



RICKMERS MARITIME
Registration Number: 2007003
(Constituted under the laws of Singapore)
Managed by Rickmers Trust Management Pte. Ltd.

**INDEPENDENT AUDITORS' DISCLAIMER OF OPINION ON THE FINANCIAL STATEMENTS OF
RICKMERS MARITIME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Board of Directors of Rickmers Trust Management Pte. Ltd., in its capacity as the Trustee-Manager of Rickmers Maritime (the "**Trust**"), wishes to announce that the independent auditor of the Trust, PricewaterhouseCoopers LLP, have included a disclaimer of opinion in the Independent Auditor's Report on the consolidated financial statements of the Trust and its subsidiaries (the "**Group**") for the financial year ended 31 December 2016 (the "**FY2016 Financial Statements**").

A copy of the Independent Auditor's Report, together with the extracts of the relevant notes to the FY2016 Financial Statements, is attached as Appendix I to this announcement.

The Independent Auditor's Report and the FY2016 Financial Statements will form part of the Annual Report for FY2016 (the "**FY2016 Annual Report**") which will be dispatched to the unitholders of the Trust (the "**Unitholders**") in April 2017.

Unitholders are advised to read the Independent Auditor's Report and the FY2016 Annual Report in their entirety and to read this announcement in conjunction with the Independent Auditor's Report and the FY2016 Annual Report.

By Order of the Board of
Rickmers Trust Management Pte. Ltd.
as Trustee-Manager of
Rickmers Maritime

Bertram R.C. Rickmers
Chairman
16 February 2017
Singapore

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF RICKMERS MARITIME

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of Rickmers Maritime ("the Trust") and its subsidiaries ("the Group") and the statement of financial position of the Trust. Because of the significance of matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of the Trust and the Group comprising:

- the consolidated statement of financial position of the Group as at 31 December 2016;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended;
- the statement of financial position of the Trust as at 31 December 2016; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Disclaimer of Opinion

The Group and the Trust had secured and unsecured loans of US\$270.8 million with three syndicate of lending banks and US\$72.4 million of medium-term notes ("MTN") as at 31 December 2016.

As stated in Note 3(a) to the financial statements:

- The Group was unable to make principal and interest repayments totalling US\$20.5 million that were due on 30 June, 30 September and 30 December 2016 in relation to its secured bank loans. The Group had also breached its loan covenants relating to its secured and unsecured bank loans. These defaults gave the right to the lenders to accelerate repayment of the loans. As of the date of issuance of these financial statements, neither waiver, acceleration nor enforcement of security has been provided or pursued by the lenders;
- The Group and the Trust were unable to make interest payment amounting to US\$2.9 million that was due on 15 November 2016 in relation to the MTN. The Group and the Trust had also breached the covenants under the MTN obligation. The Trustee-Manager received a letter that sought to serve a notice of acceleration of payment, from a legal representative who claimed to represent holders of more than 25 percent of the principal amount of the MTN. To date, the Trustee-Manager has not received any claims or acceleration of payment from the MTN's Trustee;
- The Trustee-Manager does not expect the Group and the Trust to have sufficient net cash inflows from its operations within the next 12 months to repay the bank loans and MTN obligations that are due for repayment in 2017; and
- The Trustee-Manager has not reached an agreement with the secured and unsecured bank loan lenders and MTN holders in relation to the restructuring of the Group's borrowings as of the date of issuance of these financial statements.

The conditions above indicate the existence of material uncertainties that may cast significant doubt about the ability of the Group and the Trust to continue as going concerns.

Notwithstanding the above, the Trustee-Manager had prepared the financial statements using the assumption that the Group and the Trust could continue as going concerns. Accordingly, the assets and liabilities of the Group and the Trust had been stated as if they would be recovered or settled as going concerns.

Specifically, the Group and the Trust had stated its vessels and loans to subsidiaries at US\$499.6 million [Note 3(b)] and US\$745.8 million [Note 3(c)] respectively as at 31 December 2016. These assets were subject to impairment reviews and written down to their estimated recoverable amounts as at 31 December 2016. The recoverable amounts had been derived using the basis that the Group and the Trust would be able to continue as going concerns.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF RICKMERS MARITIME (Continued)

Basis for Disclaimer of Opinion (continued)

Judgement taken by the Trustee-Manager to prepare these financial statements on a going concern basis and their action plans to restructure the secured and unsecured bank loans and MTN are disclosed in Note 3(a).

We were unable to perform audit procedures to obtain sufficient appropriate audit evidence regarding the likely outcome of the negotiations of the Group and the Trust with the lending banks and MTN holders to restructure the borrowings. We were therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of these financial statements, including the assessment of the recoverable amounts of the Group's vessels and Trust's loans to subsidiaries, are appropriate.

If the Group and the Trust are unable to continue as going concerns, several adjustments would have to be made to the accompanying financial statements. Assets, including vessels and loans to subsidiaries, may need to be realised other than in the normal course of business, and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group and the Trust may have to provide for further liabilities that might arise. The accompanying financial statements do not reflect these adjustments.

Responsibilities of Management and Directors for the Financial Statements

Management of the Trustee-Manager is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Business Trusts Act and International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management of the Trustee-Manager is responsible for assessing the Group's and the Trust's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Trust to cease operations, or has no realistic alternative but to do so.

The responsibilities of the directors of the Trustee-Manager include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Kok Moi Lre.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 16 February 2017

EXTRACTED FROM FY2016 FINANCIAL STATEMENTS

RICKMERS MARITIME AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Going concern assumptions

As disclosed in Note 20 and 21:

- The Group was unable to make principal and interest repayments totalling US\$20.5 million that were due on 30 June, 30 September and 30 December 2016 in relation to its secured bank loans. The Group had also breached its loan covenants relating to its secured and unsecured bank loans. These defaults gave the right to the lenders to accelerate repayment of the loans. As of the date of issuance of these financial statements, neither waiver, acceleration nor enforcement of security has been provided or pursued by the lenders;
- The Group and the Trust were unable to make interest payment amounting to US\$2.9 million that was due on 15 November 2016 in relation to the MTN. The Group and the Trust had also breached the covenants under the MTN obligation. The Trustee-Manager received a letter that sought to serve a notice of acceleration of payment, from a legal representative who claimed to represent holders of more than 25 percent of the principal amount of the MTN. To date, the Trustee-Manager has not received any claims or acceleration of payment from the MTN's Trustee;
- The Trustee-Manager does not expect the Group and the Trust to have sufficient net cash inflows from its operations within the next 12 months to repay the bank loans and MTN obligations that are due for repayment in 2017; and
- The Trustee-Manager has not reached an agreement with the secured and unsecured bank loan lenders and MTN holders in relation to the restructuring of the Group's borrowings as of the date of issuance of these financial statements.

The conditions above indicate the existence of material uncertainties that may cast significant doubt about the ability of the Group and the Trust to continue as going concerns.

Notwithstanding the above, the Trustee-Manager had prepared the financial statements using the assumption that the Group and the Trust could continue as going concerns. The Trustee-Manager is of the view that it is appropriate to prepare these financial statements on a going concern basis as:

- US\$60.5 million of bank loans from a syndication of banks led by BNP Paribas ("BNP lenders") as at 31 December 2016 are secured on five vessels of the Group. These vessels are on long-term time charters that expire in 2018 and 2019. The net operating cash inflows on these vessels over the time charter period have been ring-fenced for repayment of principal and interest on the loans from the BNP lenders. The net operating cash inflows over the remaining charter period from the balance sheet date is expected to be sufficient for the repayment of remaining principal and interest on the loans from the BNP lenders which mature in 2018.

3. Critical accounting estimates, assumptions and judgements (continued)

(a) *Going concern assumptions (continued)*

- The Group sold its vessel, India Rickmers, in December 2016 to partially prepay a secured bank loan from Commerzbank AG, Singapore Branch (“CMB”) and entered into a deed of consent that contained a framework for final settlement. The outstanding unsecured amount due to CMB as at 31 December 2016 was US\$10.1 million. Discussion as to final settlement are on-going.
- The Group sold one additional vessel, Kaethe C. Rickmers, in February 2017 for US\$6.4 million. Net of transaction costs and partial repayment of secured bank loans from a syndication of banks led by HSH Nordbank (“HSH lenders”), the Group retained US\$2.0 million for its operation.
- The Trustee-Manager has been in negotiation with the HSH lenders to extend the maturity profile of the secured bank loans beyond 2017. As of the date of the issuance of these financial statements, negotiations with the HSH lenders are active and on-going and the HSH lenders has not pursued acceleration of payment or liquidation of security.
- The Trustee-Manager received a letter from MTN holders, via their legal representative, claiming to represent more than 25 percent of the principal amount of the MTN and seeking to serve a notice of acceleration. However, the letter received by the Trustee-Manager did not provide any details as to which of the events of default is being relied upon, nor any evidence that the requisite threshold of 25 percent has been met in seeking to accelerate the MTN. The Trustee-Manager has not received any claims or acceleration of payment from the MTN’s Trustee in accordance with the MTN Trust Deed.
- Although the MTN holders rejected the Trustee-Manager’s proposal to restructure the MTN in a consent solicitation exercise on 21 December 2016, the Trustee-Manager is maintaining on-going discussions with the MTN holders directly and via their legal and financial advisors and endeavour to formulate a revised restructuring plan that would meet the demands of the MTN holders and all bank lenders as of the date of issuance of the financial statements.

The appropriateness of the going concern assumption is dependent on the favourable outcome of the negotiations with the HSH lenders, CMB, BNP lenders and MTN holders, and the Group’s ability to generate sufficient cash flows from its operations to meet its obligations which include renegotiated principal and interest repayments on secured and unsecured bank loans and MTN, as well as compliance with all revised covenants.

In the event that the Group and the Trust are unable to continue as going concerns, the Group and the Trust may not be able to realise the carrying value of its assets and discharge their liabilities in the normal course of business. The accompanying financial statements do not include the effect of any of these adjustments nor a change in circumstances that would prevent the Group and the Trust to continue as a going concern and force the Group and the Trust into a partial or complete winding up.

(b) *Impairment of vessels*

The Group’s management follows its accounting policy set out in Note 2.8(b) in determining when vessels are considered impaired. Impairment is recognised when events and circumstances indicate that these assets may be impaired and the carrying amounts of these assets exceed the recoverable amounts. The recoverable amounts of vessels have been determined based on value-in-use calculations using the going concern assumption. The carrying amount of vessels as at 31 December 2016 was US\$499.6 million (2015: US\$706.0 million). Details of the estimates used to calculate the recoverable amounts are given in Note 14.

If the Group is unable to continue as a going concern, a further impairment of approximately US\$360 million may be necessary.

3. Critical accounting estimates, assumptions and judgements (continued)

(c) Impairment of loans to subsidiaries deemed as quasi-equity loans

The Group's management follows its accounting policy set out in Note 2.8(b) in determining when investments in subsidiaries, including loans to subsidiaries deemed as quasi-equity loans, are considered impaired. Impairment is recognised when events and circumstances indicate that these assets may be impaired and the carrying amounts of these assets exceed the recoverable amounts. The recoverable amounts of these loans to subsidiaries have been determined based on the Trust's share of the attributable net assets of the subsidiaries, based on the latest available financial information and assuming that the subsidiaries would be going concern. The carrying amount of loans to subsidiaries deemed as quasi-equity loans as at 31 December 2016 was US\$548.1 million (2015: US\$645.3 million).

If the subsidiaries are unable to continue as going concerns, a further impairment of approximately US\$238 million may be necessary.