.25% of all gross freight earned by Golden Ocean's dry bulk carriers. In addition, Golden Ocean, in its discretion, awarded equity incentives to the Former Golden Ocean based on its performance. Such awards were subject to the approval of the Golden Ocean Board of Directors.

The Former Golden Ocean was considered a related party from September 15, 2014 when Golden Ocean became a majority-owned subsidiary of Frontline 2012. Management fees earned by the Former Golden Ocean were $0.1 million for the period January 1, 2015 to March 31, 2015 and $0.4 million for the period September 15, 2014 to December 31, 2014.

Commitments and Contingencies
As of December 31, 2014, Golden Ocean had 26 Capesize dry bulk vessels under construction and was committed to making payments of $548.7 million in 2015.

As of December 31, 2014, Golden Ocean had claims for unpaid charter hire owed by Titan Petrochemicals Limited with respect to its bareboat charters of the VLCCs Titan Venus and Mayfair. Golden Ocean was also seeking recovery of damages for the remaining periods of these charter contracts. The aggregate amount of these claims was approximately $2.4 million. Golden Ocean was unable to predict the outcome of this case at that time.

7. SEGMENT INFORMATION

The Company and the chief operating decision maker, or CODM, measure performance based on the Company's overall return to shareholders based on consolidated net income. The CODM does not review a measure of operating result at a lower level than the consolidated group. Consequently, the Company has only one reportable segment:

tankers, following the reclassification of the results of Golden Ocean as discontinued operations. The tankers segment includes crude oil tankers and product tankers.

The Company's management does not evaluate performance by geographical region as this information is not meaningful.

Revenues from one customer in the year ended December 31, 2015, accounted for 10% or more of the Company's consolidated revenues in the amount of $71.3 million. Revenues from one customer in the year ended December 31, 2014, accounted for 10% or more of the Company's consolidated revenues in the amount of $41.0 million. Revenues from two customers in the year ended December 31, 2013, accounted for 10% or more of the Company's consolidated revenues in the amounts of $25.5 million and $13.9 million.

8. INCOME TAXES

Bermuda
Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until March 31, 2035.

United States
Under Section 863(c)(2)(A) of the Internal Revenue Code, 50% of all transportation revenue attributable to transportation which begins or ends in the United States shall be treated as from sources within the United States. Such revenue is subject to 4% tax. Revenue tax of $0.9 million has been recorded in voyage expenses and commissions in 2015 (2014: $0.4 million, 2013: $0.3 million).

Other Jurisdictions
Certain of the Company's subsidiaries in Singapore, Norway, India and the United Kingdom are subject to income tax in their respective jurisdictions. The tax paid by subsidiaries of the Company that are subject to income tax is not material.

The Company does not have any unrecognized tax benefits, material accrued interest or penalties relating to income taxes.

9. EARNINGS PER SHARE

The components of the numerator and the denominator in the calculation of basic and diluted earnings per share are as follows:

(in thousands of $)	2015	2014	2013
Net income from continuing operations after non-controlling interest	255,325	137,414	69,499
Net (loss) income from discontinued operations after non-controlling interest	(100,701)	12,055	—
Net income attributable to the Company	154,624	149,469	69,499

(in thousands)	2015	2014	2013
Weighted average number of ordinary shares	120,082	125,189	114,377

The weighted average numbers of shares outstanding have been adjusted for the reverse business acquisition of the Company by Frontline 2012 and the 1-for-5 reverse share split that was effected in February 2016. The options issued by the Company did not have an impact on the calculation of earnings per share.

10. GAIN ON CANCELLATION AND SALE OF NEWBUILDING CONTRACTS

(in thousands of $)	2015	2014	2013
Gain on cancellation of newbuilding contracts;			
- hull J0026	—	—	30,318
- hull J0027	—	—	26,953
- hull J0025	—	35,913	—
- hull J0028	—	28,923	—
- hull D2172	—	2,160	—
- hull D2173	—	1,993	—
- hull D2174	1,735	—	—
- hull J0106	23,140	—	—
- hull D2175	1,522	—	—
- hull D2176	1,522	—	—
- hull D2171	2,837	—	—
Gain on sale of newbuilding contracts;			
- hull H1071	9,213	—	—
- hull H1072	9,978	—	—
- hull H1073	9,680	—	—
- hull H1074	9,908		
- hull H1075	10,058	—	—
- hull H1076	9,901	—	—
- hull H1077	9,691	—	—
- hull H1078	9,738	—	—
	108,923	68,989	57,271

In April 2013, Frontline 2012 recorded a gain of $30.3 million following the receipt of $94.0 million in connection with the cancellation of its second newbuilding contract (hull J0026) at Zhousan Jinhaiwan Shipyard Co., Ltd, or Jinhaiwan. $44.9 million of the amount received was used to repay bank debt, which was secured on the cancelled newbuilding contract.

In August 2013, Frontline 2012 recorded a gain of $27.0 million following the receipt of $50.6 million in connection with the cancellation of its third newbuilding contract (hull J0027) at Jinhaiwan. There was no bank debt secured on this cancelled newbuilding contract and so none of the amount received was used to repay bank debt.

In April 2014, Frontline 2012 recorded a gain of $35.9 million following the receipt of $99.3 million in connection with the cancellation of its first newbuilding contract (hull J0025) at Jinhaiwan. $44.9 million of the amount received was used to repay bank debt, which was secured on the cancelled newbuilding contract.

In September 2014, Frontline 2012 recorded a gain of $28.9 million following the receipt of $52.4 million in connection with the cancellation of its fourth newbuilding contract (hull J0028) at Jinhaiwan. There was no bank debt secured on this cancelled newbuilding contract and so none of the amount received was used to repay bank debt.

In September 2014, Frontline 2012 recorded a gain of $2.2 million following the receipt of $11.0 million in connection with the cancellation in July 2014 of hull D2172 at STX (Dalian) Shipbuilding Co., Ltd, or STX Dalian. There was no bank debt secured on this cancelled newbuilding contract and so none of the amount received was used to repay bank debt.

In October 2014, Frontline 2012 recorded a gain of $2.0 million following the receipt of $11.1 million in connection with the cancellation in September 2014 of hull D2173 at STX Dalian. There was no bank debt secured on this cancelled newbuilding contract and so none of the amount received was used to repay bank debt.

In January 2015, Frontline 2012 recorded a gain of $1.7 million following the receipt of $7.6 million in connection with the cancellation in December 2014 of hull D2174 at STX Dalian. There was no bank debt secured on this cancelled newbuilding and so none of the amount received was used to repay bank debt.

In June 2015, Frontline 2012 recorded a gain of $23.1 million following the receipt of $24.7 million in connection with the cancellation in October 2013 of hull J0106 at Jinhaiwan. There was no bank debt secured on this cancelled newbuilding and so none of the amount received was used to repay bank debt.

In August 2015, Frontline 2012 recorded a total gain of $3.0 million following the receipt of $7.3 million for each vessel in connection with the cancellation in June 2015 of hulls D2175 and D2176 at STX Dalian. There was no bank debt secured on this cancelled newbuilding and so none of the amount received was used to repay bank debt.

In October 2015, Frontline 2012 recorded a gain of $2.8 million following the receipt of $11.9 million in connection with the cancellation in May 2014 of hull D2171 at STX Dalian. There was no bank debt secured on this cancelled newbuilding and so none of the amount received was used to repay bank debt.

In January 2014, Frontline 2012 received $139.2 million from Avance Gas, an equity investee, in connection with the agreed sale of eight VLGC newbuildings to Avance Gas immediately following their delivery to Frontline 2012 from the yard. This receipt was placed in a restricted account to be used for installments to be paid by Frontline 2012, past and future construction supervision costs and it also included a profit element to be transferred to cash and cash equivalents on delivery of each newbuilding. All vessels were delivered in 2015 and Frontline 2012 recognized an aggregate gain on sale of $78.2 million.

11. LEASES

As of December 31, 2015, the Company leased in fifteen vessels on long-term time charter, of which fourteen were from Ship Finance. All of these long-term charters are classified as capital leases. One of these charters terminated in February 2016 and the vessel was chartered in on a short-term time charter which have a profit sharing agreement whereby the Company pays the counterparty an amount equal to 60% of the charter revenues earned in excess of the daily base charter hire paid. A further ten vessels are leased in on short-term time charters from third parties and have been classified as operating leases. Three of these short-term time charter agreements were signed in the fourth quarter of 2015 but did not commence until the first quarter of 2016 and have a profit sharing agreement whereby the Company pays the counterparty an amount equal to 60% of the charter revenues earned in excess of the daily base charter hire paid. Furthermore, the Company is committed to make rental payments under operating leases for office premises.

Rental expense

The future minimum rental payments under the Company's non-cancellable operating leases are as follows:

(in thousands of $)	
2016	63,675
2017	6,911
2018	292
2019	277
2020	277
Thereafter	—
	71,432

Total expense for operating leases was $43.2 million, nil and nil for the years ended December 31, 2015, 2014 and 2013, respectively.

Contingent rental expense

In March 2015, Frontline 2012 entered into an agreement to charter in an MR tanker on a fixed rate charter whereby Frontline 2012 agreed to pay the counterparty a profit sharing payment equal to 50% of the charter revenues earned by Frontline 2012 in excess of the daily base charter hire paid. At December 31, 2015, the profit share expense incurred and recorded as charter hire expense was $0.7 million (2014: nil).

Rental income

Sixteen vessels were on fixed rate time charters at December 31, 2015 (2014: one) with a further two vessels (2014: nil) on fixed rate time charters with a profit sharing agreement in place. Two vessels were on index linked time charters at December 31, 2015 (2014: two). The minimum future revenues to be received on time charter, which are accounted for as operating leases and other contractually committed income as of December 31, 2015 are as follows:

(in thousands of $)	
2016	109,918
2017	48,624
2018	4,043
2019	—
2020	—
Thereafter	—
	162,585

The cost and accumulated depreciation of vessels leased to third parties as of December 31, 2015 were $734.2 million and $75.3 million, respectively, and as of December 31, 2014 were $186.1 million and $20.3 million, respectively.

Contingent rental income

In March 2015, Frontline 2012 entered into an agreement to charter out two Suezmax tankers on fixed rate time charters whereby the counterparty agreed to pay Frontline 2012 a profit sharing payment equal to 50% of the charter revenues earned in excess of daily base charter hire paid. During 2015, profit share income amounted to $1.0 million.

In December 2014 the Company entered into agreements to charter out two Suezmax tankers on index linked time charters. During the year the Company earned revenues of $27.7 million (December 31, 2014: $17.9 million)

12. RESTRICTED CASH

In January 2014, the Company received $139.2 million from Avance Gas, an equity investee, in connection with the agreed sale of eight VLGC newbuildings to Avance Gas immediately following their delivery to the Company from the yard. This receipt was placed in a restricted account to be used for installments to be paid by the Company, past and future construction supervision costs and it also included a profit element to be transferred to cash and cash equivalents on delivery of each newbuilding. The balance on this account at December 31, 2014, was classified as short-term as all vessels were expected to be delivered in 2015. $6.4 million of this amount was to be used for a newbuilding installment and the remaining balance was transferred to cash and cash equivalents when the newbuildings were delivered. The balance on this account at December 31, 2015, was nil as all vessels had been delivered.

Restricted cash does not include cash balances of $40.3 million (2014: $28.1 million), which are required to be maintained by the financial covenants in our loan facilities, or cash balances of $28.0 million (2014: nil), which are required to be maintained by our vessel leasing agreements with Ship Finance, as these amounts are included in "Cash and cash equivalents".

13. INVESTMENT IN FINANCE LEASE

As of December 31, 2015, one of the Company's vessels was accounted for as a sales-type lease (2014: nil) and this was acquired as a result of the Merger. The components of the investment in sales-type lease as at December 31, 2015 maybe summarized as follows:

(in thousands of $)	
Net minimum lease payments receivable	45,089
Estimated residual values of leased property (unguaranteed)	10,821
Less: finance lease interest income	(5,925)
Total investment in sales-type lease	49,985
Current portion	9,329
Long-term portion	40,656
	49,985

The minimum future gross revenues to be received under the Company's non-cancelable sales-type lease as of December 31, 2015 are as follows:

(in thousands of $)	
2016	11,525
2017	11,493
2018	10,419
2019	11,493
2020	159
Thereafter	—
	45,089

The counterparty to the lease is a state-owned oil company, which the Company has deemed to have a low credit risk.

14. MARKETABLE SECURITIES

Marketable securities held by the Company are listed equity securities considered to be available-for-sale securities.

(in thousands of $)	2015	2014
Shares acquired as a result of stock dividends	10,632	—
Shares acquired on merger with Frontline 2012	12,803	—
Impairment loss	(9,369)	—
Unrealized loss recorded in other comprehensive income	(213)	—
	13,853	—

In March 2015, Frontline 2012 paid a stock dividend consisting of 4.1 million Avance Gas shares. Frontline 2012 retained 112,715 shares, which were recorded as marketable securities, in respect of the treasury shares held at the time of the dividend. The Company received 329,669 shares when Frontline 2012 paid the stock dividend. As of December 31, 2015, the Company holds 442,384 shares in Avance Gas, which are recorded as marketable securities.

In June 2015, Frontline 2012 paid a stock dividend consisting of 75.4 million Golden Ocean shares. Frontline 2012 retained 2,114,129 shares, which were recorded as marketable securities, in respect of the treasury shares held at the time of the dividend. The Company received 4,187,667 shares when Frontline 2012 paid the stock dividend and held a further 51,498 shares previously. As of December 31, 2015, the Company holds 6,353,294 shares in Golden Ocean, which are recorded as marketable securities.

As of December 31, 2015, the Company owned 73,383 shares in Ship Finance, which were acquired as a result of the Merger.

A loss of $9.4 million was incurred as a result of (i) the mark to market loss on the remaining Golden Ocean shares held by Frontline 2012 in the period from June 26 through December 31, 2015, and (ii) the mark to market loss on the Golden Ocean shares that were acquired as a result of the Merger. An impairment loss was recorded in both cases as it was determined that the loss was other than temporary in view of the significant fall in rates in the Baltic Dry Index.

The cost of sale of available-for-sale marketable securities is calculated on an average cost basis.

15. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivable are presented net of allowance for doubtful accounts of $1.7 million (2014: $0.5 million). Movements in the allowance for doubtful accounts in the three years ended December 31, 2015 may be summarized as follows;

(in thousands of $)	
Balance at December 31, 2012	104
Additions charged to income	50
Balance at December 31, 2013	154
Additions charged to income	340
Balance at December 31, 2014	494
Additions charged to income	1,184
Balance at December 31, 2015	1,678

16. OTHER RECEIVABLES

(in thousands of $)	2015	2014
Claims in respect of cancelled newbuilding contracts;		
- hull J0106	—	1,480
- hull D2171	—	8,962
- hull D2174	—	5,840
Claims receivables	12,697	1,282
Agent receivables	3,488	1,552
Other receivables	12,936	429
	29,121	19,545

Claims receivable are primarily attributable to insurance claims and have increased as a result of the Merger.

Other receivables have increased as a result of the Merger and are presented net of allowances for doubtful accounts amounting to $0.2 million and nil as of December 31, 2015 and 2014, respectively.

In May 2014, Frontline 2012 cancelled the newbuilding contracts for hull D2171 at STX Dalian and a demand was made on the refund guarantee bank in respect of installments paid and accrued interest. In October 2015, $11.9 million was received and a gain of $2.8 million was recorded.

In January 2015, Frontline 2012 recorded a gain of $1.7 million following the receipt of $7.6 million in connection with the cancellation of hull D2174. The contract was cancelled in December 2014 and a demand made on the refund guarantee bank.

In June 2015, Frontline 2012 recorded a gain of $23.1 million following the receipt of $24.7 million in connection with the cancellation of hull J0106. The contract was cancelled in October 2013 and a demand made on the refund guarantee bank. The case went to arbitration, all appeals were rejected by the tribunal.

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17. NEWBUILDINGS

Movements in the three years ended December 31, 2015 may be summarized as follows:

(in thousands of $)	
Balance at December 31, 2012	244,860
Additions, net, continuing basis	183,559
Additions, net, discontinued basis	132,974
Transfer to Vessels and equipment, net	(69,348)
Interest capitalized, continuing basis	5,783
Interest capitalized, discontinued basis	2,430
Transfer to held for distribution	(135,404)
Transfer to short term claim receivable	(112,101)
Balance at December 31, 2013	252,753
Newbuildings acquired, net, on consolidation of Golden Ocean	83,700
Newbuildings sold to Golden Ocean in April 2014	(41,617)
Newbuildings sold to Golden Ocean in September 2014	(64,178)
Additions, net, continuing basis	188,623
Additions, net, discontinued basis	270,130
Transfer to held for distribution	(250,118)
Transfer to Vessels and equipment, net	(186,717)
Interest capitalized, continuing basis	5,129
Interest capitalized, discontinued basis	2,087
Transfer to short term claim receivable	(32,742)
Balance at December 31, 2014	227,050
Additions, net, continuing basis	677,103
Newbuildings acquired on merger with Frontline 2012	16,523
Newbuildings acquired from related party	1,927
Newbuildings sold to Avance Gas	(517,398)
Transfer to Vessels and equipment, net	(133,429)
Interest capitalized, continuing basis	5,989
Transfer to short term claim receivable	(11,532)
Balance at December 31, 2015	266,233

In January 2013, Frontline 2012 cancelled the second of its five VLCC newbuilding contracts (hull J0026) at Jinhaiwan due to the excessive delay compared to the contractual delivery date and demanded payment from Jinhaiwan and the refund guarantee bank in respect of installments paid and accrued interest. This amount includes installments paid by the Company prior to the acquisition by Frontline 2012 in December 2011, at which time the newbuilding contracts were valued at estimated fair value. The carrying cost of hull J0026 at the time of cancellation of $63.6 million was transferred to a claim receivable.

In April 2013, Frontline 2012 cancelled the third of its five VLCC newbuilding contracts (hull J0027) at Jinhaiwan due to the excessive delay compared to the contractual delivery date and demanded payment from Jinhaiwan and the refund guarantee bank in respect of installments paid and accrued interest. This amount includes installments paid by the Company prior to the acquisition by Frontline 2012 in December 2011, at which time the newbuilding contracts were valued at estimated fair value. The carrying cost of hull J0027 at the time of cancellation of $23.6 million was transferred to a claim receivable.

In August 2013, Frontline 2012 cancelled the fourth of its five VLCC newbuilding contracts (hull J0028) at Jinhaiwan due to the excessive delay compared to the contractual delivery date and demanded payment from Jinhaiwan in

respect of installments paid and accrued interest. This amount includes installments paid by the Company prior to the acquisition by Frontline 2012 in December 2011, at which time the newbuilding contracts were valued at estimated fair value. The carrying cost of hull J0028 at the time of cancellation of $23.5 million was transferred to a short term claim receivable.

In October 2013, Frontline 2012 cancelled its fifth and final VLCC newbuilding contract (hull J0106) at Jinhaiwan due to the excessive delay compared to the contractual delivery date and demanded payment from Jinhaiwan in respect of installments paid

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and accrued interest. This amount includes installments paid by the Company prior to the acquisition by Frontline 2012 in December 2011, at which time the newbuilding contracts were valued at estimated fair value. The carrying cost of hull J0106 at the time of cancellation of $1.4 million was transferred to a short term claim receivable

On September 9, 2013 and December 4, 2013, Frontline 2012 took delivery of Front Arrow and Front Avon, respectively, the first and second of six fuel efficient MR tanker newbuildings ordered from STX Offshore & Shipbuilding Co. Ltd. in Korea, or STX Korea.

In November 2013, Frontline 2012 entered into an agreement with Avance Gas whereby Avance Gas agreed to acquire eight, fuel efficient 83,000 cbm VLGC newbuildings, for $75.0 million each, from Frontline 2012 immediately following their delivery from the yard. These newbuildings had been ordered by Frontline 2012 from the Jiangnan Changxing Shipyard in China. All eight vessels were completed and delivered to Avance Gas in 2015. Avance Gas paid $139.2 million (being $17.4 million per newbuilding) to Frontline 2012 in January 2014 and the balance of $460.8 million (being $57.6 million per vessel) was paid upon delivery from the yard. At December 31, 2014, the carrying value of the eight VLGC newbuildings agreed to be sold to Avance Gas was $99.9 million.

As of December 31, 2013, Frontline 2012's newbuilding program totaled 62 vessels (including the eight newbuildings sold to Avance Gas) and comprised 20 newbuildings within the crude oil and petroleum product markets, 34 Capesize vessels and eight VLGCs.

In February 2014, a wholly-owned subsidiaries of Frontline 2012 signed newbuilding contracts for four 180,000 dwt bulk carriers with expected deliveries between August 2016 and September 2016.

In April 2014, Frontline 2012 entered into an agreement with Golden Ocean, and sold all of the shares of five SPCs, each owning a Capesize newbuilding, in exchange for 15.5 million shares of Golden Ocean. Two of the newbuildings were delivered to Golden Ocean in May 2014 and the remaining newbuildings were delivered in June, July and September 2014. The carrying cost of these newbuilding contracts was $41.6 million and Frontline 2012 recognized a gain on sale on these SPCs of $74.8 million, which was recorded in 'Gain on cancellation and sale of newbuilding contracts' and has been included in 'Net loss from discontinued operations'.

In May 2014, Frontline 2012 cancelled the first of its six MR newbuilding contracts (hull D2171) at STX Dalian due to the excessive delay compared to the contractual delivery date and demanded payment from STX Dalian and the refund guarantee bank in respect of installments paid and accrued interest of $10.8 million. The carrying cost of hull D2171 at the time of cancellation of $9.0 million was transferred to a short term claim receivable and was settled in October 2015.

In July 2014, Frontline 2012 cancelled the second of its six MR newbuilding contracts (hull D2172) at STX Dalian due to the excessive delay compared to the contractual delivery date and demanded payment from STX Dalian and the refund guarantee bank in respect of installments paid and accrued interest. The carrying cost of hull D2172 at the time of cancellation of $8.8 million was transferred to a claim receivable and was settled in September 2014.

In September 2014, Frontline 2012 cancelled the third of its six MR newbuilding contracts (hull D2173) at STX Dalian due to the excessive delay compared to the contractual delivery date and demanded payment from STX Dalian and the refund guarantee bank in respect of installments paid and accrued interest of $11.0 million. The carrying cost of hull D2173 at the time of cancellation of $9.1 million was transferred to a claim receivable and was settled in October 2014.

In December 2014, Frontline 2012 cancelled the fourth of its six MR newbuilding contracts (hull D2174) at STX Dalian due to the excessive delay compared to the contractual delivery date and demanded payment from $7.5 million

in respect of installments paid and accrued interest from STX Dalian and the refund guarantee bank. The carrying cost of hull D2174 at the time of cancellation of $5.8 million was transferred to a short term claim receivable and was settled in January 2015.

In January 2014, Frontline 2012 took delivery of Front Dee and Front Clyde and in February and March 2014, took delivery of Front Esk and Front Mersey, respectively, the remaining four fuel efficient MR tanker newbuildings ordered from STX Korea. In September 2014, Frontline 2012 took delivery of Front Lion the first of fourteen fuel efficient LR2 tanker newbuildings ordered from Guangzhou Longxe Shipbuilding Co. Ltd.

In September and December 2014, a wholly-owned subsidiaries of Frontline 2012 signed newbuilding contracts for six Suezmax carriers with expected deliveries between September 2016 and June 2017.

At December 31, 2014, Frontline 2012 had four Capesize newbuilding contracts with STX Dalian and four Capesize newbuilding contracts with STX Korea, which had been sub-contracted to STX Dalian. No installments have been paid in respect of these

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newbuilding contracts and there has been no activity at STX Dalian in respect of these contracts. At December 31, 2014, Frontline 2012 also had two MR newbuilding contracts with STX Dalian (hulls D2175 and D2176), which had an aggregate carrying value of $11.6 million at that date.

As of December 31, 2014, Frontline 2012's newbuilding program, excluding newbuildings agreed to be sold and newbuilding contracts with STX Dalian and STX Korea, comprised 13 LR2 tanker newbuildings and six Suezmax tanker newbuildings.

In January 2015, Frontline 2012 signed newbuilding contracts for two VLCCs with expected deliveries between February and May 2017.

Frontline 2012 took delivery of the second and third LR2 tanker newbuildings, Front Panther and Front Puma, in January 2015 and March 2015, respectively.

In April 2015, Frontline 2012 signed newbuilding contracts for two LR2s with expected deliveries between May and August 2017.

In June 2015, Frontline 2012 took delivery of the fourth LR2 tanker newbuilding, Front Tiger.

In June 2015, Frontline 2012 cancelled the final two MR newbuilding contracts (hulls D2175 and D2176) at STX Dalian due to the excessive delay compared to the contractual delivery date and demanded payment of installments paid and accrued interest from STX Dalian and the refund guarantee bank. The carrying cost of hull D2175 and D2176 at the time of cancellation was $5.8 million per newbuilding, which was transferred to other receivables and settled in August 2015.

In June 2015, Frontline 2012 signed newbuilding contracts for two VLCCs with expected deliveries between March and June 2017.

In July 2015, Frontline 2012 signed newbuilding contracts for two LR2 tankers with expected deliveries between July and August 2017.

In September 2015, Frontline 2012 signed newbuilding contracts for two VLCCs with expected deliveries between July and October 2017.

In November 2015, the Company entered into an agreement to purchase two Suezmax tanker newbuilding contracts from Golden Ocean at a purchase price of $55.7 million per vessel. The transaction was completed in December 2015. The vessels have delivery dates in the first half of 2017. The contracts were acquired as a result of the Merger and were valued at $16.5 million being the excess of the estimated fair value of the contracts less the purchase price.

As at December 31, 2015, the Company's newbuilding program comprised six VLCCs, eight Suezmax tankers and 14 LR2 newbuildings.

18. VESSELS AND EQUIPMENT

Movements in the three years ended December 31, 2015 may be summarized as follows:

(in thousands of $)	Cost	Accumulated Depreciation	Net Carrying Value
Balance at December 31, 2012	683,600	(24,743)	658,857
Transfer from Newbuilding	69,348	—	
Depreciation	—	(25,144)	
Balance at December 31, 2013	752,948	(49,887)	703,061
Transfer from Newbuilding	186,717	—	
Additions	3,986	—	
Depreciation	—	(31,845)	
Balance at December 31, 2014	943,651	(81,732)	861,919
Vessels and equipment acquired on merger with Frontline 2012	132,712	—	
Transfers from Newbuildings	133,429	—	
Additions	101,752	—	
Depreciation	—	(40,614)	
Balance at December 31, 2015	1,311,544	(122,346)	1,189,198

In September and December 2013, Frontline 2012 took delivery of Front Arrow and Front Avon, respectively, at an aggregate value of $69.3 million. These are the first and second of six fuel efficient MR tanker newbuildings ordered from STX Korea.

In January 2014, Frontline 2012 took delivery of Front Dee and Front Clyde and in February and March 2014, took delivery of Front Esk and Front Mersey, respectively, the remaining four fuel efficient MR tanker newbuildings ordered from STX Korea at an aggregate value of $137.5 million.

In September 2014, Frontline 2012 took delivery of Front Lion, the first of fourteen fuel efficient LR2 tanker newbuildings ordered from Guangzhou Longxe Shipbuilding Co. Ltd, at an aggregate value of $44.7 million.

In January 2015 and March 2015, Frontline 2012 took delivery of the second and third of fourteen fuel efficient LR2 tanker newbuildings, Front Panther and Front Puma, respectively, ordered from Guangzhou Longxe Shipbuilding Co.Ltd at an aggregate value of $89.5 million.

In March 2015, Frontline 2012 took delivery of the 2009-built and 2011-built Suezmax tankers, Front Balder and Front Brage, respectively, following an agreement to purchase these vessels in January 2015 at an aggregate value of $100.0 million.

In June 2015, Frontline 2012 took delivery of the fourth of fourteen fuel efficient LR2 tanker newbuilding, Front Tiger, ordered from Guangzhou Longxe Shipbuilding Co.Ltd at a value of $43.9 million.

The Company acquired the 2014-built and 2015-built Suezmax tankers, Front Ull and Front Idun, respectively, at a fair value of $130.0 million as a result of the Merger. The Company also acquired equipment at that time with a fair value of $2.7 million.

19. VESSELS UNDER CAPITAL LEASE, NET

Movements in the year ended December 31, 2015 may be summarized as follows:

(in thousands of $)	Cost	Accumulated Depreciation	Net Carrying Value
Balance at December 31, 2014	—	—	—

Acquired on merger with Frontline 2012	706,219	—	
Depreciation	—	(11,993)	
Balance at December 31, 2015	706,219	(11,993)	694,226

The outstanding obligations under capital leases as of December 31, 2015 are payable as follows:

(in thousands of $)	
2016	126,118
2017	92,966
2018	92,730
2019	86,198
2020	75,088
Thereafter	229,728
Minimum lease payments	702,828
Less: imputed interest	(166,477)
Present value of obligations under capital leases	536,351

As of December 31, 2015, the Company held 15 vessels under capital leases, 14 of which are leased from Ship Finance and were acquired upon the Merger. The remaining periods on these leases at December 31, 2015 range from 1 month to 11 years.

In May 2015, the Company and Ship Finance agreed to amendments to the leases on 12 VLCCs and five Suezmaxes, the related management agreements and further amendments to the charter ancillary agreements for the remainder of the charter periods. As a result of the amendments to the charter ancillary agreements, which took effect on July 1, 2015, the daily hire payable to Ship Finance was reduced to $20,000 per day and $15,000 per day for VLCCs and Suezmaxes, respectively. The fee due from Ship Finance for operating costs was increased from $6,500 per day per vessel to $9,000 per day per vessel. In return, the Company issued 55.0 million new shares to Ship Finance and the profit share above the new daily hire rates was increased from 25% to 50%. The Company was released from its guarantee obligation in exchange for agreeing to maintain a cash buffer of $2.0 million per vessel in its chartering counterparty. At December 31, 2015, the contingent rental expense due to Ship Finance is $20.6 million (2014: nil).

As the Merger has been accounted for as a reverse business acquisition in which Frontline 2012 is treated as the accounting acquirer, all of the Company's assets and liabilities were recorded at fair value on November 30, 2015 such that estimated profit share over the remaining terms of the leases has been recorded in the balance sheet obligations. Consequently, the Company will only record profit share expense following the Merger when the actual expense is different to that estimated at the date of the Merger. No contingent rental expense was recorded in the month of December 2015.

20. EQUITY METHOD INVESTMENTS

As of December 31, the Company had the following participation in investments that are recorded using the equity method:

	2015	2014
Avance Gas	— %	11.62 %

On October 2, 2013, Frontline 2012 entered into an agreement with Stolt-Nielsen Limited, a public company incorporated in Bermuda and listed on the Oslo Stock Exchange and Sungas Holdings Ltd., a private company incorporated in the British Virgin Islands, whereby Frontline 2012 became a 37.5% shareholder in Avance Gas for a purchase consideration of $70.7 million. Frontline 2012 also provided Avance Gas with a loan of $33.4 million comprising a $10.0 million equity shareholder loan and a $23.4 million debt shareholder loan. In October 2013, Frontline 2012 declared the distribution of a dividend consisting of 12.5% of the capital stock of Avance Gas. All non-U.S. shareholders holding 12,500 shares or more, received one share in Avance Gas for every 124.55 shares they held in Frontline 2012, rounded down to the nearest whole share. All U.S. shareholders holding 12,500 shares or more and all shareholders with less than 12,500 shares and fractional shares were paid in cash. Of the dividend paid, $1.4 million was paid in cash and $22.1 million was recorded as a stock dividend based on carrying value. In addition,

shareholder loans in the amount of $33.4 million were converted to equity in Avance Gas.

Avance Gas registered on the over-the-counter market in Oslo on October 17, 2013 and completed a private placement of 5,882,352 new shares on November 28, 2013, which generated gross proceeds of approximately $100 million to Avance Gas. Frontline 2012 did not participate in this private placement and recognized a gain of $6.5 million on the dilution of its investment, which was recorded in 'Share of results from associated company and gain on equity interest'. Following the dividend distribution, the conversion of shareholder loans to equity and the private placement by Avance Gas, Frontline 2012 owned 6,955,975 shares in Avance Gas at December 31, 2013 representing 22.89% of the total number of shares outstanding.

On April 9, 2014, Avance Gas completed an initial public offering, or IPO, of 4,894,262 new ordinary shares. Frontline 2012 did not participate in the IPO and recognized a gain of $5.9 million on the dilution of its investment, which was recorded in 'Share of results from associated company and gain on equity interest'. Also on April 9, 2014, Frontline 2012 sold 2,854,985 shares in Avance Gas for $57.1 million and recognized a gain of $16.9 million, which was recorded in 'Gain on sale of shares'. Following the sale of shares in Avance Gas, Frontline 2012 owned 4,100,990 shares in Avance Gas at December 31, 2014, representing 11.62% of the total number of shares outstanding.

On March 25, 2015, Frontline 2012 paid a stock dividend consisting of 4.1 million Avance Gas shares. All shareholders holding 60.74 shares or more, received one share in Avance Gas for every 60.74 shares they held, rounded down to the nearest whole share. The remaining fractional shares were paid in cash. $0.01 million of this dividend was paid in cash and $56.5 million was recorded as a stock dividend. Frontline 2012 retained 112,715 shares, which were recorded as marketable securities, in respect of the treasury shares held at the time of the dividend. Frontline 2012 stopped accounting for the investment as an equity method investment at this time as it no longer had significant influence over Avance Gas.

Frontline 2012's share of earnings from Avance Gas was $2.7 million, $10.1 million and $2.3 million in 2015, 2014 and 2013, respectively. Frontline 2012 received dividends of $4.1 million, $7.1 million and nil from Avance Gas in 2015, 2014 and 2013, respectively, while accounting for Avance Gas as an equity method investment. In December 2014, Avance Gas changed its fiscal year end from November 30 to December 31.

The summarized financial statements of Avance Gas are as follows:

(in thousands $)	2014
Current assets	190,028
Non current assets	507,243
Current liabilities	23,377
Non current liabilities	165,391

(in thousands of $)	2014	2013
Net revenues	180,406	115,000
Net operating income	88,192	23,173
Net income	81,767	11,502

21. DEFERRED CHARGES

(in thousands of $)	2015	2014
Debt arrangement fees	4,580	11,328
Accumulated amortization	(1,394)	(6,565)
	3,186	4,763

During 2015, Frontline 2012 paid $0.5 million with respect to loan arrangement fees on the $60.6 million facility drawn down in March 2015 and deferred charges of$5.0 million, which were fully amortized in 2014, have been removed from the figures shown for 2015.

22. OTHER LONG TERM ASSETS

Other long term assets relates to the balances due under interest swap agreements, which were entered into by Frontline 2012 in February 2013, whereby the floating interest rate on $260.0 million of the then anticipated debt was switched to a fixed rate. The fair value at December 31, 2015 was a receivable of $0.4 million (2014: $1.7 million). A

non-cash mark to market loss on derivatives of $1.2 million was recorded in 2015 (2014: loss of $5.8 million). The fair value (level 2) of the Company's interest rate swap agreements is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, taking into account, as applicable, fixed interest rates on interest rate swaps, current interest rates, forward rate curves and the

current credit worthiness of both the Company and the derivative counterparty. The estimated amount is the present value of future cash flows.

23. ACCRUED EXPENSES

(in thousands of $)	2015	2014
Voyage expenses	8,885	4,525
Ship operating expenses	11,030	5,047
Administrative expenses	2,713	202
Interest expense	807	1,880
Taxes	1,058	90
Contingent rental expense	4,582	—
Other	614	—
	29,689	11,744

24. OTHER CURRENT LIABILITIES

(in thousands of $)	2015	2014
Deferred charter revenue	12,374	1,430
Sale proceeds received in advance	—	139,200
Other	3,501	—
	15,875	140,630

In January 2014, Frontline 2012 received $139.2 million from Avance Gas in connection with the sale of eight VLGC newbuildings to Avance Gas immediately following their delivery to Frontline 2012 from the yard. All vessels were delivered to Avance Gas in 2015.

25. VALUE OF UNFAVORABLE TIME CHARTER CONTRACTS

The Company acquired five unfavorable charter-out contracts upon the Merger. The allocated fair value is being amortized over the expected life of the contracts as an increase to time charter revenues. The remaining life of the contracts is between 4 and 9 months. The value of unfavorable charter-out contracts maybe summarized as follows;

(in thousands of $)	2015	2014
Acquired on merger with Frontline 2012	8,109	—
Accumulated amortization	(1,310)	—
	6,799	—

26. DERIVATIVE INSTRUMENTS PAYABLE

In August 2015, the Company entered into four bunker swap agreements whereby the fixed rate on 4,000 metric tonnes per calender month was switched to a floating rate. The fair value of these swaps at December 31, 2015 was a payable of $4.1 million (2014: nil). A non-cash mark to market loss of $2.3 million was recorded in 2015 (2014: nil). The fair value (level 2) is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, taking into account, as applicable forward rate curves and the current credit worthiness of both the Company and the derivative counterparty. The estimated amount is the present value of future cash flows.

27. DEBT

(in thousands of $)	2015	2014
U.S. dollar denominated floating rate debt		
$420.0 million term loan facility	—	190,747
$146.4 million term loan facility	—	82,675
$200.0 million term loan facility	—	81,703
$500.1 million term loan facility	500,100	—
$60.6 million term loan facility	57,999	—
$466.5 million term loan facility	248,337	162,450
Total floating rate debt	806,436	517,575
Credit lines	20	—
Total debt	806,456	517,575
Current portion of long-term debt	57,575	44,052
Long term portion of debt	748,881	473,523

The outstanding debt as of December 31, 2015 is repayable as follows:

(in thousands of $)	
2016	57,575
2017	57,587
2018	57,571
2019	57,571
2020	367,157
Thereafter	208,995
	806,456

$420.0 million term loan facility
This debt was assumed by Frontline 2012 as part of the consideration for the assets purchased from the Company in December 2011. This facility bore interest of LIBOR plus a margin of 2.75%. During 2015, Frontline 2012 made debt repayments of $18.7 million. In December 2015, the facility was cancelled and the outstanding balance of $172.0 million was repaid from the $500.1 million term loan facility.

$146.4 million term loan facility
This debt was assumed by Frontline 2012 as part of the consideration for the assets purchased from the Company in December 2011. This facility bore interest of LIBOR plus a margin of 2.55%. During 2015, Frontline 2012 made debt repayments of $7.8 million. In December 2015, the facility was cancelled and the outstanding balance of $74.9 million was repaid from the $500.1 million term loan facility.

$200.0 million term loan facility
This debt was assumed by Frontline 2012 as part of the consideration for the assets purchased from the Company in December 2011. This facility bore interest of LIBOR plus a margin of 2.25%. During 2015, Frontline 2012 made debt repayments of $6.9 million. In December 2015, the facility was cancelled and the outstanding balance of $74.8 million was repaid from the $500.1 million term loan facility.

$466.5 million term loan facility
During December 2014, the amount of the $136.5 million term loan facility was increased to $466.5 million such that a further ten tranches of $33.0 million, each for a LR2 tanker newbuilding, could be drawn. The repayment schedule was amended to installments on a quarterly basis, in an amount of $0.4 million for each MR product tanker and $0.4 million for each LR2 tanker with a balloon payment on the final maturity date in April 2021. In addition the loan

margin and commitment fee were amended to 2.05% and 0.82%, respectively. In December 2015, the loan margin was reduced to 1.90%. During 2015, $99.0 million was

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drawn down on delivery of three LR2 tankers and $13.1 million was repaid. The available, undrawn amount at December 31, 2015 was up to $198.0 million.

$60.0 million term loan facility
In June 2014, the Company entered into a $60.0 million term loan facility to partially finance two Suezmax newbuildings. This facility bore interest of LIBOR plus a margin of 2.5% and originally matured in July 2017. In December 2015, the facility was cancelled and the outstanding balance of $56.0 million was repaid from the $500.1 million term loan facility.

$60.6 million term loan facility
In March 2015, Frontline 2012 entered into a $60.6 million term facility to fund the purchase of two second hand vessels. The loan has a term of five years and carries interest at LIBOR plus a margin of 1.80%. Repayments are made on a quarterly basis, each in an amount $0.9 million, with a balloon payment on the final maturity date in March 2021.The facility is fully drawn down as of December 31, 2015.

$500.1 million term loan facility
In December 2015, subsidiaries of the Company signed a new $500.1 million senior secured term loan facility with a number of banks, which matures in December 2020 and carries an interest rate of LIBOR plus a margin of 1.9%. The proceeds of this new facility were used to refinance the $420.0 million, $200.0 million, $146.4 million and $60.0 million term loan facilities with an aggregate outstanding balance of $377.7 million and to repay outstanding amounts owed to Ship Finance of $112.7 million. This facility is secured by six VLCCs and six Suezmax tankers. Repayments are made on a quarterly basis, each in an amount $9.5 million, with a balloon payment on the final maturity date in December 2020. The facility is fully drawn down as of December 31, 2015.

The Company's loan agreements contain loan-to-value clauses, which could require the Company to post additional collateral or prepay a portion of the outstanding borrowings should the value of the vessels securing borrowings under each of such agreements decrease below required levels. In addition, the loan agreements contains certain financial covenants, including the requirement to maintain a certain level of free cash, positive working capital and a value adjusted equity covenant. Restricted cash does not include cash balances of $40.3 million (2014: $28.1 million), which are required to be maintained by the financial covenants in our loan facilities, as these amounts are included in "Cash and cash equivalents". Failure to comply with any of the covenants in the loan agreements could result in a default, which would permit the lender to accelerate the maturity of the debt and to foreclose upon any collateral securing the debt. Under those circumstances, the Company might not have sufficient funds or other resources to satisfy its obligations. The Company was in compliance with all of the financial covenants contained in the Company's loan agreements as of December 31, 2015.

Assets pledged

(in thousands of $)	2015	2014
Vessels, net,	1,186,230	861,919

28. SHARE CAPITAL

Capital Reorganization

A resolution was approved at the Company's Special Meeting of Shareholders on January 29, 2016, to effect a capital reorganization with effect from February 3, 2016, for a 1-for-5 reverse share split of the Company's ordinary shares and to reduce the Company's authorized share capital from $1,000,000,000 divided into 1,000,000,000 shares of $1.00 par value each to $500,000,000 divided into 500,000,000 shares of $1.00 par value each.

Merger with Frontline 2012

On July 1, 2015, the Company, Frontline Acquisition Ltd, or Frontline Acquisition, a newly formed and wholly-owned subsidiary of the Company, and Frontline 2012 entered into an agreement and plan of merger pursuant to which Frontline Acquisition and Frontline 2012 agreed to enter into a merger transaction, with Frontline 2012 as the surviving legal entity and thus becoming a wholly-owned subsidiary of the Company. For accounting purposes, the acquisition of Frontline 2012 has been treated as a reverse business acquisition. The Merger was completed on November 30, 2015 and shareholders in Frontline 2012 received shares in the Company as merger consideration. One share in Frontline 2012 gave the right to receive 2.55 shares in the Company and 583.6 million shares were issued as merger consideration based on the total number of Frontline 2012 shares of 249.1 million less 6.8

million treasury shares held by Frontline 2012 and 13.46 million Frontline 2012 shares held by the Company, which were cancelled upon completion of the Merger.

The weighted average number of shares outstanding for the years ended December 31, 2014 and 2013 were restated for the effects of the capital reorganization and the reverse business acquisition as follows;

(Number of shares in thousands)	2014	2013
Weighted average shares as previously reported by Frontline 2012	245,468	224,269
Share exchange ratio in reverse business acquisition	2.55	2.55
Weighted average shares, as restated for effect of reverse business acquisition	625,943	571,886
Weighted average shares, as restated for reverse business acquisition and reverse share split	125,189	114,377

The following table summarizes the movement in the number of shares outstanding during the year ended December 31, 2015;

Outstanding shares at December 31, 2014 as previously reported by Frontline 2012	249,100,000
Share exchange ratio in reverse business acquisition	2.55
Outstanding shares at December 31, 2014 after giving effect to reverse acquisition	635,205,000
Shares issued during the year prior to the reverse business acquisition	86,032,865
Cancellation of treasury shares held by Frontline 2012 (6,792,117 shares at exchange ratio of 2.55)	(17,319,898)
Cancellation of Frontline 2012 shares held by the Company (13,460,000 shares at exchange ratio of 2.55)	(34,323,000)
Cancellation of fractional shares	(307)
Effect of reverse business acquisition (conversion of the Company's shares)	112,342,989
Outstanding shares at December 31, 2015	781,937,649
Outstanding shares at December 31, 2015 after giving effect to 1-for-5 reverse share split	156,386,506

Share capital amounts in the balance sheet as of December 31, 2015 and 2014 have not been restated for the 1-for-5 reverse share split.

29. FINANCIAL ASSETS AND LIABILITIES

Interest rate risk management

In February 2013, Frontline 2012 entered into six interest rate swaps with Nordea Bank whereby the floating interest rate on an original principal amount of $260 million of the then anticipated debt on 12 MR product tanker newbuildings was switched to fixed rate. These newbuildings were subsequently financed from the $466.5 million term loan facility. Credit risk exists to the extent that the counterparty is unable to perform under the contracts, but this risk is considered remote as the counterparty is a bank, which participates in the loan facility to which the interest rate swaps are related. The Company recorded a mark to market loss on these interest swaps of $4.5 million in 2015 (2014: loss of $8.8 million).

The interest rate swaps are not designated as hedges and are summarized as at December 31, 2015 as follows:

Notional Amount ($000s)	Inception Date	Maturity Date	Fixed Interest Rate
18,958	June 2013	June 2020	1.4025 %
56,167	September 2013	September 2020	1.5035 %
94,820	December 2013	December 2020	1.6015 %
18,178	March 2014	March 2021	1.6998 %

18,521	June 2014	June 2021	1.7995	%
18,864	September 2014	September 2021	1.9070	%
225,508				

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Foreign currency risk

The majority of the Company's transactions, assets and liabilities are denominated in U.S. dollars, the functional currency of the Company. There is a risk that currency fluctuations will have a negative effect on the value of the Company's cash flows. Company has not entered into forward contracts for either transaction or translation risk, which may have an adverse effect on the Company's financial condition and results of operations. Certain of the Company's subsidiaries report in Sterling, Singapore dollars and Norwegian kroner and risks of two kinds arise as a result:

- a transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Company's cash flows;
- a translation risk, that is, the impact of adverse currency fluctuations in the translation of foreign operations and foreign assets and liabilities into U.S. dollars for the Company's consolidated financial statements.

Accordingly, such risk may have an adverse effect on the Company's financial condition and results of operations. The Company has not entered into derivative contracts for either transaction or translation risk.

Bunker swap agreements

From time to time, the Company may enter into bunker swap agreements to hedge the cost of its fuel costs. In August 2015, the Company entered into four bunker swap agreements whereby the fixed rate on 4,000 metric tons per calendar month was switched to a floating rate. The Company is then exposed to fluctuations in bunker prices, as the cargo contract price is based on an assumed bunker price for the trade. There is no guarantee that the hedge removes all the risk from the bunker exposure, due to possible differences in location and timing of the bunkering between the physical and financial position. The fair value of these swaps at December 31, 2015 was a payable of $4.1 million (2014: nil). A non-cash mark to market loss of $2.3 million was recorded in 2015 (2014: nil).

Fair Values

The carrying value and estimated fair value of the Company's financial instruments as of December 31, 2015 and 2014 are as follows:

(in thousands of $)	2015 Carrying Value	Fair Value	2014 Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	264,524	264,524	235,801	235,801
Restricted cash	368	368	35,800	35,800
Liabilities:				
Floating rate debt	806,456	806,456	517,575	517,575

The estimated fair value of financial assets and liabilities are as follows:

(in thousands of $)	2015 Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	264,524	264,524	—	—
Restricted cash	368	368	—	—
Liabilities:				
Floating rate debt	806,456	—	806,456	—

(in thousands of $)	2014 Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	235,801	235,801	—	—
Restricted cash	35,800	35,800	—	—
Liabilities:				
Floating rate debt	517,575	—	517,575	—

The following methods and assumptions were used to estimate the fair value of each class of financial instrument;

Cash and cash equivalents – the carrying values in the balance sheet approximate fair value.

Restricted cash – the carrying values in the balance sheet approximate fair value.

Floating rate debt - the fair value of floating rate debt has been determined using level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis.

Assets Measured at Fair Value on a Nonrecurring Basis
See Note 4 for a summary of the estimated fair values of the assets acquired and liabilities assumed on the Merger.

Assets Measured at Fair Value on a Recurring Basis
Marketable securities are listed equity securities considered to be available-for-sale securities for which the fair value as at the balance sheet date is their aggregate market value based on quoted market prices (level 1).

The fair value (level 2) of interest rate and bunker swap agreements is the present value of the estimated future cash flows that the Company would receive or pay to terminate the agreements at the balance sheet date, taking into account, as applicable, fixed interest rates on interest rate swaps, current interest rates, forward rate curves, current and future bunker prices and the credit worthiness of both the Company and the derivative counterparty.

Concentrations of risk
There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are carried with Skandinaviska Enskilda Banken, or SEB, HSBC, Royal Bank of Scotland, DnB Nor Bank ASA and Nordea Bank Norge, or Nordea. There is a concentration of credit risk with respect to restricted cash to the extent that substantially all of the amounts are carried with SEB, Nordea and HSBC. However, the Company believes this risk is remote.

30. RELATED PARTY TRANSACTIONS

We transact business with the following related parties, being companies in which Hemen and companies associated with Hemen have a significant interest: Ship Finance, Seadrill Limited, Seatankers Management Norge AS, Golden Ocean Group Limited, Arcadia Petroleum Limited, Deep Sea Supply Plc, Seatankers Management Co. Ltd, Archer Limited and North Atlantic Drilling Ltd. In November 2014, Highlander Tankers AS, or Highlander Tankers, post fixture managers for the Company became a related party as Robert Hvide Macleod the owner and director of Highlander Tankers was appointed the Chief Executive Officer of Frontline Management AS. Frontline 2012 and the Company (and its subsidiaries) were related parties prior to the Merger. In October 2014, VLCC Chartering Ltd, or VLCC Chartering, was set up as a joint venture between the Company and Tankers International LLC, or TI. VLCC Chartering provides chartering services to the combined fleets of the Company and TI.

Transactions with the Company

Frontline Management (Bermuda) Limited, a wholly owned subsidiary of the Company, was providing all management services to Frontline 2012 up to the date of the merger and management fees of $3.6 million, $3.2 million and $2.5 million were incurred in the eleven months ended November 30, 2015 and the years ended December 31, 2014 and 2013, respectively. These costs are recorded in administrative expenses in the statement of operations.

Newbuilding supervision fees of $4.1 million, $5.4 million and $4.1 million were charged to Frontline 2012 by the Company in the eleven months ended November 30, 2015 and the years ended December 31, 2014 and 2013, respectively.

Technical management fees of $1.8 million, $1.5 million and $0.7 million were charged to Frontline 2012 by SeaTeam Management Pte. Ltd, a majority owned subsidiary of the Company, in the eleven months ended November 30, 2015 and the years ended December 31, 2014 and 2013, respectively.

Highlander Tankers Transactions
Highlander Tankers was the post fixture manager for six of Frontline 2012's MR tankers during 2014. Highlander Tankers ceased to act as post fixture manager for three vessels in December 2014 and the remaining three vessels in January and February 2015. Post fixture fees of nil and $0.3 million were charged to Frontline 2012 by Highlander Tankers in the years ended December 31, 2015 and 2014, respectively.

In January 2015, Frontline 2012 assumed three charter-out contracts and the commercial management of four vessels from Highlander Tankers for a consideration of $1.8 million being the estimated value of the charter-out contracts and commercial management agreements.

Avance Gas Transactions
In January 2014, Frontline 2012 received $139.2 million from Avance Gas, an equity investee, in connection with the agreed sale of eight VLGC newbuildings to Avance Gas immediately following their delivery to Frontline 2012 from the yard. This receipt was placed in a restricted account to be used for installments to be paid by Frontline 2012, past and future construction supervision costs and it also included a profit element to be transferred to cash and cash equivalents on delivery of each newbuilding. All vessels were delivered in 2015 and Frontline 2012 recognized a gain on sale of $78.2 million in aggregate.

Ship Finance Transactions
As of December 31, 2015, the Company held 14 vessels under capital leases, all of which are leased from Ship Finance and were acquired upon the Merger. The remaining periods on these leases at December 31, 2015 range from 4 to 11 years.

In May 2015, the Company and Ship Finance agreed to amendments to the leases on 12 VLCCs and five Suezmaxes, the related management agreements and further amendments to the charter ancillary agreements for the remainder of the charter periods. As a result of the amendments to the charter ancillary agreements, which took effect on July 1, 2015, the daily hire payable to Ship Finance was reduced to $20,000 per day and $15,000 per day for VLCCs and Suezmaxes, respectively. Management fees due by Ship Finance were increased from $6,500 per day per vessel to $9,000 per day per vessel. In return, the Company issued 55.0 million new shares to Ship Finance and the profit share above the new daily hire rates was increased from 25% to 50%. The Company was released from its guarantee obligation in exchange for agreeing to maintain a cash buffer of $2.0 million per vessel in its chartering counterparty. At December 31, 2015, the contingent rental expense due to Ship Finance is $20.6 million (2014: nil).

As the Merger has been accounted for as a reverse business acquisition in which Frontline 2012 is treated as the accounting acquirer, all of the Company's assets and liabilities were recorded at fair value on November 30, 2015 such that estimated profit share over the remaining terms of the leases has been recorded in the balance sheet obligations. Consequently, the Company will only record profit share expense following the Merger when the actual expense is different to that estimated at the date of the Merger. No contingent rental expense was recorded in the month of December 2015.

In December 2015, the Company paid the remaining outstanding balance on the loan notes due to Ship Finance, which were issued on the early termination of the leases for the VLCCs Front Champion, Golden Victory, Front Comanche, Front Commerce and Front Opalia. $113.2 million was paid comprising principal of $112.7 million and accrued interest of $0.5 million.

In November 2015, the Company agreed with Ship Finance to terminate the long term charter for the 1998-built Suezmax tanker Mindanao. The charter with Ship Finance was terminated during the fourth quarter of 2015. The Company received a compensation payment of $3.3 million from Ship Finance for the termination of the charter. No gain or loss was recorded in the statement of operations in respect of this transaction as the gain was taken into account in the purchase price allocation on November 30, 2015.

A summary of leasing transactions with Ship Finance in the years ended December 31, 2015 (all of which were in the period subsequent to the Merger), 2014 and 2013 are as follows;

(in thousands of $)	2015	2014	2013
Charter hire paid (principal and interest)	8,355	—	—
Lease termination receipt	3,266	—	—
Lease interest expense	3,357	—	—
Remaining lease obligation	533,251	—	—

In January 2014, Frontline 2012 commenced a pooling arrangement with Ship Finance, between two of its Suezmax tankers Front Odin and Front Njord and two Ship Finance vessels Glorycrown and Everbright. Frontline 2012 recognized an expense of $1.4 million in relation to the pooling arrangement which is payable to Ship Finance (2014: income of $0.3 million)

In 2013, Frontline 2012 and Ship Finance entered into a joint project between four of Frontline 2012's vessels Front Odin, Front Njord, Front Thor, Front Loki and the two Ship Finance vessels Glorycrown and Everbright. All costs in relation to the conversion to be shared on a pro-rata basis. At December 31, 2015, the Company is owed $1.7 million by Ship Finance in respect of this project (2014: $0.7 million).

Golden Ocean Transactions

In November 2015, the Company entered into an agreement to purchase two Suezmax tanker newbuilding contracts from Golden Ocean at a purchase price of $55.7 million per vessel. The transaction was completed in December 2015. $1.9 million is payable to Golden Ocean with the balance payable to the yard as newbuilding commitments assumed from Golden Ocean. The vessels have delivery dates in the first half of 2017.

A summary of net amounts earned (incurred) from related parties for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in thousands of $)	2015	2014	2013
Seatankers Management Co. Ltd	460	—	—
Ship Finance International Limited	(1,226)	—	—
Golden Ocean Group Limited	1,246	—	—
Seatankers Management Norge AS	(89)	—	—
Arcadia Petroleum Limited	31	—	—
Seadrill Limited	84	—	—
Archer Limited	40	—	—
Deep Sea Supply Plc	32	—	—
North Atlantic Drilling Ltd	16	—	—
Frontline companies (prior to merger with Frontline 2012)	(9,562)	(10,102)	(7,410)

Net amounts earned from other related parties comprise office rental income, technical and commercial management fees, newbuilding supervision fees, freights, corporate and administrative services income and interest income. Amounts paid to related parties comprise primarily rental for office space.

Related party balances

A summary of balances due from related parties as at December 31, 2015 and 2014 is as follows:

(in thousands of $)	2015	2014
Ship Finance International Limited	3,356	691
Seatankers Management Co. Ltd	1,165	—
Archer Ltd	148	—
VLCC Chartering	102	—
Golden Ocean Group Limited	4,099	—
Seadrill Limited	859	—
Deep Sea Supply Plc	176	—
Arcadia Petroleum Limited	201	—
North Atlantic Drilling Ltd	128	—
Frontline companies	—	2,766
	10,234	3,457

A summary of balances due to related parties as at December 31, 2015 and 2014 is as follows:

(in thousands of $)	2015	2014
Ship Finance International Limited	(23,688)	—
Seatankers Management Co. Ltd	(569)	—
Seadrill Limited	(5)	—
Golden Ocean Group Limited	(4,455)	—
Arcadia Petroleum Limited	(3)	—
Frontline companies	—	(3,422)
	(28,720)	(3,422)

31. COMMITMENTS AND CONTINGENCIES

As of December 31, 2015, the Company's newbuilding program comprised six VLCCs, eight Suezmax tankers and 14 LR2 tanker newbuildings. As of December 31, 2015, total installments of $238.5 million had been paid and the remaining installments to be paid amounted to $1,453.2 million, payable as of the date of this report as follows;

(in thousands of $)	
2016	683,102
2017	770,099
2018	—
2019	—
2020	—
Thereafter	—
	1,453,201

The Company insures the legal liability risks for its shipping activities with Assuranceforeningen SKULD and Assuranceforeningen Gard Gjensidig, both mutual protection and indemnity associations. As a member of these mutual associations, the Company is subject to calls payable to the associations based on the Company's claims record in addition to the claims records of all other members of the associations. A contingent liability exists to the extent that the claims records of the members of the associations in the aggregate show significant deterioration, which result in additional calls on the members.

The Company is a party, as plaintiff or defendant, to several lawsuits in various jurisdictions for unpaid charter hire, demurrage, damages, off-hire and other claims and commercial disputes arising from the operation of its vessels, in the ordinary course of business or in connection with its acquisition activities. The Company believes that the resolution of such claims will not have a material adverse effect on the Company's operations or financial condition individually and in the aggregate.

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Following assignments of two property leases in 2015, each to a related party, a subsidiary of the Company has guaranteed the remaining outstanding payments due under the leases of approximately $11 million as of December 31, 2015. The Company does not believe that it will be required to make any payments under these guarantees and has not recorded a liability in the balance sheet in this respect.

32. SUPPLEMENTAL INFORMATION

On July 1, 2015, the Company, Frontline Acquisition Ltd, or Frontline Acquisition, a newly formed and wholly-owned subsidiary of the Company, and Frontline 2012 entered into an agreement and plan of merger pursuant to which Frontline Acquisition and Frontline 2012 agreed to enter into a merger transaction, or the Merger, with Frontline 2012 as the surviving legal entity and thus becoming a wholly-owned subsidiary of the Company. The Merger was completed on November 30, 2015 and shareholders in Frontline 2012 received shares in the Company as merger consideration. See Note 4.

On March 25, 2015, Frontline 2012 paid a stock dividend consisting of 4.1 million Avance Gas shares. All shareholders holding 60.74 shares or more, received one share in Avance Gas for every 60.74 shares they held, rounded down to the nearest whole share. The remaining fractional shares were paid in cash. $0.01 million of this dividend was paid in cash and $56.5 million was recorded as a stock dividend. Frontline 2012 retained 112,715 shares, which were recorded as marketable securities, in respect of the treasury shares held at the time of the dividend. Frontline 2012 stopped accounting for the investment as an equity method investment at this time as it no longer had significant influence over Avance Gas.

Frontline 2012 declared the distribution of a dividend in October 2013 consisting of 12.5% of the capital stock of Avance Gas. $1.4 million of this dividend was paid in cash and $22.1 million was recorded as a stock dividend.

33. SUBSEQUENT EVENTS

A resolution was approved at the Company’s Special Meeting of Shareholders on January 29, 2016 to effect a capital reorganization, with effect from February 3, 2016, for a 1-for-5 reverse share split of the Company’s ordinary shares and to reduce the Company’s authorized share capital from $1,000,000,000 divided into 1,000,000,000 shares of $1.00 par value each to $500,000,000 divided into 500,000,000 shares of $1.00 par value each, of which 156,386,506 shares of $1.00 par value each are in issue and fully paid or credited as fully paid.

In January 2016, the Company took delivery of two LR2 tanker newbuildings, Front Ocelot and Front Cheetah.

In February 2016, the Company announced a cash dividend of $0.35 per share for the fourth quarter of 2015, payable on or around March 18, 2016.

In March 2016, the Company took delivery of the LR2 tanker newbuildings, Front Lynx and Front Cougar.