

Ardmore Shipping Corp  
Form 6-K  
August 02, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 6-K**

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the six months ended June 30, 2016

Commission file number 001-36028

**ARDMORE SHIPPING CORPORATION**

(Exact name of Registrant as specified in its charter)

Cumberland House

1 Victoria Street, 5<sup>th</sup> Floor

Hamilton, HM11 Bermuda

(Address of principal executive office)

Edgar Filing: Ardmore Shipping Corp - Form 6-K

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F       Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes       No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes       No

**INFORMATION CONTAINED IN THIS FORM 6-K REPORT**

Attached to this Report on Form 6-K are (1) Management's Discussion and Analysis of Financial Condition and Results of Operations and (2) the unaudited condensed interim consolidated financial statements and related notes of Ardmore Shipping Corporation (the "Company"), as at and for the six months ended June 30, 2016 and 2015.

This Report is hereby incorporated by reference into the following registration statements of the Company:

Registration Statement on Form F-3 (Registration No. 333-198371) filed with the U.S. Securities and Exchange Commission on August 26, 2014;

Registration Statement on Form F-3D (Registration No. 333-203205) filed with the U.S. Securities and Exchange Commission on April 2, 2015; and

Registration Statement on Form F-3/A (Registration No. 333-206501) filed with the U.S. Securities and Exchange Commission on September 24, 2015, as amended.

## FORWARD LOOKING STATEMENTS

Matters discussed in this report may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words “believe”, “anticipate”, “intends,” “estimate”, “forecast”, “plan”, “potentially”, “may”, “will”, “expect” and similar expressions are among those that identify forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, including, among others, the Company’s examination of historical operating trends, data contained in the Company’s records and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond the Company’s control, the Company cannot assure you that it will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors, other important factors that, in the Company’s view, could cause actual results to differ materially from those discussed in the forward-looking statements include: the strength of world economies and currencies; general market conditions, including fluctuations in charter rates and vessel values; changes in demand for and the supply of tanker vessel capacity; changes in the Company’s operating expenses, including bunker prices, drydocking and insurance costs; the market for the Company’s vessels; competition in the tanker industry; availability of financing and refinancing; charter counterparty performance; ability to obtain financing and comply with covenants in such financing arrangements; changes in governmental rules and regulations or actions taken by regulatory authorities; general domestic and international political conditions; potential disruption of shipping routes due to accidents, piracy or political events; vessels breakdowns and instances of off-hires; and other factors. Please see the Company’s filings with the U.S. Securities and Exchange Commission for a more complete discussion of these and other risks and uncertainties. The Company cautions readers of this report not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to update or revise any forward-looking statements. These forward-looking statements are not guarantees of the Company’s future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

**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, thereunto duly authorized.

ARDMORE  
SHIPPING  
CORPORATION

Date: August 2, 2016 By: /s/ Paul Tivnan  
Paul Tivnan  
Chief Financial  
Officer,  
Treasurer and  
Secretary

## **ARDMORE SHIPPING CORPORATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and accompanying notes contained in this Report on Form 6-K and with our audited consolidated financial statements contained in "Item 18. Financial Statements" and "Item 5. Operating and Financial Review and Prospects" of our Annual Report on Form 20-F for the year ended December 31, 2015. The unaudited condensed interim consolidated financial statements included in this report have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and are presented in U.S dollars as at and for the three and six months ended June 30, 2016 and 2015. Unless the context otherwise requires, the terms "Ardmore," the "Company", "we," "our" and "us" refer to Ardmore Shipping Corporation (NYSE:ASC) and its consolidated subsidiaries.*

#### **GENERAL**

Ardmore owns and operates a fleet of mid-size product and chemical tankers ranging from approximately 25,000 to 50,000 deadweight tonnes ("Dwt"). Ardmore provides seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with its modern, fuel-efficient fleet of tankers.

Ardmore's core strategy is to develop a modern, high-quality fleet of product and chemical tankers, build key long-term commercial relationships, and maintain a cost advantage in assets, operations and overhead, while creating synergies and economies of scale as the company grows. Ardmore provides its services to customers through voyage charters, commercial pools and time charters and has established close working relationships with key commercial and technical management partners. Ardmore views the continued development of these relationships as crucial to its long-term success.

We are commercially independent, as we have no blanket employment arrangements with third-party or related-party commercial managers. We market our services directly to our customers, including a range of pooling service providers. As of July 27, 2016, our fleet consisted of 22 vessels, which are reflected in the following table:

## Edgar Filing: Ardmore Shipping Corp - Form 6-K

<b>Vessel Name In Operation</b>	<b>Type</b>	<b>Dwt Tonnes</b>	<b>IMO</b>	<b>Built</b>	<b>Country</b>	<b>Flag</b>	<b>Specification</b>
<i>Ardmore Seavalliant</i>	Product/Chemical	49,998	2/3	Feb-13	Korea	MI	Eco-design
<i>Ardmore Seaventure</i>	Product/Chemical	49,998	2/3	June-13	Korea	MI	Eco-design
<i>Ardmore Seavantage</i>	Product/Chemical	49,997	2/3	Jan-14	Korea	MI	Eco-design
<i>Ardmore Seavanguard</i>	Product/Chemical	49,998	2/3	Feb-14	Korea	MI	Eco-design
<i>Ardmore Sealion</i>	Product/Chemical	49,999	2/3	May-15	Korea	MI	Eco-design
<i>Ardmore Seafox</i>	Product/Chemical	49,999	2/3	June-15	Korea	MI	Eco-design
<i>Ardmore Seawolf</i>	Product/Chemical	49,999	2/3	Aug-15	Korea	MI	Eco-design
<i>Ardmore Seahawk</i>	Product/Chemical	49,999	2/3	Nov-15	Korea	MI	Eco-design
<i>Ardmore Endeavour</i>	Product/Chemical	49,997	2/3	July-13	Korea	MI	Eco-design
<i>Ardmore Seafarer</i>	Product/Chemical	45,744	3	Aug-04	Japan	MI	Eco-mod
<i>Ardmore Seatrader</i>	Product	47,141	—	Dec-02	Japan	MI	Eco-mod
<i>Ardmore Seamaster</i>	Product/Chemical	45,840	3	Sept-04	Japan	MI	Eco-mod
<i>Ardmore Seamariner</i>	Product/Chemical	45,726	3	Oct-06	Japan	MI	Eco-mod
<i>Ardmore Sealeader</i>	Product	47,463	—	Aug-08	Japan	MI	Eco-mod
<i>Ardmore Sealifter</i>	Product	47,472	—	July-08	Japan	MI	Eco-mod
<i>Ardmore Dauntless</i>	Product/Chemical	37,764	2	Feb-15	Korea	MI	Eco-design
<i>Ardmore Defender</i>	Product/Chemical	37,791	2	Feb-15	Korea	MI	Eco-design
<i>Ardmore Centurion</i>	Product/Chemical	29,006	2	Nov-05	Korea	MI	Eco-mod
<i>Ardmore Cherokee</i>	Product/Chemical	25,215	2	Jan-15	Japan	MI	Eco-design
<i>Ardmore Cheyenne</i>	Product/Chemical	25,217	2	Mar-15	Japan	MI	Eco-design
<i>Ardmore Chinook</i>	Product/Chemical	25,217	2	July-15	Japan	MI	Eco-design
<i>Ardmore Chippewa</i>	Product/Chemical	25,217	2	Nov-15	Japan	MI	Eco-design
<b>Total</b>	<b>22</b>	<b>934,797</b>					

## **SIGNIFICANT DEVELOPMENTS**

### ***Sale of Ardmore Calypso and Ardmore Capella***

In November 2015, Ardmore agreed terms for the sale of *Ardmore Calypso* and *Ardmore Capella*. The sales price for the two vessels was \$38.5 million. The vessels delivered to the buyers during the second quarter of 2016.

### **Agreement to Acquire Six Vessels**

In June 2016, Ardmore entered into an agreement to acquire six modern, Eco-Design MR product/chemical tankers for an aggregate purchase price of \$172.5 million. The vessels, which have an average age of 2.4 years, are scheduled to be delivered to Ardmore on a charter-free basis between September and October 2016. The acquisition will expand Ardmore's fleet to 28 vessels, or by approximately 32% on a tonnage basis, and is expected to be accretive to earnings and to net asset value.

### **Public Offering of Shares**

Ardmore completed a public offering on June 13, 2016 of 7.5 million of our common shares at an offering price of \$8.90 per share. The net proceeds amounting to \$64.1 million will be used to partially finance the acquisition of the vessels that Ardmore agreed to purchase in June 2016, which are described above.

### **Dividends**

On August 2, 2016, Ardmore's Board of Directors declared a cash dividend of \$0.11 per share for the quarter ended June 30, 2016 based on our policy of paying out 60% of earnings from continuing operations. Earnings from continuing operations is defined as earnings per share ("EPS") reported under US GAAP as adjusted for unrealized and realized gains and losses and extraordinary items. The dividend is payable on August 31, 2016 to all shareholders of record on August 16, 2016.



## **RESULTS OF OPERATIONS**

### **Factors You Should Consider When Evaluating Our Results**

There are a number of factors that should be considered when evaluating our historical financial performance and assessing our future prospects and we use a variety of financial and operational terms and concepts when analyzing our results of operations. Please read “Item 5. Operating and Financial Review and Prospects” in our Annual Report on Form 20-F for the year ended December 31, 2015 for additional information.

In accordance with U.S. GAAP, we report gross revenues in our income statement and include voyage expenses among our operating expenses. Ship-owners base economic decisions regarding the deployment of their vessels upon actual and anticipated time charter equivalent, or “TCE” rates, and industry analysts typically measure rates in terms of TCE rates. This is because under time charters the customer typically pays the voyage expenses, while under voyage charters, also known as spot market charters, the shipowner usually pays the voyage expenses. As a result, for vessels employed directly in the spot market, revenue is recognized on a gross freight basis, while under time chartering and pool arrangements, the charterer typically pays voyage expenses and revenue is recognized on a net basis. To normalize these differences, the discussion of revenue below focuses on TCE rates where applicable.

**Statement of Operations for the Three Months ended June 30, 2016 and June 30, 2015**

The following table presents our operating results for the three months ended June 30, 2016 and 2015.

INCOME STATEMENT DATA	Three months ended		Variance (\$)	Variance (%)	
	Jun. 30, 2016	Jun. 30, 2015			
<b>REVENUE</b>					
Revenue	39,719,211	39,312,613	406,598	1.0	%
<b>OPERATING EXPENSES</b>					
Commissions and voyage related costs	6,343,542	8,546,389	2,202,847	25.8	%
Vessel operating expenses	12,853,717	11,257,628	(1,596,089 )	(14.2)	%
Depreciation	7,185,808	5,713,901	(1,471,907 )	(25.8)	%
Amortization of deferred dry dock expenditure	684,958	607,394	(77,564 )	(12.8)	%
General and administrative expenses	3,629,032	2,727,980	(901,052 )	(33.0)	%
Total operating expenses	30,697,057	28,853,292	(1,843,765 )	(6.4)	%
Profit from operations	9,022,154	10,459,321	(1,437,167 )	(13.7)	%
Interest expense and finance costs	(3,960,098 )	(2,529,459 )	(1,430,639 )	(56.6)	%
Interest income	20,111	4,389	15,722	358.2	%
Gain on disposal of vessels	451,962	-	451,962	-	
Profit before taxes	5,534,129	7,934,251	(2,400,122 )	(30.3)	%
Income tax	(38,000 )	(14,098 )	(23,902 )	(169.5)	%
Net profit	5,496,129	7,920,153	(2,424,024 )	(30.6)	%

**Revenue.** Revenue for the three months ended June 30, 2016 was \$39.7 million, an increase of \$0.4 million from \$39.3 million for the three months ended June 30, 2015.

The average number of owned vessels increased to 22.7 for the three months ended June 30, 2016 from 18.4 for the three months ended June 30, 2015, resulting in revenue days of 2,005 for the three months ended June 30, 2016 as compared to 1,667 for the three months ended June 30, 2015.

## Edgar Filing: Ardmore Shipping Corp - Form 6-K

We had 12 and 11 vessels employed under time charter and pool arrangements as at June 30, 2016 and June 30, 2015 respectively. Revenue days derived from time charter and pool arrangements were 1,148 for the three months ended June 30, 2016 compared to 978 for the three months ended June 30, 2015. The increase in revenue days in time charter and pool arrangements resulted in an increase in revenue of \$2.7 million while improving market conditions resulted in an increase in revenue of \$2.0 million.

We had ten and eight vessels employed directly in the spot market as at June 30, 2016 and June 30, 2015 respectively. For spot chartering arrangements we had 857 revenue days for the three months ended June 30, 2016 as compared to 689 for the three months ended June 30, 2015. This increase in revenue days derived from spot chartering arrangements resulted in an increase in revenue of \$5.7 million, while declining market conditions decreased spot chartering revenue by \$10.0 million.

For vessels employed directly in the spot market, revenue is recognized on a gross freight basis, while under time chartering and pool arrangements, the charterer typically pays voyage expenses and revenue is recognized on a net basis.

***Commissions and Voyage Related Costs.*** Commissions and voyage related costs were \$6.3 million for the three months ended June 30, 2016, a decrease of \$2.2 million from \$8.5 million for the three months ended June 30, 2015.

Revenue days increased to 2,005 for the three months ended June 30, 2016 as compared to 1,667 for the three months ended June 30, 2015. For spot chartering arrangements, we had 857 revenue days in 2016 as compared to 689 for the three months ended June 30, 2015. This increase in revenue days is offset by declining market conditions, including lower bunker prices for the three months ended June 30, 2016, resulting in a decrease in commissions and voyage related expenses of \$2.2 million.

In direct spot employment all voyage expenses are borne by us as opposed to the charterer, while under time chartering and pool arrangements, the charterer typically pays voyage expenses.

**TCE Rate.** The TCE rate for our fleet was \$16,645 per day for the three months ended June 30, 2016, decreasing by \$2,030 per day from \$18,675 per day for the three months ended June 30, 2015.

**Vessel Operating Expenses.** Vessel operating expenses were \$12.9 million for the three months ended June 30, 2016, an increase of \$1.6 million from \$11.3 million for the three months ended June 30, 2015. This increase is primarily due to an increase in the number of vessels in operation for the three months ended June 30, 2016. Due to the nature of this expenditure, vessel operating expenses are prone to fluctuations between periods. Fleet operating costs per day, including technical management fees, were \$6,215 for the three months ended June 30, 2016, as compared to \$6,457 for the three months ended June 30, 2015.

**Depreciation.** Depreciation expense for the three months ended June 30, 2016 was \$7.2 million, an increase of \$1.5 million from \$5.7 million for the three months ended June 30, 2015. The increase is primarily due to an increase in the average number of owned vessels to 22.7 for the three months ended June 30, 2016, from 18.4 for the three months ended June 30, 2015.

**Amortization of Deferred Drydock Expenditure.** Amortization of deferred drydock expenditure for the three months ended June 30, 2016 was \$0.7 million, an increase of \$0.1 million from \$0.6 million for the three months ended June 30, 2015. The capitalized costs of dry dockings for a given vessel are depreciated on a straight line basis to the next scheduled drydocking of the vessel.

**General and Administrative Expenses.** General and administrative expenses for the three months ended June 30, 2016 were \$3.6 million, as compared to \$2.7 million for the three months ended June 30, 2015. The increase primarily reflects additional staff and travel costs associated with operating a larger fleet of \$0.6 million and \$0.1 million respectively. Average headcount increased to 29 for the three months ended 30 June 2016 from 21 for the three months ended 30 June 2015.

**Interest Expense and Finance Costs.** Interest expense and finance costs (which include loan interest, capital lease interest, amortization of deferred financing fees and are net of capitalized interest) for the three months ended June 30, 2016 were \$4.0 million, as compared to \$2.5 million for the three months ended June 30, 2015. Cash interest expense increased by \$0.1 million to \$3.1 million for the three months ended June 30, 2016 from \$3.0 million for the three months ended June 30, 2015. This was the result of an increase in the average debt balance following the delivery of 4 vessels since June 30, 2015, partially offset by a reduction in the interest expense following the refinancing of debt

completed during the first quarter of 2016. Capitalized interest, which relates to vessels under construction, was nil for the three months ended June 30, 2016, as compared to \$0.9 million for the three months ended June 30, 2015, as there were no vessels under construction during the three months ended June 30, 2016. Amortization of deferred financing charges for the three months ended June 30, 2016 was \$0.9 million, as compared to \$0.4 million for the three months ended June 30, 2015.

**Statement of Operations for the Six Months ended June 30, 2016 and June 30, 2015**

The following table presents our operating results for the six months ended June 30, 2016 and 2015.

INCOME STATEMENT DATA	Six months ended		Variance (\$)	Variance (%)	
	Jun. 30, 2016	Jun. 30, 2015			
<b>REVENUE</b>					
Revenue	83,255,507	68,928,550	14,326,957	20.8	%
<b>OPERATING EXPENSES</b>					
Commissions and voyage related costs	13,751,189	14,667,236	916,047	6.2	%
Vessel operating expenses	26,551,386	20,477,936	(6,073,450 )	(29.7	)%
Depreciation	14,237,637	10,622,505	(3,615,132 )	(34.0	)%
Amortization of deferred dry dock expenditure	1,278,809	1,170,024	(108,785 )	(9.3	)%
General and administrative expenses	7,242,359	4,843,622	(2,398,737 )	(49.5	)%
Total operating expenses	63,061,380	51,781,323	(11,280,057)	(21.8	)%
Profit from operations	20,194,127	17,147,227	3,046,900	17.8	%
Interest expense and finance costs	(8,393,709 )	(4,139,228 )	(4,254,481 )	(102.8	)%
Interest income	41,251	6,023	35,228	584.9	%
Gain on disposal of vessels	451,962	-	451,962	-	
Profit before taxes	12,293,631	13,014,022	(720,391 )	(5.5	)%
Income tax	(58,000 )	(26,586 )	(31,414 )	118.2	%
Net profit	12,235,631	12,987,436	(751,805 )	(5.8	)%

**Revenue.** Revenue for the six months ended June 30, 2016 was \$83.3 million, an increase of \$14.3 million from \$68.9 million for the six months ended June 30, 2015.

The average number of owned vessels increased to 23.4 for the six months ended June 30, 2016 from 17.2 for the six months ended June 30, 2015, resulting in revenue days of 4,171 in 2016 as compared to 3,059 in 2015.

We had 12 and 11 vessels employed under time charter and pool arrangements as at June 30, 2016 and June 30, 2015 respectively. Revenue days derived from time charter and pool arrangements were 2,494 in 2016 compared to 1,915 in

2015. The increase in revenue days in time charter and pool arrangements resulted in an increase in revenue of \$9.0 million while improving market conditions resulted in additional revenue of \$4.4 million.

We had ten vessels and eight vessels employed directly in the spot market as at June 30, 2016 and June 30, 2015, respectively. For spot chartering arrangements we had 1,677 revenue days in 2016 as compared to 1,144 in 2015. This increase in revenue days derived from spot chartering arrangements resulted in an increase in revenue of \$18.4 million, while declining market conditions decreased spot chartering revenue by \$17.5 million.

For vessels employed directly in the spot market, revenue is recognized on a gross freight basis, while under time chartering and pool arrangements, the charterer typically pays voyage expenses and revenue is recognized on a net basis.

***Commissions and voyage related costs.*** Commissions and voyage related costs were \$13.7 million for the six months ended June 30, 2016, a decrease of \$1.0 million from \$14.7 million for the six months ended June 30, 2015.

Revenue days increased to 4,171 in 2016 as compared to 3,059 in 2015. Revenue days derived from time charter and pool arrangements were 2,494 in 2016 compared to 1,916 in 2015. The increase in revenue days in time charter and pool arrangements resulted in an increase in commissions and voyage related costs of \$0.3 million. For spot chartering arrangements, we had 1,677 revenue days in 2016 as compared to 1,144 in 2015. This increase in revenue days is offset by declining market conditions, including lower bunker prices for the six months ended June 30, 2016, resulting in a decrease in commissions and voyage related expenses of \$1.3 million.

In direct spot employment all voyage expenses are borne by Ardmore as opposed to the charterer, while under time chartering and pool arrangements, the charterer typically pays voyage expenses.

**TCE rate.** The TCE rate for our fleet was \$16,661 per day for the six months ended June 30, 2016, decreasing by \$1,331 per day from \$17,992 per day for the six months ended June 30, 2015.

**Vessel operating expenses.** Vessel operating expenses were \$26.6 million for the six months ended June 30, 2016, an increase of \$6.1 million from \$20.5 million for the six months ended June 30, 2015. This increase is primarily due to an increase in the number of vessels in operation for the six months ended June 30, 2016. Due to the nature of this expenditure, vessel operating expenses are prone to fluctuations between periods. Fleet operating costs per day, including technical management fees, were \$6,244 for the six months ended June 30, 2016, as compared to \$6,352 for the six months ended June 30, 2015.

**Depreciation.** Depreciation expense for the six months ended June 30, 2016 was \$14.2 million, an increase of \$3.6 million from \$10.6 million for the six months ended June 30, 2015. The increase is primarily due to an increase in the average number of owned vessels to 23.4 for the six months ended June 30, 2016, from 17.2 for the six months ended June 30, 2015.

**Amortization of deferred drydock expenditure.** Amortization of deferred drydock expenditure for the six months ended June 30, 2016 was \$1.3 million, an increase of \$0.1 million from \$1.2 million for the six months ended June 30, 2015. The capitalized costs of drydockings for a given vessel are depreciated on a straight line basis to the next scheduled drydocking of the vessel.

**General and administrative expenses.** General and administrative expenses for the six months ended June 30, 2016 were \$7.2 million, as compared to \$4.8 million for the six months ended June 30, 2015. The increase reflects additional staff and travel costs associated with operating a larger fleet of \$1.5 million and \$0.2 million respectively. Average headcount increased to 28 for the six months ended 30 June 2016 from 19 for the six months ended 30 June 2015. As a result, other miscellaneous costs also increased by \$0.4 million. Professional fees increased by \$0.3 million during the period.

**Interest expense and finance costs.** Interest expense and finance costs (which include loan interest, capital lease interest, amortization of deferred financing fees and are net of capitalized interest) for the six months ended June 30, 2016 were \$8.4 million, as compared to \$4.1 million for the six months ended June 30, 2015. Cash interest expense increased by \$1.5 million to \$6.9 million for the six months ended June 30, 2016 from \$5.4 million for the six months ended June 30, 2015. This was the result of an increase in the average debt balance following the delivery of four vessels since June 30, 2015, partially offset by a reduction in the interest expense following the refinancing of debt completed during the first quarter of 2016. Capitalized interest, which relates to vessels under construction, was nil for the six months ended June 30, 2016, as compared to \$1.9 million for the six months ended June 30, 2015, as there were no vessels under construction during the six months ended June 30, 2016. Amortization of deferred financing charges for the six months ended June 30, 2016 was \$1.5 million, as compared to \$0.7 million for the six months



ended June 30, 2015.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our primary sources of liquidity are cash and cash equivalents, cash flows provided by our operations, our undrawn credit facilities and capital raised through financing transactions. As at June 30, 2016, our total cash and cash equivalents were \$103.1 million, an increase of \$63.0 million from \$40.1 million as at December 31, 2015. We believe that our working capital, together with expected cash flows from operations and availability under credit facilities, will be sufficient for our present requirements.

Our short-term liquidity requirements include the payment of operating expenses, drydocking expenditures, debt servicing costs, dividends on our shares of common stock, scheduled repayments of long-term debt, as well as funding our other working capital requirements. Our short-term spot charters, including participating in spot charter pooling arrangements, contribute to the volatility of our net operating cash flow, and thus our ability to generate sufficient cash flows to meet our short-term liquidity needs. Historically, the tanker industry has been cyclical, experiencing volatility in profitability and asset values resulting from changes in the supply of, and demand for, vessel capacity. In addition, tanker spot markets historically have exhibited seasonal variations in charter rates. Tanker spot markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere and unpredictable weather patterns that tend to disrupt vessel scheduling. Time charters provide contracted revenue that reduces the volatility (as rates can fluctuate within months) and seasonality from revenue generated by vessels that operate in the spot market. Commercial pools reduce revenue volatility because they aggregate the revenues and expenses of all pool participants and distribute net earnings to the participants based on an agreed upon formula. Spot charters preserve flexibility to take advantage of increasing rate environments, but also expose the ship-owner to decreasing rate environments.

Our long-term capital needs are primarily for capital expenditures and debt repayment. Generally, we expect that our long-term sources of funds will be cash balances, long-term bank borrowings and other debt or equity financings. We expect that we will rely upon internal and external financing sources, including cash balances, bank borrowings and the issuance of debt and equity securities, to fund acquisitions and expansion capital expenditures.

Our credit facilities are described in Notes 2 (“Debt”) to our condensed interim consolidated financial statements included in this Form 6-K. Our financing facilities contain covenants and other restrictions we believe are typical of debt financing collateralized by vessels, including covenants that restrict the relevant subsidiaries from incurring or guaranteeing additional indebtedness, granting certain liens, and selling, transferring, assigning or conveying assets. Our financing facilities do not impose a restriction on dividends, distributions, or returns of capital unless an event of default has occurred, is continuing or will result from such payment. Our financing facilities require us to maintain various financial covenants. Should we not meet these financial covenants or other covenants, the lenders may declare our obligations under the applicable agreements immediately due and payable, and terminate any further loan commitments, which would significantly affect our short-term liquidity requirements. As at June 30, 2016, we were in compliance with all covenants relating to our financing facilities.

During the quarter ending March 31, 2016, we completed a refinancing of substantially all of our outstanding debt to our condensed interim consolidated financial statements included in this Report. The covenants and other conditions on all new facilities are consistent with those of our prior credit facilities.

## CASH FLOW DATA

### Cash Flow Data for the Three and Six Months Ended June 30, 2016 and June 30, 2015

CASH FLOW DATA	Three months ended		Six months ended	
	Jun. 30, 2016	Jun. 30, 2015	Jun. 30, 2016	Jun. 30, 2015
Net cash provided by operating activities	10,752,979	12,399,634	28,358,615	13,581,913
Net cash provided by / (used in) investing activities	20,362,446	(52,880,645 )	19,362,321	(147,264,035)
Net cash provided by financing activities	24,543,365	60,285,361	15,298,908	115,690,710

#### *Cash provided by operating activities*

For the three months ended June 30, 2016, cash flow provided by operating activities was \$10.8 million. Net profit (after adding back depreciation, amortization and other non-cash items) was an inflow of \$14.1 million. Changes in operating assets and liabilities resulted in an outflow of \$1.7 million and drydock payments were \$1.6 million. For the three months ended June 30, 2015, cash flow provided by operating activities was \$12.4 million. Net profit (after adding back depreciation, amortization and other non-cash items) was an inflow of \$15.0 million. Changes in operating assets and liabilities resulted in an outflow of \$2.5 million and drydock payments were \$0.1 million.

## Edgar Filing: Ardmore Shipping Corp - Form 6-K

For the six months ended June 30, 2016, cash flow provided by operating activities was \$28.4 million. Net profit (after adding back depreciation, amortization and other non-cash items) was an inflow of \$29.4 million. Changes in operating assets and liabilities resulted in an inflow of \$1.2 million and drydock payments were \$2.2 million. For the six months ended June 30, 2015, cash flow provided by operating activities was \$13.6 million. Net profit (after adding back depreciation, amortization and other non-cash items) was an inflow of \$26.2 million. Changes in operating assets and liabilities resulted in an outflow of \$11.6 million and drydock payments were \$1.0 million.

### *Cash provided by / (used in) investing activities*

For the three months ended June 30, 2016, net cash provided by investing activities was \$20.4 million, consisting of net proceeds from the sale of the *Ardmore Calypso* and the *Ardmore Capella* of \$37.6 million and a transfer of cash to an escrow account of \$17.2 million in relation to the six vessel acquisition. For the three months ended June 30, 2015, net cash used in investing activities was \$52.9 million. Payments for the completion of vessels under construction, along with vessel equipment was \$49.6 million for the three months then ended. Payments in the quarter for vessels still under construction at June 30, 2015 were \$3.3 million.

For the six months ended June 30, 2016, net cash provided by investing activities was \$19.4 million, consisting of net proceeds from the sale of the *Ardmore Calypso* and the *Ardmore Capella* of \$37.6 million, a transfer of cash to an escrow account in relation to the six vessel acquisition of \$17.2 million, payments for leasehold improvements of \$0.5 million and payments for equipment and other non-current assets of \$0.5 million. For the six months ended June 30, 2015, net cash used in investing activities was \$147.3 million. Payments for the completion of vessels under construction, along with vessel equipment, was \$128.1 million for the six months then ended. Payments for vessels still under construction at June 30, 2015 were \$19.2 million.

*Cash provided by financing activities*

For the three months ended June 30, 2016, the net cash provided by financing activities was \$24.5 million. Drawdowns of long-term debt amounted to nil and repayments of debt amounted to \$9.4 million. We made no debt prepayments during such period. Total principal repayments of the capital lease arrangement were \$26.7 million. Net proceeds from the equity offering were \$64.1 million. Quarterly cash dividends paid were \$3.5 million for the period. For the three months ended June 30, 2015, the net cash provided by financing activities was \$60.3 million. Drawdowns of long-term debt amounted to \$69.2 million and repayments of debt amounted to \$5.9 million. Total principal repayments of the capital lease arrangement were \$0.4 million. We incurred \$0.7 million of deferred finance charges for loan facilities, and for commitment fees payable in respect of other financing committed for vessels which were under construction. Quarterly cash dividends paid were \$1.8 million for the period.

For the six months ended June 30, 2016, the net cash provided by financing activities was \$15.3 million. Drawdowns of long-term debt amounted to \$2.0 million and repayments of debt amounted to \$10.3 million. We made no debt prepayments during such period. Total principal repayments of the capital lease arrangement were \$27.1 million. We also incurred \$4.1 million of deferred finance charges for loan facilities. Net proceeds from the public offering of 7.5 million common shares we completed on June 13, 2016 were \$64.1 million. Quarterly cash dividends paid were \$6.3 million for the period. There was also a repurchase of common stock of \$3.0 million. For the six months ended June 30, 2015, the net cash provided by financing activities was \$115.7 million. Drawdowns of long-term debt amounted to \$133.0 million and repayments of debt amounted to \$10.8 million. We made no debt prepayments during such period. Total principal repayments of the capital lease arrangement were \$0.8 million. We also incurred \$1.3 million of deferred finance charges for loan facilities, and for commitment fees payable in respect of other financing committed for vessels under construction. Quarterly cash dividends paid were \$4.4 million for the period.

**CAPITAL EXPENDITURES**

*Drydock*

The drydocking schedule for our vessels that were in operation as of June 30, 2016 is as follows:

	<b>For the Years Ended</b>			
	<b>December 31,</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Number of vessels in drydock (excluding in-water surveys)	5	3	5	5

We endeavor to manage the timing of future dockings across the fleet in order to minimize the number of vessels that are drydocked at any one time. As our fleet matures and expands, our drydock expenses are likely to increase.

### ***Dividends***

On February 3, 2016, our Board of Directors declared a cash dividend of \$0.13 per share for the quarter ended December 31, 2015. The cash dividend was paid on March 1, 2016 to all shareholders of record on February 15, 2016.

On May 4, 2016, our Board of Directors declared a cash dividend of \$0.16 per share for the quarter ended March 31, 2016. The cash dividend was paid on May 31, 2016 to all shareholders of record on May 16, 2016.

On August 2, 2016, our Board of Directors declared a cash dividend of \$0.11 per share for the quarter ended June 30, 2016. The dividend is payable on August 31, 2016 to all shareholders of record on August 16, 2016.

### **CRITICAL ACCOUNTING ESTIMATES**

We prepare our financial statements in accordance with U.S. GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ materially from our assumptions and estimates. Accounting estimates and assumptions that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties are discussed in “Item 5. Operating and Financial Review and Prospects” in our Annual Report on Form 20-F for the year ended December 31, 2015. There have been no significant changes to these estimates and assumptions in the six months ended June 30, 2016.

### **OFF-BALANCE SHEET ARRANGEMENTS**

As of June 30, 2016, we had no off-balance sheet arrangements.

## **DISCLOSURES ABOUT MARKET RISK**

In addition to the risks set forth below, you should carefully consider the risk factors discussed in “Item 3. Key Information – Risk Factors” in our Annual Report on Form 20-F for the year end December 31, 2015, regarding risks which could materially affect our business, financial condition and results of operations.

### **Foreign Exchange Risk**

The majority of our transactions, assets and liabilities are denominated in U.S. Dollars, our functional currency. We incur certain general and operating expenses in other currencies (primarily the Euro, Singapore Dollar, Pounds Sterling, Hong Kong Dollar) and, as a result, there is risk to us that currency fluctuations may have a negative effect on the value of our cash flows. Such risk may have an adverse effect on our financial condition and results of operations. We believe these adverse effects to be immaterial and we have not entered into any derivative contracts to manage foreign exchange risk during the six months ended June 30, 2016.

### **Interest Rate Risk**

We are exposed to the impact of interest rate changes primarily through borrowings that require us to make interest payments based on LIBOR. Significant increases in interest rates could adversely affect our results of operations and our ability to repay debt. We regularly monitor interest rate exposure and may enter into swap arrangements to hedge exposure where it is considered economically advantageous to do so.

The disclosure in the immediately following paragraph about the potential effects of changes in interest rates are based on a sensitivity analysis, which models the effects of hypothetical interest rate shifts. A sensitivity analysis is constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by the inability to include the extraordinarily complex market reactions that normally would arise from the market shifts. Although the following results of a sensitivity analysis for changes in interest rates may have some limited use as a benchmark, they should not be viewed as a forecast. This forward-looking disclosure also is selective in nature and addresses only the potential impacts on our borrowings.

Assuming we do not hedge our exposure to interest rate fluctuations, a hypothetical 100 basis-point increase or decrease in our variable interest rates would have increased or decreased our interest expense for the six month period ended June 30, 2016 by \$4.1 million (2015: \$3.0 million) using the average long-term debt balance and actual interest

incurred in each period.

### **Liquidity Risk**

Our principal objective in relation to liquidity is to ensure that we have access at minimum cost to sufficient liquidity to enable us to meet our obligations as they come due and to provide adequately for contingencies. Our policy is to manage our liquidity by forecasting of cash flows arising from or expense relating to time charter revenue, pool revenue, vessel operating expenses, general and administrative overhead and servicing of debt.

### **Credit Risk**

There is a concentration of credit risk with respect to our cash and cash equivalents to the extent that substantially all of these items are held with one bank — Nordea Bank. While we believe this risk of loss is low, we will keep this matter under review and revise our policy for managing cash and cash equivalents if considered advantageous and prudent to do so.

We limit our credit risk with trade accounts receivable by performing ongoing credit evaluations of our customers' financial condition. We generally do not require collateral for our trade accounts receivable.

We may be exposed to credit risk in relation to vessel employment and at times may have multiple vessels employed by one charterer. We consider and evaluate concentration of credit risk regularly and perform on-going evaluations of these charterers for credit risk. As at June 30, 2016 our 22 vessels in operation were employed with ten different charterers.

**Ardmore Shipping Corporation**

**INDEX TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

	<b><u>Page</u></b>
<u>Unaudited Condensed Interim Consolidated Balance Sheets as at June 30, 2016 and December 31, 2015</u>	F-2
<u>Unaudited Condensed Interim Consolidated Statement of Operations for the three and six months ended June 30, 2016 and June 30, 2015</u>	F-3
<u>Unaudited Condensed Interim Consolidated Statements of Changes in Equity for the six months ended June 30, 2016, and twelve months ended December 31, 2015</u>	F-4
<u>Unaudited Condensed Interim Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and June 30, 2015</u>	F-5
<u>Notes to the Unaudited Condensed Interim Consolidated Financial Statements</u>	F-6



**Ardmore Shipping Corporation**

## Unaudited Condensed Interim Balance Sheets

As at June 30, 2016 and December 31, 2015  
(Expressed in U.S. Dollars, unless otherwise stated)

	As at	
	Jun. 30, 2016	Dec. 31, 2015
<b>ASSETS</b>		
Current assets		
Vessels held for sale	-	37,083,985
Cash and cash equivalents	103,129,226	40,109,382
Receivables, trade	19,887,897	26,189,316
Working capital advances	3,025,000	3,475,000
Prepayments	905,298	1,042,359
Advances and deposits	5,189,134	3,511,872
Other receivables	23,157	23,953
Inventories	4,751,848	3,969,483
Total current assets	136,911,560	115,405,350
Non-current assets		
Vessels and vessel equipment, net of accumulated depreciation \$66.8 million (2015: \$46.2 million)	644,795,131	658,628,933
Deferred drydock expenditure, net of accumulated depreciation \$6.8 million (2015: \$5.1 million)	4,672,715	3,730,374
Deposit for vessel acquisition	17,250,000	-
Leasehold improvements, net	483,999	-
Other non-current assets, net of accumulated depreciation \$0.3 million (2015: \$0.2 million)	597,763	432,951
Total non-current assets	667,799,608	662,792,258
<b>TOTAL ASSETS</b>	<b>804,711,168</b>	<b>778,197,608</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Payables, trade	8,716,511	12,482,540
Charter revenue received in advance	2,135,525	1,192,317
Other payables	144,484	144,932
Accrued interest on loans	1,304,466	1,752,226
Current portion of long-term debt	35,099,656	27,014,500
Current portion of capital lease obligations	-	26,771,911
Total current liabilities	47,400,642	69,358,426
Non-current liabilities		
Non-current portion of long-term debt	341,984,589	361,227,904

Edgar Filing: Ardmore Shipping Corp - Form 6-K

Total non-current liabilities	341,984,589	361,227,904
Equity		
Share capital	339,754	263,297
Additional paid in capital	404,169,028	338,226,370
Treasury stock	(4,272,477 )	(1,278,546 )
Accumulated surplus	15,089,632	10,400,157
Total equity	415,325,937	347,611,278
TOTAL LIABILITIES AND EQUITY	804,711,168	778,197,608

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**Ardmore Shipping Corporation**

## Unaudited Condensed Interim Consolidated Statement of Operations

For the three and six months ended June 30, 2016 and June 30, 2015

(Expressed in U.S. Dollars, unless otherwise stated)

	Three months ended		Six months ended	
	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
<b>REVENUE</b>				
Revenue	39,719,211	39,312,613	83,255,507	68,928,550
<b>OPERATING EXPENSES</b>				
Commissions and voyage related costs	6,343,542	8,546,389	13,751,189	14,667,236
Vessel operating expenses	12,853,717	11,257,628	26,551,386	20,477,936
Depreciation	7,185,808	5,713,901	14,237,637	10,622,505
Amortization of deferred dry dock expenditure	684,958	607,394	1,278,809	1,170,024
General and administrative expenses	3,629,032	2,727,980	7,242,359	4,843,622
Total operating expenses	30,697,057	28,853,292	63,061,380	51,781,323
Profit from operations	9,022,154	10,459,321	20,194,127	17,147,227
Interest expense and finance costs	(3,960,098 )	(2,529,459 )	(8,393,709 )	(4,139,228 )
Interest income	20,111	4,389	41,251	6,023
Gain on disposal of vessels	451,962	-	451,962	-
Profit before taxes	5,534,129	7,934,251	12,293,631	13,014,022
Income tax	(38,000 )	(14,098 )	(58,000 )	(26,586 )
Net profit	5,496,129	7,920,153	12,235,631	12,987,436
Earnings per share, basic and diluted	0.20	0.30	0.46	0.50
Weighted average number of shares outstanding, basic and diluted	27,339,539	26,014,629	26,699,709	25,997,708

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**Ardmore Shipping Corporation**

## Unaudited Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2016

And for the twelve months ended December 31, 2015  
(Expressed in U.S. Dollars, unless otherwise stated)

	Number of shares outstanding	Share capital	Additional paid-in capital	Treasury stock	Accumulated surplus / (deficit)	TOTAL
Balance as at January 1, 2015	25,980,600	261,000	339,082,131	(1,278,546)	(10,864,492)	327,200,093
Share based compensation	-	-	1,436,505	-	-	1,436,505
Dividend payments	229,711	2,297	(2,292,266)	-	(10,690,316)	(12,980,285)
Profit for year	-	-	-	-	31,954,965	31,954,965
Balance as at December 31, 2015	26,210,311	263,297	338,226,370	(1,278,546)	10,400,157	347,611,278
Equity offering	7,500,000	75,000	64,044,332	-	-	64,119,332
Share based compensation	-	-	653,019	-	-	653,019
Repurchase of common stock	(366,347)	-	-	(2,993,931)	-	(2,993,931)
Dividend payments	145,722	1,457	1,245,307	-	(7,546,156)	(6,299,392)
Profit for the period	-	-	-	-	12,235,631	12,235,631
Balance as at June 30, 2016	33,489,686	339,754	404,169,028	(4,272,477)	15,089,632	415,325,937

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**Ardmore Shipping Corporation**

## Unaudited Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30, 2016 and June 30, 2015

(Expressed in U.S. Dollars, unless otherwise stated)

	Six months ended	
	Jun 30, 2016	Jun 30, 2015
<b>OPERATING ACTIVITIES</b>		
Net profit	12,235,631	12,987,436
Non-cash items:		
Depreciation	14,237,637	10,622,505
Amortization of deferred dry dock expenditure	1,278,809	1,170,024
Share based compensation	653,019	714,369
Gain on disposal of vessels	(451,962 )	-
Amortization of deferred finance charges	1,472,030	697,794
Changes in operating assets and liabilities:		
Receivables, trade	6,301,419	(11,458,835 )
Working capital advances	450,000	(975,000 )
Prepayments	137,061	(476,566 )
Advances and deposits	(1,677,262 )	(1,374,957 )
Other receivables	796	286,406
Inventories	(782,365 )	(1,742,266 )
Payables, trade	(3,766,029 )	2,920,482
Charter revenue received in advance	943,208	1,043,246
Other payables	(2,838 )	(229,035 )
Accrued interest on loans	(447,760 )	426,201
Deferred dry dock expenditure	(2,222,779 )	(1,029,891 )
Net cash provided by operating activities	28,358,615	13,581,913
<b>INVESTING ACTIVITIES</b>		
Payments for acquisition of vessels and equipment	(269,087 )	(128,083,707)
Payments for vessels under construction	-	(19,139,192 )
Net proceeds from sale of vessels	37,612,414	-
Deposit for vessel acquisition	(17,250,000 )	-
Payments for leasehold improvements	(483,999 )	-
Payments for other non-current assets	(247,007 )	(41,136 )
Net cash provided by / (used in) investing activities	19,362,321	(147,264,035)
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	2,010,000	132,965,000
Repayments of long term debt	(10,276,444 )	(10,761,298 )
Repayments of capital leases	(27,097,348 )	(819,570 )
Payments for deferred finance charges	(4,163,309 )	(1,302,302 )

Edgar Filing: Ardmore Shipping Corp - Form 6-K

Net proceeds from equity offering	64,119,332	-
Repurchase of common stock	(2,993,931 )	-
Payment of dividend	(6,299,392 )	(4,391,120 )
Net cash provided by financing activities	15,298,908	115,690,710
Net increase / (decrease) in cash and cash equivalents	63,019,844	(17,991,412 )
Cash and cash equivalents at the beginning of the year	40,109,382	59,879,596
Cash and cash equivalents at the end of the period	103,129,226	41,888,184

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

F-5

## **Ardmore Shipping Corporation**

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in U.S. Dollars, unless otherwise stated)

### **1. General information and significant accounting policies**

#### **1.1. Background**

Ardmore Shipping Corporation (NYSE: ASC) (“ASC”), together with its subsidiaries (collectively “Ardmore” or “the Company”), provides seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with its modern, fuel-efficient fleet of mid-size product and chemical tankers. As at July 27, 2016, Ardmore had 22 vessels in operation. The average age of Ardmore’s operating fleet at June 30, 2016 was 4.5 years.

#### **1.2. Management and organizational structure**

ASC was incorporated in the Republic of the Marshall Islands on May 14, 2013. ASC commenced business operations through its predecessor company, Ardmore Shipping LLC, on April 15, 2010. On August 6, 2013, ASC completed its initial public offering (the “IPO”) of 10,000,000 shares of its common stock. Prior to the IPO, GA Holdings LLC, who was then ASC’s sole shareholder, exchanged its 100% interest in Ardmore Shipping LLC (“ASLLC”) for 8,049,500 shares of ASC, and ASLLC became a wholly owned subsidiary of ASC. Immediately following the IPO, GA Holdings LLC held 44.6% of the outstanding common stock of ASC, with the remaining 55.4% held by public investors. In March 2014, ASC completed a follow-on public offering of 8,050,000 shares of its common stock. In November 2015, ASC completed a secondary offering of 4,000,000 shares of its common stock held by GA Holdings LLC.

In June 2016, Ardmore completed a public offering of 7,500,000 shares of its common stock. As of June 30, 2016, GA Holdings LLC held 5,702,288 common shares, or 17.03% of the outstanding common stock of ASC, with the remaining 82.97 % held by public investors.

As at June 30, 2016, ASC has 45 wholly owned subsidiaries, the majority of which represent single ship-owning companies for ASC’s fleet. Ardmore Shipping (Bermuda) Limited, a wholly-owned subsidiary incorporated in Bermuda, carries out the Company’s management services and associated functions. Ardmore Shipping Services (Ireland) Limited, a wholly-owned subsidiary incorporated in Ireland, provides the Company’s corporate, accounting,

fleet administration and operations services. Each of Ardmore Shipping (Asia) Pte. Limited and Ardmore Shipping (Americas) LLC, wholly owned subsidiaries incorporated in Singapore and Delaware, respectively, performs commercial management and chartering services for the Company.

### **1.3. Basis of preparation**

The accompanying unaudited condensed interim consolidated financial statements, which include the accounts of ASC and its subsidiaries, have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) for interim financial information. Accordingly, they do not include all the information and notes required by U.S. GAAP for complete financial statements. All subsidiaries are 100% directly or indirectly owned by ASC. All intercompany balances and transactions have been eliminated on consolidation. These unaudited condensed interim consolidated statements and the accompanying notes should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the year ended December 31, 2015.

These unaudited condensed interim consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, considered necessary for a fair presentation of the Company’s financial position, results of operations and cash flows as at and for the periods presented.

The consolidated balance sheet as of December 31, 2015 has been derived from the audited financial statements at that date, but does not include all of the footnotes required by U.S. GAAP for complete financial statements.

### **1.4. Summary of significant accounting policies**

Except as detailed under Section 1.6 below, there have been no changes in the Company’s significant accounting policies for the six months ended June 30, 2016 as compared to the significant accounting policies described in the Company’s audited consolidated financial statements for the year ended December 31, 2015.



## **Ardmore Shipping Corporation**

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in U.S. Dollars, unless otherwise stated)

#### **1.5. Share based payments**

The Company may grant share-based payment awards, such as restricted stock units or stock appreciation rights, as incentive-based compensation to certain employees and directors. The Company measures the cost of such awards using the grant date fair value of the award and recognizes that cost, net of estimated forfeitures, over the requisite service period, which generally equals the vesting period. If the award contains a market condition, such conditions are included in the determination of the fair value of the stock unit. Once the fair value has been determined, the associated expense is recognized in the consolidated statement of operations over the requisite service period. For additional information, please see Note 7 (“Stock appreciation rights”).

#### **1.6. Recent accounting pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, a standard that will supersede virtually all of the existing revenue recognition guidance in U.S. GAAP and is effective for the Company for annual periods beginning after December 15, 2017. Early adoption is not permitted. The standard establishes a five-step model that will apply to revenue earned from a contract with a customer. The standard’s requirements will also apply to the sale of some non-financial assets that are not part of the entity’s ordinary activities (e.g., sales of property or plant and equipment). Extensive disclosures will be required, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. Management is in the process of assessing the effect of this new standard.

In August 2014, the FASB issued new guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern for one year after the date that the financial statements are issued or available to be issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity’s ability to continue as a going concern. This guidance is effective for the Company on January 1, 2017, with early adoption permitted. The Company does not currently expect the adoption of this guidance to have an impact on its consolidated financial statements.

## Edgar Filing: Ardmore Shipping Corp - Form 6-K

In April 2015, FASB issued ASU No. 2015-03, Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The update simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. This update is effective for interim and annual periods beginning after December 15, 2015, and is to be applied retrospectively. Ardmore chose to adopt this standard update early, and has presented deferred finance fees as a direct deduction from the carrying amount of the applicable debt liabilities as at December 31, 2015.

In February 2016, the FASB issued ASU No. 2016-02 Leases, a standard which will replace previous topics on lease accounting. The revised guidance will require lessees to recognize on their balance sheet a right of use asset and corresponding liability in respect of all material lease contracts. Ardmore currently recognizes on its balance sheet those leases classified as capital leases. Those leases that are currently accounted for as operating leases will have to be reviewed and potentially included on Ardmore's balance sheet in accordance with the new guidance. This guidance is effective for the Company on January 1, 2019 and a modified retrospective approach is required for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Management is in the process of assessing the full effect of this new standard.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718). The new update will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It will also allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. The guidance is effective for the Company on January 1, 2017. Early application is permitted in any annual or interim period for which financial statements have not been issued or made available for issuance, but all of the guidance must be adopted in the same period. Management is in the process of assessing the effect of this new standard.

**Ardmore Shipping Corporation**

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in U.S. Dollars, unless otherwise stated)

**1.7. Financial instruments**

The carrying values of cash and cash equivalents, trade receivables and trade payables reported in the consolidated balance sheet are reasonable estimates of their fair values due to their short-term nature. The fair values of long-term debt approximate the recorded values due to the variable interest rates payable.

**2. Debt**

As at June 30, 2016, Ardmore had five loan facilities. ASC's applicable ship-owning subsidiaries have granted first priority mortgages against the relevant vessels in favor of the lenders as security for Ardmore's obligations under the loan facilities. ASC and its subsidiary ASLLC have provided guarantees in respect of the loan facilities. These guarantees can be called upon following a payment default. The outstanding principal balances on each loan facility as at June 30, 2016 and December 31, 2015 are as follows:

	As at	
	Jun 30, 2016	Dec 31, 2015
Facility I ("First ABN AMRO Facility")	4,000,000	5,000,000
Facility II ("Second ABN AMRO Facility")	-	50,270,000
Facility III ("DVB Facility")	-	80,462,000
Facility IV ("Joint Bank Facility")	-	212,282,628
Facility V ("NIBC Bank Facility")	11,015,000	11,725,000
Facility VI ("CACIB Bank Facility")	38,300,000	36,725,000
Facility VII ("ABN/DVB Joint Bank Facility")	186,987,050	-
Facility VIII ("Nordea/SEB Joint Bank Facility")	147,896,134	-
Total debt	388,198,184	396,464,628
Deferred Finance Fees	(11,113,938 )	(8,222,224 )
Net Total Debt	377,084,246	388,242,404
Current portion of long-term debt	37,687,264	29,137,825
Current portion of deferred finance fees	(2,587,607 )	(2,123,325 )
Total current portion of long-term debt	35,099,657	27,014,500
Non-current portion of long-term debt	341,984,589	361,227,904

Edgar Filing: Ardmore Shipping Corp - Form 6-K

Future minimum repayments under the Company's loan existing facilities for each year indicated below are as follows:

	As at
	Jun 30, 2016
2016	18,843,632
2017	37,687,264
2018	35,187,264
2019	33,687,264
2020	33,687,264
2021	36,892,264
2022	192,213,232
	388,198,184

F-8

## **Ardmore Shipping Corporation**

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in U.S. Dollars, unless otherwise stated)

### **First ABN AMRO Bank Facility**

On March 16, 2011, three of ASC's subsidiaries entered into a \$40.5 million long-term loan facility agreement with ABN for vessel acquisitions. A total of \$32 million was drawn down on this facility and the remaining \$8.5 million is no longer available for borrowing. The loan bears interest at LIBOR plus 3.25%. On March 28, 2013, two of the subsidiaries party to this loan entered into a capital lease arrangement (see Note 4). As part of this arrangement the senior debt outstanding on the two vessels of \$17.9 million was repaid in full on April 2, 2013. As such, one ASC subsidiary remains as a borrower under this facility. Principal repayments on loans are made on a quarterly basis. The loan fully matures in 2018.

### **Second ABN AMRO Bank Facility**

On August 24, 2011, two of ASC's subsidiaries entered into a long-term \$48.9 million loan facility agreement with ABN to finance two vessels under construction. This loan was drawn down fully. Interest on the loan was calculated at LIBOR plus 3.20%. On April 29, 2015, the two applicable subsidiaries entered into a \$10.0 million term loan facility for an additional tranche for the two vessels in operation. The full amount of the additional tranche was drawn down in May 2015 and bore interest commencing at LIBOR plus 4.50%. This loan facility was repaid in full in January 2016.

### **DVB Bank Facility**

On September 28, 2012, five of ASC's subsidiaries entered into a \$81.85 million long-term loan facility agreement with DVB both to refinance existing financed vessels and to finance two vessels under construction. The first tranche was drawn down in October 2012 and bore interest at LIBOR plus 3.75%. The second and third tranches were drawn down in January 2014 and February 2014, and bore interest at LIBOR plus 2.45%. On April 29, 2015, the five subsidiaries entered into a \$15.0 million term loan facility for an additional tranche for the five vessels in operation. The full amount of the loan was drawn down in May, 2015 and bores interest at LIBOR plus 4.50%. This loan facility was repaid in full in January 2016.

### **Joint Bank Facility**

On March 19, 2014, eight of ASC's subsidiaries entered into a \$172.0 million long-term loan facility with ABN, Nordea and SEB to finance eight vessels under construction. On July 24, 2014, the Company increased the aggregate principal amount available under this facility by up to \$53.3 million to \$225.3 million, in order to finance three secondhand vessels which the Company acquired in 2014. The first and second tranches of the increased facility were drawn down in August 2014. The third tranche was drawn down in June 2014. Interest was calculated on each of these tranches at LIBOR plus 2.95%. There were eight further tranches drawn down under the loan facility between February and November 2015. Interest was calculated on each of those tranches at LIBOR plus 3.15%. This loan facility was repaid in full in January 2016.

### **NIBC Bank Facility**

On September 12, 2014, one of ASC's subsidiaries entered into a \$13.5 million long-term loan facility with NIBC Bank N.V. to finance a secondhand vessel acquisition which delivered to Ardmore in 2014. The facility was drawn down in September 2014 and bears interest at a rate of LIBOR plus 2.90%. Principal repayments on loans are made on a quarterly basis, with a balloon payment paid with the final instalment. The loan facility matures in 2021.

### **CACIB Bank Facility**

On May 22, 2014, two of ASC's subsidiaries entered into a \$39.0 million long-term loan facility with CACIB to finance two vessels under construction. On March 10, 2016, this facility was refinanced, the lenders provided an additional \$25 million commitment for additional financing and an additional tranche of \$2.3 million was drawn down. The \$25 million of additional financing was drawn and repaid in full during the three month period ended June 30, 2016. The full facility matures in 2022. Interest is calculated on each tranche at a rate of LIBOR plus 2.50%. Principal repayments on loans are made on a quarterly basis, with a balloon payment payable with the final instalment.

## **Ardmore Shipping Corporation**

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in U.S. Dollars, unless otherwise stated)

### **ABN/DVB Joint Bank Facility**

On January 13, 2016, 11 of ASC's subsidiaries entered into a \$213 million long-term loan facility (including an incremental commitment of \$20 million to fund future acquisitions) with ABN and DVB to refinance existing facilities. The loan, other than the \$20 million commitment, was fully drawn down on January 22, 2016. Interest is calculated at a rate of LIBOR plus 2.55%. The loan matures in 2022. Principal repayments on loans are made on a quarterly basis, with a balloon payment payable with the final instalment.

### **Nordea/SEB Joint Bank Facility**

On January 13, 2016, seven of ASC's subsidiaries entered into a \$151 million long-term loan facility with Nordea and SEB to refinance existing facilities. The loan was fully drawn down on January 22, 2016. Interest is calculated at a rate of LIBOR plus 2.50%. The loan matures in 2022. Principal repayments on loans are made on a quarterly basis, with a balloon payment payable with the final instalment.

### ***Long-term debt financial covenants***

Ardmore's long-term debt facilities described above include certain covenants. The financial covenants require that ASC:

- maintain minimum solvency of not less than 30%;
- maintain minimum cash and cash equivalents based on the number of vessels owned and chartered-in and 5% of outstanding debt. The required minimum cash balance as of June 30, 2016 was \$19.5 million;
- ensure that the aggregate fair market value of the applicable vessels plus any additional collateral is no less than 130% of the debt outstanding for the facility;
- maintain a corporate net worth of not less than \$150 million;
- maintain positive working capital, excluding balloon maturities; and
- maintain at all times a ratio of EBITDA plus a portion of cash in excess of Ardmore's minimum liquidity to total interest expense of at least 2.25:1.

The Company was in full compliance with all of its loan covenants as of June 30, 2016.

F-10



**Ardmore Shipping Corporation**

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in U.S. Dollars, unless otherwise stated)

**3. Sale of vessels previously held under Capital Leases**

On March 28, 2013, two of ASC's subsidiaries entered into an agreement, which took effect on April 2, 2013, for the sale and leaseback (under a capital lease arrangement) of the *Ardmore Calypso* and *Ardmore Capella*. This transaction was treated as a financing transaction. As part of this arrangement, the senior debt outstanding on the vessels of \$17.9 million was repaid in full on April 2, 2013. The capital leases were scheduled to expire in 2018 and included a mandatory purchase obligation for the seller to repurchase the vessels, as well as a purchase option exercisable by Ardmore.

In October 2015, Ardmore agreed terms for the sale of the *Ardmore Calypso* and *Ardmore Capella*. Effective November 2015, Ardmore reclassified these vessels as Vessels Held for Sale and ceased to depreciate the vessels. Ardmore exercised the purchase option for the two vessels during the second quarter of 2016 and repaid all amounts outstanding under the capital lease. The en bloc sale price for the two vessels was \$38.5 million, resulting in an overall net gain of \$0.5 million when Ardmore delivered the vessels to the buyers during April and May of 2016.

The gain on disposal of the vessels for the six months ended June 30, 2016 is calculated as follows:

	Calypso	Capella	Total
Sales proceeds	19,150,000	19,350,000	38,500,000
Net book value of vessels	(18,783,238)	(18,253,669)	(37,036,907)
Sale related costs	(273,458 )	(228,210 )	(501,668 )
Lease Termination Costs and Related Finance Fees	(254,731 )	(254,732 )	(509,463 )
Net (Loss) / Gain	(161,427 )	613,389	451,962

	As at
	Jun
	30, Dec 31, 2015
	2016
Current portion of capital lease obligations	- 27,097,348
Current portion of deferred finance fees	- (325,437 )

Total capital lease obligations - 26,771,911

Assets recorded under capital leases were included in vessels held for sale and consisted of the following at December 31, 2015 and June 30, 2016:

	As at	
	Jun	
	30, Dec 31, 2015	
	2016	
Vessels held for sale	-	37,083,985
	-	37,083,985

**4. Interest expense and finance costs**

	Six months ended	
	Jun 30,	Jun 30, 2015
	2016	
Interest incurred	6,921,679	5,386,885
Capitalized interest	-	(1,945,451 )
Amortization of deferred financing charges	1,472,030	697,794
	8,393,709	4,139,228

**Ardmore Shipping Corporation**

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in U.S. Dollars, unless otherwise stated)

**5. Commitments and contingencies**

As at June 30, 2016, the Company had the following commitments:

	2016	2017	2018-2020
Loan commitment fees	151,402	-	-
Office space	35,320	809,131	770,543
	186,722	809,131	770,543

Loan commitment fees are based on management's best estimates of future drawdown dates as of June 30, 2016.

**6. Stock appreciation rights ("SARs")**

As at June 30, 2016, ASC had granted 1,346,190 SARs (inclusive of 2,964 forfeited SARs) to certain of its officers and directors under its 2013 Equity Incentive Plan. Under a SAR award, the grantee is entitled to receive the appreciation of a share of ASC's common stock following the grant of the award. Each SAR provides for a payment of an amount equal to the excess, if any, of the fair market value of a share of ASC's common stock at the time of exercise of the SAR over the per share exercise price of the SAR, multiplied by the number of shares for which the SAR is then exercised. Payment under the SAR will be made in the form of shares of ASC's common stock, based on the fair market value of a share of ASC's common stock at the time of exercise of the SAR.

The SAR awards provide that in no event will the appreciation per share for any portion of the SAR award be deemed to exceed four times (i.e., 400%) the per share exercise price of the SAR. In other words, the fair market value of a share of our common stock for purposes of calculating the amount payable under the SAR is not deemed to exceed five times (i.e. 500%) the per share exercise price of the SAR. Any appreciation in excess of four times the per share exercise price of the SAR will be disregarded for purposes of calculating the amount payable under the SAR. Vesting on all awards up to July 31, 2016 is subject to certain market conditions being met. On that date the vesting will revert to being solely dependent on time of service. The grant date fair value was calculated by applying a model based on the Monte Carlo simulation. The model inputs were the grant price, dividend yield based on the initial intended dividend set out by the Company, a risk-free rate of return equal to the zero coupon U.S. Treasury bill commensurate

Edgar Filing: Ardmore Shipping Corp - Form 6-K

with the contractual terms of the units and expected volatility based on the average of the most recent historical volatilities in the Company's peer group. A summary of awards, simulation inputs and outputs is as follows:

Monte Carlo Simulation Inputs										
Date	SARs Awarded	Exercise Price	Vesting Period	Grant Price	Dividend Yield	Risk-free rate of Return	Expected Volatility	Weighted Average Fair Value @grant date	Average Expected Exercise Life	
01-Aug-13	1,078,125	\$ 14.00	5 yrs	\$14.00	2.87 %	2.15 %	54.89 %	\$ 4.28	4.9 - 6.0 yrs	
12-Mar-14	22,118	\$ 13.66	3 yrs	\$13.66	2.93 %	2.06 %	56.31 %	\$ 4.17	4.6 - 5.0 yrs	
01-Jun-14	5,595	\$ 13.91	3 yrs	\$13.91	2.88 %	2.20 %	53.60 %	\$ 4.20	4.5 - 5.0 yrs	
06-Mar-15	37,797	\$ 10.25	3 yrs	\$10.25	3.90 %	1.90 %	61.38 %	\$ 2.98	4.2 - 5.0 yrs	
15-Jan-16	205,519	\$ 9.20	3 yrs	\$9.20	6.63 %	1.79 %	58.09 %	\$ 2.20	4.0 - 5.0 yrs	

F-12

**Ardmore Shipping Corporation**

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in U.S. Dollars, unless otherwise stated)

The cost of each tranche is being recognized by the Company on a straight line basis. The recognition of share-based compensation costs related to the tranches that vest before July 31, 2016 will be accelerated if the market condition is met and the requisite service period has been completed. The Company's policy for issuing shares, if exercised, is to register and issue new common shares to the beneficiary. The movement for the period ended June 30, 2016 is set forth below:

	No. of Units	Weighted average exercise price
Balance as at January 1, 2016	1,142,056	\$ 13.87
SARs granted during the six months ending June 30, 2016	205,519	\$ 9.20
SARs exercised/converted/expired during the six months ending June 30, 2016	-	-
SARs forfeited during the six months ending June 30, 2016	(1,385 )	-
Balance as at June 30, 2016 (none of which are exercisable or convertible)	1,346,190	\$ 13.16

The total cost related to non-vested awards expected to be recognized through 2018 is set forth below:

Period	TOTAL
2016	1,302,610
2017	457,042
2018	155,219
	1,914,871

**7.Subsequent Events**

There has been no subsequent events since the period end.