

Ardmore Shipping Corp  
Form F-1  
February 13, 2014  
Table of Contents

As filed with the U.S. Securities and Exchange Commission on February 12, 2014.

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM F-1**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**ARDMORE SHIPPING CORPORATION**

(Exact name of Registrant as specified in its charter)

Republic of The Marshall Islands  
(State or other jurisdiction of)

4412  
(Primary Standard Industrial

66-0804797  
(I.R.S. Employer

Edgar Filing: Ardmore Shipping Corp - Form F-1

incorporation or organization)

Classification Code Number)

Identification No.)  
Seward & Kissel LLP

Ardmore Shipping Corporation

Attention: Robert E. Lustrin, Esq.

69 Pitts Bay Road, Hamilton, HM08,

One Battery Park Plaza

Bermuda

New York, New York 10004

(441) 405-7800

(212) 574-1420

(Address and telephone number of Registrant's principal executive offices)

(Name, address and telephone

number of agent for service)

*Copies to:*

Gary J. Wolfe, Esq.

Richard D. Truesdell, Jr., Esq.

Robert E. Lustrin, Esq.

Davis Polk & Wardwell LLP

Seward & Kissel LLP

450 Lexington Avenue

One Battery Park Plaza

New York, New York 10017

New York, New York 10004

(212) 450-4000 (telephone number)

(212) 574-1200 (telephone number)

(212) 701-5800 (facsimile number)

(212) 480-8421 (facsimile number)

**Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.**

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

**CALCULATION OF REGISTRATION FEE**

## Edgar Filing: Ardmore Shipping Corp - Form F-1

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Offering Price Per Security(2)	Proposed Maximum Offering Price(1)(2)	Proposed Maximum Aggregate Offering Amount of Registration Fee
Common Shares, \$0.01 par value per share	5,368,647	\$13.97	\$75,000,000	\$9,660

(1) Includes common shares that may be sold pursuant to the underwriters' over-allotment option.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on an average of the high and low reported sales price of the Registrant's common stock as reported on the New York Stock Exchange on February 11 of \$14.15 and \$13.79.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

*PROSPECTUS (Subject to completion)*

*Issued February 12, 2014*

*4,668,389 Shares*

***ARDMORE SHIPPING CORPORATION***

*COMMON STOCK*

*Ardmore Shipping Corporation is offering 4,668,389 shares of its common stock. The last reported sale price of our common stock on February 11, 2014 was \$14.02 per share.*

*Our common stock is listed on the New York Stock Exchange under the symbol ASC.*

*We are an emerging growth company as that term is used in the Securities Act of 1933, as amended, and, as such, we may elect to comply with certain reduced public company reporting requirements.*

*Investing in the common stock involves risks. See Risk Factors beginning on page 13.*

PRICE \$ A SHARE

*Underwriting Discounts*

	<i>Price to</i>	<i>and</i>	
	<i>Public</i>	<i>Commissions</i>	<i>Proceeds to Company(1)</i>
<i>Per share</i>	\$	\$	\$
<i>Total</i>	\$	\$	\$

(1) We expect to reimburse the underwriters for certain FINRA-related expenses. See Underwriting.

The Company has granted the underwriters the right to purchase up to an additional 700,258 shares of common stock to cover over-allotments at the initial public offering price less the underwriting discount.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on \_\_\_\_\_, 2014.

**MORGAN STANLEY**

, 2014

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<u>PROSPECTUS SUMMARY</u>	1
<u>RISK FACTORS</u>	13
<u>FORWARD-LOOKING STATEMENTS</u>	36
<u>USE OF PROCEEDS</u>	37
<u>CAPITALIZATION</u>	39
<u>DILUTION</u>	40
<u>PRICE RANGE OF OUR COMMON SHARES</u>	41
<u>SELECTED FINANCIAL AND OTHER DATA</u>	42
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	45
<u>THE INTERNATIONAL PRODUCT AND CHEMICAL TANKER INDUSTRY</u>	61
<u>BUSINESS</u>	88
<u>MANAGEMENT</u>	104
<u>PRINCIPAL SHAREHOLDERS</u>	110
<u>RELATED-PARTY TRANSACTIONS</u>	111
<u>SHARES ELIGIBLE FOR FUTURE SALE</u>	112
<u>DESCRIPTION OF OUR CAPITAL STOCK</u>	114
<u>MARSHALL ISLANDS COMPANY CONSIDERATIONS</u>	119
<u>TAX CONSIDERATIONS</u>	124
<u>UNDERWRITING</u>	137
<u>LEGAL MATTERS</u>	141
<u>EXPERTS</u>	141
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	141
<u>OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION</u>	142
<u>ENFORCEABILITY OF CIVIL LIABILITIES</u>	142
<u>GLOSSARY OF SHIPPING TERMS</u>	143
<u>INDEX TO FINANCIAL STATEMENTS OF ARDMORE SHIPPING CORPORATION</u>	F-1

We and the underwriters have not authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission (the "SEC") is effective. We and the underwriters are offering to sell, and seeking offers to buy, these securities only in jurisdictions where such offers and sales are permitted. The information in this prospectus or any free writing prospectus is accurate only as of its date, regardless of its time of delivery or of any sale of the securities offered hereby. Our business, financial condition, results of operations and prospects may have changed since that date. We will update this prospectus as required by law.

We have not taken any action to permit a public offering of these securities outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of these securities and the distribution of this prospectus outside the United States.

**Table of Contents**

**Industry and Market Data**

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable and we are not aware of any misstatements regarding our market, industry or similar data presented herein. The Company believes that such third-party information concerning industry and market data is reliable. Such third-party information may be different from other sources and may not reflect all or even a comprehensive set of the actual transactions occurring in the market. In addition, some data is also based on our good faith estimates and our management's understanding of industry conditions. Such data involve risks and uncertainties and is subject to change based on various factors, including those discussed under the headings "Forward-Looking Statements" and "Risk Factors" in this prospectus.

---

**Table of Contents**

**PROSPECTUS SUMMARY**

*This section summarizes some of the key information that appears in other sections of this prospectus. It may not contain all of the information that may be important to you. You should review carefully the risk factors and the more detailed information and financial statements included in this prospectus before making an investment decision. Unless the context otherwise requires, when used in this prospectus, the terms Ardmore, Ardmore Shipping, the Company, we, our and us refer to Ardmore Shipping Corporation and our consolidated subsidiaries. The financial information included in this prospectus represents our financial information and the operations of our vessel-owning subsidiaries and wholly-owned management company. Unless otherwise indicated, all references to currency amounts in this prospectus are in U.S. dollars. See the Glossary of Shipping Terms included in this prospectus for definitions of certain terms used in this prospectus that are commonly used in the shipping industry.*

**The Company**

We are Ardmore Shipping Corporation, a company incorporated in the Republic of the Marshall Islands. We provide seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with our modern, fuel-efficient fleet of mid-size product and chemical tankers. Our Current Fleet consists of 21 vessels including ten in operation (the Operational Vessels ) and 11 on order (the Ordered Vessels ) with deliveries expected to begin in February 2014. Following the completion of this offering, we expect to have approximately \$ million of available cash from the net proceeds of this offering, based on an offering price of \$ per share, together with additional credit facilities that we expect will be available to us, to fund acquisitions in line with our growth strategy and provide cash for general corporate purposes.

We commenced business operations in April 2010 with the goal of building an enduring product and chemical tanker company that emphasizes service excellence, innovation, and operational efficiency through our focus on high quality, fuel-efficient vessels. We are led by a team of experienced senior managers who have previously held senior management positions with highly regarded public shipping companies and financial institutions. Our principal executive office is located in Hamilton, Bermuda and our principal operating office is based in Cork, Ireland.

We are strategically focused on modern, fuel-efficient, mid-size product and chemical tankers. According to Drewry Maritime Research, as of February 2014, mid-size tankers comprise 32% of the world's deepsea seaborne transport capacity as measured by number of ships. There is significant overlap between the clean petroleum product ( CPP ) and chemical sectors as 68.7% of mid-range ( MR ) product tankers are classed as IMO 3 or IMO 2, enabling them to carry selective chemicals and vegetable oils, and many mid-size chemical tankers (such as ours) carry CPP cargoes on a routine basis. We actively pursue opportunities to exploit this overlap in order to enhance earnings, and also seek to engage in more complex CPP trades, such as multi-grade and multi-port loading and discharging operations, where our knowledge of chemical operations is beneficial to our CPP customers.

Our fuel-efficient operations are designed to enhance our investment returns and provide value-added service to our customers. We believe we are on the forefront of fuel efficiency and emissions reduction trends and are well-positioned to capitalize on these developments by constructing new economically advanced vessels ( Eco-design ), modifying ships to improve fuel efficiency ( Eco-mod ), and equipping our fleet with engine diagnostic and ship performance management systems to optimize voyage performance. As a result, our Eco-mod vessels achieve lower fuel consumption and, in some cases, achieve performance close to that of new Eco-design vessels. All of our Ordered Vessels are Eco-design and we intend to make Eco-mod improvements to any



**Table of Contents**

secondhand acquisitions as necessary. Our acquisition strategy is to build our fleet with Eco-design newbuildings and modern secondhand vessels that can be upgraded to Eco-mod.

We have no related-party transactions concerning our vessel operations. Our wholly-owned subsidiary Ardmore Shipping Limited ( ASL ), carries out our management functions. ASL 's office is in Cork, Ireland. We believe this location affords us many advantages, including close proximity to London and other European shipping centers and supportive assistance from Irish government agencies such as the Irish Maritime Development Office ( IMDO ), and the National Maritime College of Ireland ( NMCI ). ASL currently has a staff of 14 employees and provides corporate and accounting services and fleet administration. Technical management of our vessels is performed by a combination of ASL and our third-party technical managers. ASL 's operations team is directly responsible for insurance and for overseeing significant operational functions of the third-party technical managers. ASL 's operations team also supervises the construction of our newbuildings in close coordination with the third-party supervision teams. We have a resolute focus on both high-quality service and efficient operations, and we believe that our corporate overhead and operating expenses are among the lowest of our peers.

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 a broad range of customers, including oil majors, national oil companies, oil and chemical traders, chemical companies, and a range of pooling service providers. We monitor the market to understand and best utilize our vessels and may change our chartering strategy to take advantage of changing market conditions.

We believe that the market for mid-size product and chemical tankers is in the early stages of a recovery from cyclical lows, resulting from strong underlying demand growth driven by both cyclical and secular trends, as well as a reduction in the supply overhang due to reduced ordering activity and an extended period of fleet growth at a rate below that of demand growth. The Company was formed at a historically low point in the shipping cycle which our management believes represented an opportunity to build our fleet and business with a low cost asset base. Shipping is a capital and operationally intensive business and the challenges in the global economy and shipping market continued throughout 2012 and 2013. While this has afforded an extended opportunity to acquire additional vessels, we have incurred accumulated losses of \$12.5 million in the periods ended December 31, 2010 through to December 31, 2013 as a result of company set-up costs, challenging shipping markets and ongoing investments in our fleet. We believe that we are well-positioned to benefit from the market recovery with a modern, fuel-efficient fleet, access to capital for growth, a diverse and high quality customer base, an emphasis on service excellence in an increasingly demanding regulatory environment, and a relative cost advantage in assets, operations and corporate overhead.

**Table of Contents****Current Fleet**

Our Current Fleet consists of 21 vessels and is comprised of ten Operational Vessels (three Eco-design and seven Eco-mod) and 11 Ordered Vessels (all Eco-design) with deliveries expected to begin in February 2014. Please see [Glossary of Shipping Terms](#) on page 143 of this prospectus for definitions of terms used below. The average age of our Operational Vessels, at December 31, 2013, is 5.9 years, and the average age of the Current Fleet following delivery of the Ordered Vessels at December 31, 2015 will be 4.0 years.

Vessel Name	Type	Dwt	IMO	Built Date	Built Country	Flag	Charter		Specification
							Rate \$/day(1)	Charter Expires	
<b>In Operation</b>									
<i>Ardmore Seavalliant (2)</i>	Product/Chemical	49,998	3	Feb-13	Korea	MI	17,149	Feb-15	Eco-design
<i>Ardmore Seaventure (3)</i>	Product/Chemical	49,998	3	Jun-13	Korea	MI	15,873	Jun-14	Eco-design
<i>Ardmore Seavantage (4)</i>	Product/Chemical	49,997	3	Jan-14	Korea	MI	15,600	Jan-15	Eco-design
<i>Ardmore Seamariner (5)</i>	Product	45,726		Oct-06	Japan	MI	16,099	Apr-14	Eco-mod
<i>Ardmore Seatrader (6)</i>	Product	47,141		Dec-02	Japan	MI	14,299	Aug-14	Eco-mod
<i>Ardmore Seamaster (7)</i>	Product/Chemical	45,840	3	Sep-04	Japan	MI	14,299	Jul-14	Eco-mod
<i>Ardmore Seafarer (8)</i>	Product	45,744		Aug-04	Japan	MI	13,783	Jul-14	Eco-mod
<i>Ardmore Centurion (9)</i>	Product/Chemical	29,006	2	Nov-05	Korea	MI	13,549	Feb-15	Eco-mod
<i>Ardmore Calypso (10)</i>	Product/Chemical	17,589	2	Jan-10	Korea	MI	Pool	N/A	Eco-mod
<i>Ardmore Capella (11)</i>	Product/Chemical	17,567	2	Jan-10	Korea	MI	Pool	N/A	Eco-mod
<b>On Order</b>									
<i>Ardmore Seavanguard (12)</i>	Product/Chemical	49,998	3	Feb-14	Korea	MI	15,600	Feb-15	Eco-design
<i>SPP Hull S-1162 (13)</i>	Product/Chemical	50,300	3	1Q15	Korea	MI	Pool		Eco-design
<i>SPP Hull S-1163 (13)</i>	Product/Chemical	50,300	3	2Q15	Korea	MI	Pool		Eco-design
<i>SPP Hull S-1171 (13)</i>	Product/Chemical	50,300	3	2Q15	Korea	MI	Pool		Eco-design
<i>SPP Hull S-1172 (13)</i>	Product/Chemical	50,300	3	3Q15	Korea	MI	Pool		Eco-design
<i>HMD Hull H-2480 (14)</i>	Product/Chemical	37,000	2	1Q15	Korea	MI	TBD		Eco-design
<i>HMD Hull H-2481 (14)</i>	Product/Chemical	37,000	2	1Q15	Korea	MI	TBD		Eco-design
<i>FKA Hull N-2062 (15)</i>	Product/Chemical	25,000	2	4Q14	Japan	MI	TBD		Eco-design
<i>FKA Hull N-2063 (15)</i>	Product/Chemical	25,000	2	1Q15	Japan	MI	TBD		Eco-design
<i>FKA Hull N-2065 (15)</i>	Product/Chemical	25,000	2	3Q15	Japan	MI	TBD		Eco-design
<i>FKA Hull N-2067 (15)</i>	Product/Chemical	25,000	2	4Q15	Japan	MI	TBD		Eco-design
<b>Total</b>		<b>21</b>					<b>\$23,804</b>		

- (1) This table shows gross charter rates, averaged over the duration, as applicable, plus CVE income (see [Glossary of Shipping Terms](#) for definitions) and does not include commissions payable by us at a rate of 1.25%, where applicable.
- (2) On charter at a rate of \$17,100, expiring in February 2015. CVE income is \$1,500 per month.
- (3) On charter at a rate of \$19,500 per day for the first 60 days plus \$15,100 per day thereafter, expiring in June 2014. CVE income is \$1,500 per month.
- (4) On charter at a rate of \$15,600 per day, expiring in January 2015, with an option to extend at a market based rate for a second and third year.
- (5) On charter at a rate of \$16,050, expiring in April 2014, with an option to extend at a market based rate. CVE income is \$1,500 per month.
- (6) On charter at a rate of \$14,250, expiring in August 2014. CVE income is \$1,500 per month.
- (7) On charter at a rate of \$14,250 plus an IMO3 premium of up to \$250 per day, expiring in July 2014. CVE income is \$1,500 per month.
- (8) On charter at a rate of \$13,750 per day plus a performance bonus of up to \$250 per day, expiring in July 2014. CVE income is \$1,000 per month.
- (9) On charter at a rate of \$13,500, expiring in July 2014 or January 2015, subject to certain conditions. CVE income is \$1,500 per month.

## **Table of Contents**

- (10) Employed in a third party commercial pool for chemical tankers.
- (11) Employed in a third party commercial pool for chemical tankers.
- (12) On charter at a rate of \$15,600 per day, expiring in February 2015, with an option to extend at a market based rate for a second and third year.
- (13) SPP Hull S-1162, Hull S-1163, Hull S-1171 and Hull S-1172 are expected to begin delivering in February 2015 where they will be employed in a third party commercial pool for product tankers.
- (14) HMD Hull H-2480 and Hull H-2481 are expected to begin delivering in February 2015 and it is expected they will be employed on a time charter or spot arrangement.
- (15) FKA Hull N-2062, Hull N-2063, Hull N-2065 and Hull N-2067 are expected to begin delivering in November 2014 and it is expected they will be employed on a time charter or spot arrangement.

Our chartering policy is to maintain a broad range of operating and potential time charter customers and pooling alternatives in order to maximize commercial flexibility and to provide a risk management tool depending on prevailing market conditions and outlook. In particular, we seek customers who place value on our proactive approach to fuel efficiency.

### **Recent Developments**

On February 7, 2014 we obtained a permit from the Ministry of Finance in Bermuda to open an executive office at 69 Pitts Bay Road, Hamilton, HM 08, Bermuda. Our operating office will continue to be located in Ireland through our wholly owned subsidiary, ASL, with offices at City Gate Building 1000, Mahon, Cork, Ireland.

### **Competitive Strengths**

We believe that we possess a number of competitive strengths that will enable us to maximize returns and capitalize on growth opportunities in the product and chemical tanker sectors, including:

**Experienced Management Team with an Established Track Record:** Our Chief Executive Officer, Anthony Gurnee, has 32 years of experience in the maritime industry and was part of the senior management team that guided Teekay Corporation's turnaround in the 1990s and laid the foundation for its future growth with a series of public bond issues and its initial public offering. He also served as President of Nedship International (now part of DVB Bank), and in other key management roles, including as CEO of the container and chemical tanker company Industrial Shipping Enterprises and Chief Operating Officer of the chemical tanker operator MT Maritime Management Company. Our Chairman, Reginald Jones, was formerly the global head of transportation investment banking at Goldman, Sachs & Co. where he led numerous shipping mergers and acquisitions and capital markets transactions, including the initial public offering of Teekay Corporation, the acquisition of tanker company Bona Shipping by Teekay, the sale of SeaLand to AP Moller Maersk, and offerings by OSG, OMI Corp and Knightsbridge Tankers. Our Chief Operating Officer, Mark Cameron, has held a wide range of operational and strategic management positions within Teekay, AP Moller Maersk and Safmarine over a 20 year onshore career. Additionally he served 11 years at sea and achieved the rank of Chief Engineer. Our Chief Financial Officer, Paul Tivnan, was formerly with Ernst & Young, most recently as a Senior Manager in its financial services tax practice specializing in international tax structuring for banking and financial institutions. Our Director, Chartering and Business Development, Gernot Ruppelt joined Ardmore with 12 years of commercial experience in the maritime business. He previously worked as a Tanker Broker at Poten & Partners, New York, and for Maersk Broker and AP Moller Maersk in Copenhagen, Singapore and Germany. Our senior management team has 115 cumulative years of experience in maritime and related activities.

**Attractive, Fuel-Efficient Fleet:** We have assembled a modern, high quality fleet of Eco-design or Eco-mod Japanese and Korean-built tankers. The continued focus on fuel-efficient Eco-design vessels

## Table of Contents

as seen from the profile of our Current Fleet represents a direct extension of this strategy. The average age of our Current Fleet is expected to be 4.0 years at the end of 2015, at which point we expect all Ordered Vessels to have been delivered.

**Focus on Service Excellence and Innovation:** Since inception, we have focused on service excellence through high quality operations and innovation relating to fuel efficiency improvements, including the acquisition of Eco-design newbuildings and performing Eco-mod improvements to acquired secondhand vessels. Central to our approach is accurate speed and consumption measurement and continuous operational improvement. We believe that as a result, we have been able to negotiate favorable time charter rates and benefit directly in spot trading and pool arrangements. Furthermore, we apply our operational experience and expertise in chemical tanker operations to complex CPP trades to support our customers' needs.

**Low Cost Operation:** We believe our overhead cost per vessel, and operating expenses per vessel, are among the lowest of our industry peers. We have achieved this by purchasing high quality secondhand vessels, building ships in modern, reputable shipyards and remaining focused on two closely related business sectors. We have further achieved low operating expenses per vessel by using our operations management team to closely supervise and augment our third-party technical managers, who themselves enjoy scale benefits with managed fleets of in excess of 150 vessels each.

**Financial Flexibility:** We have capitalized the business in a financially conservative manner and as a consequence have been able to raise debt capital to fund growth. We have done so during a severe shipping downturn that has led to the reorganization or bankruptcy of many leading shipping companies and prevented many other operators from taking advantage of attractive investment opportunities.

### **Business Strategy**

Our objective is to consolidate our position as a market leader in modern, fuel-efficient mid-size product and chemical tankers by engaging in well-timed growth and utilizing our operational expertise and quality-focused approach to provide value-added services to our customers. The key elements of our business strategy include:

**Focus on Modern, Mid-Size Product and Chemical Tankers:** According to Drewry Maritime Research, the median size of the global fleet for product tankers and chemical tankers is 45,238 dwt and 19,908 dwt, respectively, which is close in size to our Current Fleet, the average size of which is 47,117 dwt and 23,452 dwt for product tankers and chemical tankers, respectively. As such, we have developed our strategic focus around mainstream sizes that are readily employed and actively traded worldwide in broad and deep markets. Additionally, as a result of the overlap we have identified between the product and chemical sectors, we believe that our strategy will enable us to take advantage of opportunities, both operationally and strategically, while also providing investment diversification.

**Well-Timed Growth through the Acquisition of Quality Tonnage:** We have a diligent and patient approach to expanding our fleet and are selective with respect to the quality of ships we seek to acquire. Since we commenced business in 2010 we have only acquired Japanese or Korean-built ships, but may consider others provided they meet the same standard of quality. We believe that our commitment and selectivity has been instrumental in building our reputation for quality and service excellence.

**Optimizing Fuel Efficiency:** The shipping industry is seeing a steady increase in fuel efficiency, and we intend to remain at the forefront of this movement. Our Eco-design vessels incorporate many of the latest technological improvements, such as electronically controlled engines, more efficient hull forms matched with energy efficient propellers, and decreased water resistance. Our Eco-mod vessels have

## Table of Contents

improved propulsion efficiency and decreased water resistance. In addition, we are continuing to achieve further improvements through engine diagnostics and operational performance monitoring. We estimate that our Eco-design and Eco-mod MR tankers consume approximately 10-20% less fuel than similar standard MR tankers.

**Commercial Independence, Flexibility and Diversification:** We maintain a broad range of existing and potential time charter customers and pooling alternatives to maximize commercial flexibility and to manage cash flow visibility through charter duration and customer diversification. In particular we seek customers who value our proactive approach to fuel efficiency.

**Low Cost Structure:** We have established a solid foundation for growth while cost-effectively managing our operating expenses and corporate overhead. We intend to grow our staff as needed and to realize further economies of scale as our fleet expands. At the core of our business philosophy is the belief that well-run companies can achieve high quality and efficiency simultaneously, through hands-on management, effective communication with employees, and constant re-evaluation of budgets and operational performance.

### **Product and Chemical Tanker Industry Trends**

Based on information provided by Drewry Maritime Research, we believe that the following product and chemical tanker industry trends create growth opportunities:

The global shipping downturn is in its sixth year but several sectors, including products and chemicals, are showing signs of a recovery.

Newbuilding and secondhand prices remain near historical lows. Extreme economic pressure and lack of financing availability has resulted in financial distress for many companies, forcing sales of vessels and restricting the number of companies able to engage in growth.

The outlook for product tankers is positive, with overall demand growth estimated to be 4.6% for the next five years and supply growth (net of scrapping) estimated to be 3.2% over the same period. The orderbook as a percentage of the global fleet for mid-size product tankers has declined to 17.3% from its peak of nearly 54.3% in 2007. Although the global economy remains weak, demand for product tanker tonnage has been bolstered by secular trends including refinery shut-downs and increasing complexity of trade and regulatory initiatives.

The outlook for chemical tankers is also positive with demand growth estimated to be 4.3% and supply growth (net of scrapping) estimated to be 1.6% in 2014. The orderbook as a percentage of the global fleet for mid-size chemical tankers is 12.4%, a close to historical low. Chemical tanker demand is driven by continued growth in emerging economies and may benefit significantly in the medium-term by an economic recovery in the OECD and shifting trade patterns caused by low-price chemical feedstock resulting from shale gas developments in North America.

Charterers' concerns about environmental and safety standards have shifted their preference towards fuel-efficient modern tankers operated by reputable and financially sound shipping companies.

### **Corporate Structure**

Ardmore Shipping Corporation was incorporated under the laws of the Republic of the Marshall Islands on May 14, 2013. We commenced business operations through our predecessor company, Ardmore Shipping LLC, on April 15, 2010. On August 6, 2013, we completed our initial public offering ( IPO ) of 10,000,000 shares of our common stock, at \$14.00 per share. Prior to our IPO, GA Holdings LLC, who was our sole shareholder,



## **Table of Contents**

exchanged its interest in its wholly owned subsidiary, Ardmore Shipping LLC, for 8,049,500 additional shares of Ardmore Shipping Corporation, and Ardmore Shipping LLC became a wholly owned subsidiary of Ardmore Shipping Corporation. As a result of the completion of the IPO, GA Holdings LLC holds 8,050,000 common shares, or 44.6% of the common stock of the Company, with the remaining 55.4% held by public investors.

We have 31 wholly owned subsidiaries, a list of which is in our consolidated financial statements, which are included elsewhere in this prospectus. See Financial Statements Note 21.

We currently maintain our principal executive offices at Hamilton, Bermuda and our principal operating office at Cork, Ireland. Our telephone at 69 Pitts Bay Road, Hamilton, HM 08, Bermuda is +1 441 405 7800. We operate our business internally through our wholly-owned management company, ASL, which is incorporated in Ireland. ASL's office is located at City Gate Building 1000, Mahon, Cork, Ireland. Our telephone at this address is +353 21 240 9500.

### **Dividend Policy**

We have declared dividends of \$3.0 million from August 1, 2013 to January 15, 2014. We paid \$1.2 million to our shareholders on November 20, 2013 and we expect to pay another \$1.8 million to our shareholders on February 14, 2014.

While we cannot assure you that we will continue to do so, and subject to the limitations discussed below, we currently intend to pay our stockholders quarterly dividends of \$0.10 per share, or \$0.40 per share per year.

Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors. We cannot assure you that we will be able to pay regular quarterly dividends in the amounts stated above or elsewhere in this prospectus, and our ability to pay dividends will be subject to the restrictions in our credit facilities and the provisions of the laws of the Republic of the Marshall Islands (the Marshall Islands) as well as the other limitations set forth in the sections of this prospectus entitled Dividend Policy and Risk Factors.

### **Credit Facilities**

Ten of our Operational Vessels have senior debt facilities in place, none of which expire until 2018. Of the three debt facilities that we currently have in place, two are with ABN AMRO Bank N.V. based in the Netherlands (the First ABN AMRO Facility and the Second ABN AMRO Facility), and one is with DVB Bank SE based in Germany (the DVB Facility). We also have a capital lease financing facility for two of the vessels with ICON Investments based in New York, USA (the ICON Capital Leases) in an amount of \$31.5 million.

The First ABN AMRO Facility is in the amount of \$40.5 million and bears interest at a rate of 3.25% above LIBOR. We entered into this facility to finance the acquisition of the *Ardmore Seatrader*, the *Ardmore Calypso* and the *Ardmore Capella*. This loan was drawn down in three tranches. The first tranche was drawn down in April 2011 and the second and third tranches were drawn down in June 2011, totaling \$32.0 million. The remaining \$8.5 million is no longer available for borrowing. On March 28, 2013 two of the subsidiaries subject to the First ABN AMRO Facility entered into an agreement for the sale and leaseback (under the ICON Capital Leases) for \$31.5 million. As part of this arrangement, the senior debt outstanding on the *Ardmore Calypso* and *Ardmore Capella* was repaid in full on April 2, 2013. The amount repaid was \$17.9 million. As such, of the First ABN AMRO Facility, one vessel remains with debt outstanding and this fully matures in 2018.

---

## **Table of Contents**

The Second ABN AMRO Facility is in the amount of \$48.9 million and bears interest at a rate of 3.20% above LIBOR. We entered into this facility to finance the acquisition of the *Ardmore Seavalliant* and the *Ardmore Seaventure* and the full amount, \$48.9 million, of this facility was drawn down in line with its terms.

The DVB Facility is in the amount of \$81.9 million. The first tranche, which was drawn down in October 2012, bears interest at a rate of 3.75% above LIBOR. The second and third tranche were drawn down in January 2014 and February 2014, and bear interest at a rate of 2.45% above LIBOR. We entered into the DVB Facility to finance the *Ardmore Seafarer*, *Ardmore Seamaster*, *Ardmore Centurion*, *Ardmore Seavantage* and *Ardmore Seavanguard*. The amount drawn down under this facility as of December 31, 2013 was \$36.9 million. The remainder of the DVB Facility, \$45.0 million, was drawn down in two equal installments just prior to delivery of the *Ardmore Seavantage* and *Ardmore Seavanguard* in January 2014 and February 2014, respectively.

Ardmore has signed a commitment letter for a senior credit facility with ABN AMRO Bank N.V., Nordea Bank Finland Plc and Skandinaviska Enskilda Banken AB, (the *Joint Facility* ), in the amount of \$172.0 million to finance eight of our Ordered Vessels. Draw downs will be made in line with deliveries of each vessel, commencing in January 2015. Interest is calculated on each tranche at a rate of 3.15% above LIBOR. Draw downs are subject to customary conditions including the absence of any material adverse change. The terms of the *Joint Facility* include an accordion option whereby, subject to lenders approval, we may request to increase the *Joint Facility* to finance the acquisition of additional vessels.

We are also in advanced discussions with our relationship banks and have received non-binding indicative terms for two additional debt facilities (the *Prospective Debt Facilities* ). If obtained, we intend to use these facilities to finance the remaining two of our Ordered Vessels and the *Ardmore Seamariner* which was acquired in October 2013 with cash.

### **Risk Factors**

We face a number of risks associated with our business and industry and must overcome a variety of challenges to utilize our strengths and implement our business strategy. These risks include, among others, the highly cyclical tanker industry; partial dependence on spot charters; fluctuating charter values; changing economic, political and governmental conditions affecting our industry and business; material changes in applicable laws and regulations; full performance by counterparties, particularly charterers; acquisitions and dispositions; increased operating expenses; increased capital expenditures; taxes; maintaining customer relationships; maintaining sufficient liquidity; financing availability and terms; and management turnover.

This is not a comprehensive list of risks to which we are subject, and you should carefully consider all the information in this prospectus prior to investing in our common shares. In particular, we urge you to carefully consider the risk factors set forth in the section of this prospectus entitled *Risk Factors* beginning on page 13.



**Table of Contents**

**The Offering**

**Common shares to be offered** 4,668,389 common shares

**Over-allotment** We have granted the underwriters a 30-day option to purchase, from time to time, up to an additional 700,258 of our common shares to cover over-allotments, if any.

**Common shares to be outstanding immediately after this offering:**

**assuming no exercise of over-allotment:** 22,718,389 common shares

**assuming full exercise of over-allotment:** 23,418,647 common shares

**Use of proceeds** We estimate that the net proceeds to us from the sale of \_\_\_\_\_ common shares in this offering will be approximately \$ \_\_\_\_\_ million after deducting underwriting discounts and commissions and estimated expenses payable by us. We currently intend to use the net proceeds of this offering to acquire additional vessels in line with our strategy, including resales of Eco-design vessels under construction and high quality modern secondhand vessels, suitable to upgrade to Eco-mod, and to provide cash for general corporate purposes.

We cannot assure you, however, that we will be successful in acquiring vessels at prices comparable to current market prices. In the event that we are not able to acquire Eco-design resales or secondhand vessels, we may use the proceeds to contract orders for newbuildings.

**Listing** Our common stock is listed on the New York Stock Exchange under the symbol ASC.

**Table of Contents****Summary Financial Data**

The following table sets forth our summary consolidated financial data and other operating data. The summary financial data as of December 31, 2013 and 2012 and the years ended December 31, 2013, 2012 and 2011 are derived from our audited consolidated financial statements, included elsewhere in this prospectus. The summary consolidated financial data set forth below as of December 31, 2011 and 2010 and for the period ended December 31, 2010 have been derived from our audited consolidated financial statements, which are not included in this prospectus. The financial statements have been prepared in accordance with U.S. GAAP. The data set forth below should be read in conjunction with the audited consolidated financial statements, related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations and other financial information included elsewhere in this prospectus. Amounts are expressed in U.S. dollars, unless otherwise stated.

INCOME STATEMENT DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<b>REVENUE</b>				
Revenue	\$ 35,867,356	25,172,654	22,375,414	3,459,153
<b>OPERATING EXPENSES</b>				
Commissions and voyage related costs	2,523,842	789,149	468,067	94,439
Vessel operating expenses	18,215,487	14,598,071	12,186,825	2,079,857
Charter hire costs		1,699,943	1,663,380	
Depreciation	8,388,208	6,195,416	5,343,091	959,903
Amortization of deferred drydock expenditure	1,420,814	441,491		
General and administrative expenses	5,669,935	2,975,139	2,599,031	851,660
<b>Total operating expenses</b>	<b>36,218,286</b>	<b>26,699,209</b>	<b>22,260,394</b>	<b>3,985,859</b>
<b>(Loss) / profit from operations</b>	<b>(350,930)</b>	<b>(1,526,555)</b>	<b>115,020</b>	<b>(526,706)</b>
Interest expense and finance costs	(3,464,006)	(2,966,014)	(3,080,472)	(647,441)
Interest income	6,059	4,713	3,608	2,723
<b>Loss before taxes</b>	<b>(3,808,877)</b>	<b>(4,487,856)</b>	<b>(2,961,844)</b>	<b>(1,171,424)</b>
Income tax	(33,726)	(51,237)	(13,426)	3,424
<b>Net loss</b>	<b>\$ (3,842,603)</b>	<b>(4,539,093)</b>	<b>(2,975,270)</b>	<b>(1,168,000)</b>
Loss per share, basic and diluted	\$ (0.31)	(0.56)	(0.37)	(0.15)
Weighted average number of common shares, basic and diluted	12,241,599	8,049,500	8,049,500	8,049,500

BALANCE SHEET DATA	As at			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Cash and cash equivalents	\$ 56,860,845	15,334,123	5,460,304	5,203,790
Net vessels (including drydock assets)	292,054,606	157,008,968	145,760,106	94,288,390
Total assets	357,965,633	179,960,468	160,631,102	104,051,350
Short-term revolving credit facility			30,265,000	14,770,000
Senior debt and capital leases	119,239,015	67,100,000	65,600,000	38,000,000
Paid in capital	244,883,077	117,073,352	65,747,599	50,790,925
Accumulated deficit	(12,524,966)	(8,682,363)	(4,143,270)	(1,168,000)

**Table of Contents**

CASHFLOW DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Net cash provided by operating activities	\$ 8,120,173	3,985,253	397,273	(2,259,892)
Net cash used in investing activities	(144,637,558)	(14,941,514)	(56,920,554)	(95,260,596)
Net cash provided by financing activities	178,044,107	20,830,080	56,779,795	102,724,278

TIME CHARTER EQUIVALENT DATA(1)	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
MR Tankers Eco-design	\$ 15,838			
MR Tankers Eco-mod	13,732	13,294	13,097	12,800
Chemical Tankers Eco-mod	\$ 10,483	9,108	8,878	10,459

FLEET OPERATING DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<b>FLEET TCE</b>				
Fleet weighted average(2)	\$ 12,850	10,911	11,100	12,597
Profit / (loss) on TC-Invest(3)	(27)	(185)	(47)	(361)
Commissions and voyage related costs(4)	(235)	(337)	(234)	(334)
Third party share of profit / (loss) on chartered-in vessels(5)	(4)	(205)	(254)	
<b>Net TCE</b>	<b>\$ 12,584</b>	<b>10,184</b>	<b>10,565</b>	<b>11,902</b>

OPERATING EXPENDITURE				
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Fleet operating costs per day(6)	\$ 6,152	6,103	6,150	6,963
Technical management fees per day(7)	379	344	334	335
<b>Total fleet operating costs per day</b>	<b>\$ 6,531</b>	<b>6,447</b>	<b>6,484</b>	<b>7,298</b>
Expenditures for drydock(8)	242,263	2,959,280		
<b>HIRE</b>				
On-hire utilization(9)	99.54%	99.10%	99.80%	99.20%

- (1) Time Charter Equivalent ( TCE ) daily rate is the gross charter rate or gross pool rate, as appropriate, per revenue day plus CVE income. For vessels employed on voyage charters, TCE is the net rate after deducting voyage costs incurred by commercial managers.
- (2) Fleet weighted average is total gross revenue for the fleet, after deducting voyage expenses incurred by commercial managers, before any profits arising or losses incurred on TC-Invest and share of profit arising or losses incurred on chartered-in vessels, divided by the number of revenue days.
- (3) Profit / (loss) on TC-Invest relate to two separate agreements entered into by the company with two third party charterers which were supplemental to the charters of the *Ardmore Seafarer* and the *Ardmore Seatrader*, respectively, to participate in the profits or losses arising from each vessel's employment in an MR pool managed by affiliates of the charterers, in exchange for an up-front investment to be used for working capital for the pool. The TC-Invest arrangements were for the period of each time charter. The time charter for the *Ardmore Seafarer* expired on July 10, 2012, and the time charter for the *Ardmore Seatrader* expired on February 12, 2013.
- (4) Commissions and voyage related costs relate to commission and administration and fees in relation to employment of the vessel, along with minor voyage expenses incurred directly by Ardmore.
- (5) Third-party share of profit / (loss) on chartered-in vessels relates to an agreement whereby the profit / (loss) arising from chartering-in and employing the *Hellespont Crusader* and the *Hellespont Commander* in a chemical tanker pool was shared 75% / 25% between us and a third-party charterer, respectively.
- (6) Fleet operating costs per day are routine operating expenses and comprise, crewing, repairs and maintenance, insurance, stores, lube oils and communication costs. They do not include additional costs related to upgrading or enhancement of the vessels that are not capitalized.

**Table of Contents**

- (7) Technical management are fees paid to third-party technical managers.
- (8) Drydock costs, which include costs for in-water surveys, comprise direct costs that are incurred as part of the drydocking to meet regulatory requirements, expenditures that add economic life to the vessel, and expenditures that increase the vessel's earnings capacity or improve the vessel's operating efficiency.
- (9) On-hire utilization is based on revenue days divided by net operating days (i.e. operating days less scheduled offhire days).

**Table of Contents**

**RISK FACTORS**

*Some of the following risks relate principally to the tanker industry and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for dividends or the trading price of our common stock.*

**RISKS RELATED TO OUR INDUSTRY**

**The tanker industry is cyclical and volatile in terms of charter rates and profitability, which may affect our earnings and available cash flow.**

The tanker industry is both cyclical and volatile in terms of charter rates and profitability. The recent prolonged downturn in the tanker industry may continue and adversely affect our ability to recharter our vessels or to sell them on the expiration or termination of their charters. Moreover, the rates payable in respect of our vessels currently operating in a commercial pool, or any renewal or replacement charters that we enter into, may not be sufficient for us to operate our vessels profitably. Fluctuations in charter rates and tanker values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil, oil products and chemicals. The factors affecting the supply and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for tanker capacity include:

supply of and demand for oil, oil products and chemicals;

regional availability of refining capacity;

global and regional economic and political conditions;

the distance oil, oil products and chemicals are to be moved by sea;

changes in seaborne and other transportation patterns;

environmental and other legal and regulatory developments;

currency exchange rates;

weather;

competition from alternative sources of energy; and

international sanctions, embargoes, import and export restrictions, nationalizations and wars.

The factors that influence the supply of tanker capacity include:

the number of newbuilding deliveries;

the scrapping rate of older vessels;

conversion of tankers to other uses;

the price of steel and other raw materials;

the number of vessels that are out of service; and

environmental concerns and regulations.

Historically, the tanker markets have been volatile as a result of a variety of conditions and factors that can affect the price, supply and demand for tanker capacity. The recent global economic downturn may further reduce demand for transportation of oil products and chemicals over longer distances. As of February 2014, eight of our Operational Vessels operate on time charters, while two vessels operate in a spot market commercial pool.

## **Table of Contents**

We may seek to employ one or more of our vessels directly in the spot market upon re-delivery from the current time charterers. If time charter or spot charter rates decline, we may be unable to achieve a level of charterhire sufficient for us to operate our vessels profitably.

### **We are partially dependent on spot charters and any decrease in spot-charter rates in the future may adversely affect our earnings.**

Two of our Operational Vessels are employed in a spot market-oriented commercial pool. The earnings of these vessels are based on the spot market charter rates of the pool. We may seek to employ other vessels directly in the spot market upon re-delivery from the current charterers. We expect delivery of four of our Ordered Vessels in 2015 and intend to place them in a third-party commercial pool for product tankers, further exposing us to fluctuations in spot-market charter rates.

We may employ additional vessels that we may acquire in the future in the spot-charter market. Where we plan to employ a vessel in the spot-charter market, we intend to generally place such vessel in a commercial pool that pertains to that vessel's size class or alternatively, we may engage a third-party chartering manager to arrange spot chartering of our vessels on our behalf (third-party spot-chartering arrangement). Although spot chartering is common in the tanker industry, the spot-charter market may fluctuate significantly based upon tanker and oil product/chemical supply and demand. The successful operation of our vessels in the competitive spot-charter market, including within commercial pools, depends upon, among other things, spot-charter rates and minimizing, to the extent possible, time spent waiting for charters and time spent travelling unladen to pick up cargo. The spot-market is very volatile; there have been periods when spot rates have declined below the operating cost of vessels. If future spot-charter rates decline, we may be unable to operate our vessels trading in the spot market profitably, meet our obligations, including payments on indebtedness, or pay dividends in the future. Furthermore, as charter rates for spot-charters are fixed for a single voyage that may last up to several weeks, during periods in which spot-charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

Our ability to renew the charters on our vessels on the expiration or termination of our current charters, or enter into charters on vessels that we may acquire in the future, the charter rates payable under any replacement charters and vessel values will depend upon, among other things, economic conditions in the sectors in which our vessels operate at that time, changes in the supply and demand for vessel capacity and changes in the supply and demand for the seaborne transportation of oil and chemical products.

### **Declines in charter rates and other market deterioration could cause us to incur impairment charges.**

We evaluate the carrying amounts of our vessels to determine if events have occurred that would require an impairment of their carrying amounts. The recoverable amount of vessels is reviewed based on events and changes in circumstances that would indicate that the carrying amount of the assets might not be recovered. The review for potential impairment indicators and projection of future cash flows related to the vessels is complex and requires us to make various estimates including future charter rates, operating expenses and drydock costs. All of these items have been historically volatile.

An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset.

### **An over-supply of tanker capacity may lead to reductions in charter rates, vessel values, and profitability.**

The market supply of tankers is affected by a number of factors such as demand for energy resources, oil, petroleum and chemical products, as well as strong overall global economic growth. If the capacity of new ships delivered exceeds the capacity of tankers being scrapped and lost, tanker capacity will increase. In addition, the

## **Table of Contents**

newbuilding orderbook which extends to 2017 equaled approximately 17.3% of the existing world tanker fleet and the orderbook may increase further in proportion to the existing fleet. If the supply of tanker capacity increases and if the demand for tanker capacity does not increase correspondingly, charter rates and vessel values could materially decline. A reduction in charter rates and the value of our vessels may have a material adverse effect on our results of operations and available cash.

### **Acts of piracy on ocean-going vessels could adversely affect our business.**

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden. Although the frequency of sea piracy worldwide decreased during 2013, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea, with tankers particularly vulnerable to such attacks. If piracy attacks result in regions in which our vessels are deployed being characterized by insurers as war risk zones by insurers or Joint War Committee war and strikes listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention or hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows and financial condition and may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

### **The current state of the global financial markets and current economic conditions may adversely impact our ability to obtain additional financing on acceptable terms and otherwise negatively impact our business.**

Global financial markets and economic conditions have been, and continue to be, volatile. In recent years, operating businesses in the global economy have faced tightening credit, weakening demand for goods and services, deteriorating international liquidity conditions, and declining markets. There has been a general decline in the willingness of banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. Since 2008, lending by financial institutions worldwide remains at very low levels compared to the period preceding 2008. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been negatively affected by this decline.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, additional financing may not be available if needed by us and to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, we may be unable to expand or meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

### **If economic conditions throughout the world do not improve, it could impede our operations.**

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. In addition, the world economy continues to face a number of new challenges, including uncertainty related to the continuing discussions in the United States regarding the U.S. federal debt ceiling, mandatory reductions in federal spending, along with widespread skepticism about the implementation of any resulting



---

**Table of Contents**

agreements, continuing turmoil and hostilities in the Middle East, North Africa and other geographic areas and continuing economic weakness in the European Union. There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for oil and gas and for our services. Such changes could adversely affect our results of operations and cash flows.

The economies of the United States, the European Union and other parts of the world continue to experience relatively slow growth or remain in recession and exhibit weak economic trends. The credit markets in the United States and Europe have experienced significant contraction, de-leveraging and reduced liquidity, and the U.S. federal and state governments and European authorities continue to implement a broad variety of governmental action and/or new regulation of the financial markets. Global financial markets and economic conditions have been, and continue to be, severely disrupted and volatile.

We face risks affected by changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. We cannot predict how long the current market conditions will last. These continuing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations and may cause the price of our common stock to decline.

**Changes in fuel, or bunkers, prices may adversely affect profits.**

Fuel, or bunkers, is a significant expense in shipping operations for our vessels employed on the spot market and can have a significant impact on pool earnings. With respect to our vessels employed on time charter, the charterer is generally responsible for the cost and supply of fuel, however such cost may affect the charter rates we are able to negotiate for our vessels. Changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

**We are subject to complex laws and regulations, including environmental laws and regulations, which can adversely affect our business, results of operations, cash flows and financial condition, and our available cash.**

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, the U.S. Oil Pollution Act of 1990 ( OPA ), requirements of the U.S. Coast Guard and the U.S. Environmental Protection Agency ( EPA ), the International Maritime Organization ( IMO ), International Convention on Civil Liability for Oil Pollution Damage of 1969 (as from time to time amended and generally referred to as CLC ), the IMO International Convention on Civil Liability for Bunker Oil Pollution Damages, the IMO International Convention for the Prevention of Pollution from Ships of 1973 (as from time to time amended and generally referred to as MARPOL ), including designation of Emission Control Areas thereunder, the IMO International Convention for the Safety of Life at Sea of 1974 (as from time to time amended and generally referred to as SOLAS ), the IMO International Convention on Load Lines of 1966 (as from time to time amended), the U.S. Maritime Transportation Security Act of 2002 and the International Labour Organization ( ILO ) Maritime Labour Convention ( MLC ). Compliance with such laws and regulations, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast and bilge waters, maintenance

---

**Table of Contents**

and inspection, elimination of tin-based paint, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes or changes to existing laws that may affect our operations or require us to incur additional expenses to comply with such regulatory initiatives, statutes or laws.

These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil in U.S. waters, including the 200-nautical mile exclusive economic zone around the United States. An oil spill could also result in significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other international and U.S. federal, state and local laws, as well as third-party damages, and could harm our reputation with current or potential charterers of our tankers. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and available cash.

**If we fail to comply with international safety regulations, we may be subject to increased liability, which may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.**

The operation of our vessels is affected by the requirements set forth in the IMO's International Safety Management Code for the Safe Operation of Ships and Pollution Prevention (ISM Code). The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive Safety Management System that includes the adoption of safety and environmental protection policies setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. If we fail to comply with the ISM Code, we may be subject to increased liability or our existing insurance coverage may be invalidated or decreased for our affected vessels. Such failure may also result in a denial of access to, or detention in, certain ports.

**The market values of our vessels may decrease, which could cause us to breach covenants in our credit facilities and adversely affect our operating results.**

The market values of tankers have generally experienced high volatility. The market prices for tankers declined significantly from historically high levels reached in early 2008 and remain at relatively low levels. You should expect the market value of our vessels to fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charterhire rates, competition from other shipping companies and other modes of transportation, types, sizes and ages of vessels, applicable governmental regulations and the cost of newbuildings. If the market value of our fleet declines, we may not be able to obtain other financing or incur debt on terms that are acceptable to us or at all. A decrease in these values could also cause us to breach certain covenants that are contained in our credit facilities and in future financing agreements that we may enter into from time to time. If the recoverable amounts of our vessels further decline and we do breach such covenants and we are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on vessels in our fleet. If we sell any vessel at any time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount on our financial statements, resulting in a loss and a reduction in earnings. Please see the section of this prospectus entitled "The International Product and Chemical Tanker Industry" for information concerning historical prices of tankers.

## **Table of Contents**

### **If our vessels suffer damage due to the inherent operational risks of the shipping industry, we may experience unexpected drydocking costs and delays or total loss of our vessels, which may adversely affect our business and financial condition.**

The operation of an ocean-going vessel carries inherent risks. Our vessels and their cargoes will be at risk of being damaged or lost because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding, fire, explosions, collisions, human error, war, terrorism, piracy, cargo loss, latent defects, acts of God and other circumstances or events. Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These hazards may result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our customer relationships, market disruptions, delay or rerouting. In addition, the operation of tankers has unique operational risks associated with the transportation of oil and chemical products. An oil or chemical spill may cause significant environmental damage, and the associated costs could exceed the insurance coverage available to us. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high flammability and high volume of the oil or chemicals transported in tankers.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located to our vessels positions. The loss of earnings while these vessels are forced to wait for space or to travel or be towed to more distant drydocking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss which could negatively impact our business, financial condition, results of operations and available cash.

### **We operate our vessels worldwide and as a result, our vessels are exposed to international risks which may reduce revenue or increase expenses.**

The international shipping industry is an inherently risky business involving global operations. Our vessels are at risk of damage or loss because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding, fire, explosions, collisions, human error, war, terrorism, piracy, cargo loss, latent defects, acts of God and other circumstances or events. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These sorts of events could interfere with shipping routes and result in market disruptions which may reduce our revenue or increase our expenses.

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and transshipment points. Inspection procedures can result in the seizure of the cargo and/or our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

---

**Table of Contents**

**Political instability, terrorist or other attacks, war or international hostilities can affect the tanker industry, which may adversely affect our business.**

We conduct most of our operations outside of the United States, and our business, results of operations, cash flows, financial condition and available cash may be adversely affected by the effects of political instability, terrorist or other attacks, war or international hostilities. Continuing conflicts and recent developments in the Middle East and North Africa, including Libya, and the presence of the United States and other armed forces in those regions may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further world economic instability and uncertainty in global financial markets. As a result of the above, insurers have increased premiums and reduced or restricted coverage for losses caused by terrorist acts generally. Future terrorist attacks could result in increased volatility of the financial markets and negatively impact the U.S. and global economy. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all.

In the past, political instability has also resulted in attacks on vessels, such as the attack on the *MT Limburg* in October 2002, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our business, financial condition, results of operations and available cash.

**If our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. government, our reputation and the market for our common stock could be adversely affected.**

Although no vessels owned or operated by us have called on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, such as Cuba, Iran, Sudan, and Syria, in the future, our vessels may call on ports in these countries from time to time on charterers' instructions in violation of contractual provisions that prohibit them from doing so. Sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the United States enacted the Comprehensive Iran Sanctions Accountability and Divestment Act ( CISADA ), that expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions on companies, such as ours, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the Joint Plan of Action ( JPOA ). Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the United States and European Union would voluntarily suspend certain sanctions for a period of six months.

On January 20, 2014, the United States and European Union indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures include, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014 until July 20, 2014.

In 2012, President Barack Obama signed Executive Order 13608, which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contact with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012 (the Iran Threat Reduction

---

**Table of Contents**

Act ), which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. In addition, the United States retains the authority to revoke the relief set forth in the JPOA if Iran fails to meet its commitments under the JPOA. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as engaging in operations under an otherwise lawful contract or transaction with a third party which separately and subsequently becomes involved in sanctionable conduct. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

**The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.**

We expect that our vessels will call in ports where smugglers may attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

**Maritime claimants could arrest our vessels, which would have a negative effect on our cash flows.**

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our business or require us to pay large sums of money to have the arrest lifted, which would have a negative effect on our cash flows.

In addition, in some jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert sister ship liability against one vessel in our fleet for claims relating to another of our ships.

**Governments could requisition our vessels during a period of war or emergency, which may negatively impact our business, financial condition, results of operations and available cash.**

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire.

---

## **Table of Contents**

Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels may negatively impact our business, financial condition, results of operations and available cash.

### **Technological innovation could reduce our charterhire income and the value of our vessels.**

The charterhire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new tankers are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charterhire payments we receive for our vessels once their initial charters expire and the resale value of our vessels could significantly decrease. As a result, our available cash could be adversely affected.

### **If labor or other interruptions are not resolved in a timely manner, they could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.**

We, indirectly through our technical managers, employ masters, officers and crews to man our vessels. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest or any other interruption arising from incidents of whistleblowing whether proven or not, could prevent or hinder our operations from being carried out as we expect and could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

## **RISKS RELATED TO OUR BUSINESS**

### **We have a limited history of operations on which investors may assess our performance.**

We commenced business operations in April 2010. We have a limited performance record and operating history, and, therefore, limited historical financial information upon which you can evaluate our operating performance, ability to implement and achieve our business strategy or ability to pay dividends in the future. We cannot assure you that we will be successful in implementing our business strategy.

### **We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.**

We are an emerging growth company, as defined in the Securities Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile.

In addition, Section 107 of the Jumpstart Our Business Act (the JOBS Act) provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to take advantage of the benefits of this extended transition period and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. This election is irrevocable.

In addition, because of our emerging growth company status, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to

## **Table of Contents**

Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company. For as long as we take advantage of the reduced reporting obligations, the information that we provide shareholders may be different from information provided by other public companies. We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if, among other things, we have more than \$1.0 billion in total annual gross revenues during the most recently completed fiscal year.

**Because the Public Company Accounting Oversight Board ( PCAOB ) is not currently permitted to inspect our independent accounting firm, you may not benefit from such inspections.**

Auditors of U.S. public companies are required by law to undergo periodic PCAOB inspections to assess their compliance with U.S. law and professional standards in connection with performance of audits of financial statements filed with the SEC. Certain European Union countries, including Ireland, do not currently permit the PCAOB to conduct inspections of accounting firms established and operating in such European Union countries, even if they are part of major international firms. Accordingly, unlike for most U.S. public companies, the PCAOB is prevented from evaluating our auditor's performance of audits and its quality control procedures, and, unlike shareholders of most U.S. public companies, we and our shareholders are deprived of the possible benefits of such inspections.

**If we do not identify suitable vessels for acquisition or successfully integrate any acquired vessels, we may not be able to grow or effectively manage our growth.**

One of our principal strategies is to continue expanding our operations and adding to our fleet. Our future growth will depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

identify suitable tankers and/or shipping companies for acquisitions at attractive prices;

identify businesses engaged in managing, operating or owning tankers for acquisitions or joint ventures;

integrate any acquired tankers or businesses successfully with our existing operations;

hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;

identify additional new markets;

improve our operating, financial and accounting systems and controls; and

obtain required financing for our existing and new vessels and operations.

Our failure to effectively identify, purchase, develop and integrate any tankers or businesses could adversely affect our business, financial condition and results of operations. The number of employees that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet, and we may not be able to effectively hire more employees or adequately improve those systems. Finally, acquisitions may require additional equity issuances or debt issuances (with amortization payments). If we are unable to execute the points noted above, our financial condition may be adversely affected.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired vessels and operations into existing infrastructures. The expansion of our fleet may impose significant additional responsibilities on our management and staff, and the management and staff of our technical managers, and may necessitate that we, and they, increase the number of personnel to support such expansion. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in

connection with such growth plans.



**Table of Contents**

**Delays in deliveries of our Ordered Vessels or additional vessels, our decision to cancel an order for purchase of a vessel or our inability to otherwise complete the acquisitions of additional vessels for our fleet, could harm our operating results.**

We expect to purchase additional vessels from time to time. The delivery of these vessels, plus our Ordered Vessels, could be delayed, not completed or cancelled, which would delay or eliminate our expected receipt of revenues from the employment of these vessels. The seller could fail to deliver these vessels to us as agreed, or we could cancel a purchase contract because the seller has not met its obligations.

If the delivery of any vessel is materially delayed or cancelled, especially if we have committed the vessel to a charter under which we become responsible for substantial liquidated damages to the customer as a result of the delay or cancellation, our business, financial condition and results of operations could be adversely affected.

The delivery of our Ordered Vessels could be delayed because of, among other things:

work stoppages or other labor disturbances or other events that disrupt the operations of the shipyard building the vessels;

quality or other engineering problems;

changes in governmental regulations or maritime self-regulatory organization standards;

lack of raw materials;

bankruptcy or other financial crisis of the shipyard building the vessels;

our inability to obtain requisite financing or make timely payments;

a backlog of orders at the shipyard building the vessels;

hostilities or political or economic disturbances in the countries where the vessels are being built;

weather interference or catastrophic event, such as a major earthquake or fire;

our requests for changes to the original vessel specifications;

shortages or delays in the receipt of necessary construction materials, such as steel;

our inability to obtain requisite permits or approvals; or

a dispute with the shipyard building the vessels.

## Edgar Filing: Ardmore Shipping Corp - Form F-1

The delivery of the vessels we propose to acquire could be delayed because of, among other things, hostilities or political disturbances, non-performance of the purchase agreement with respect to the vessels by the seller, our inability to obtain requisite permits, approvals or financings or damage to or destruction of vessels while being operated by the seller prior to the delivery date.

**We will be required to make substantial capital expenditures to expand the number of vessels in our fleet and to maintain all our vessels, which will be dependent on additional financing.**

Our business strategy is based in part upon the expansion of our fleet through the purchase of additional vessels. We currently estimate, based upon current and anticipated market conditions, our capital expenditures on our Ordered Vessels plus the potential acquisition of additional vessels in 2014 and 2015 will be between \$300 and \$400 million, which assumes that we successfully complete this offering.

In addition, we will incur significant maintenance costs for our current and any newly-acquired vessels. A newbuilding vessel must be drydocked within five years of its delivery from a shipyard, and vessels are typically drydocked every 30 to 60 months thereafter depending on the vessel, not including any unexpected repairs. We estimate the cost to drydock a vessel is between \$500,000 and \$1,000,000, depending on the size and condition of the vessel and the location of drydocking.

## **Table of Contents**

We have signed a commitment letter for the Joint Facility, in the amount of \$172.0 million to finance eight of the Ordered Vessels in our Current Fleet. The terms of the Joint Facility include an accordion option whereby, subject to lenders' approval, we may request to increase the Joint Facility to finance the acquisition of additional vessels. We are also in advanced discussions with our relationship banks and have received non-binding indicative terms for the Prospective Debt Facilities. We intend to use the Prospective Debt Facilities to finance the remaining two Ordered Vessels in the Current Fleet and the *Ardmore Seamariner* which was acquired in October 2013 with cash.

There can be no assurance we will be successful in completing documentation for the Joint Facility, or that we will be successful in availing ourselves of the accordion option in the Joint Facility, or that we will be successful in agreeing to terms with respect to the Prospective Debt Facilities. To fund any shortfall for purchasing other vessels or for drydocking costs from time to time, we may be required to incur additional borrowings or raise capital through the sale of debt or additional equity securities. Use of cash from operations will reduce available cash. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control.

**If we cannot take delivery of our Ordered Vessels, or complete the purchase of additional vessels that we intend to acquire, we may use a portion of the proceeds from this offering for other corporate purposes with which you may not agree.**

If we cannot take delivery of the Ordered Vessels or complete the purchase of additional vessels that we intend to acquire, if the sellers fail to deliver any vessels to us as agreed, or if we cancel a purchase because a seller has not met its obligations, our management will have the discretion to apply the proceeds of this offering that we would have used to purchase those vessels to acquire other vessels. In particular, certain events may arise that could result in us not taking delivery of a vessel, such as a total loss of a vessel, a constructive total loss of a vessel, or substantial damage to a vessel prior to its delivery. We will not escrow the proceeds from the offering and will not return the proceeds to you if we do not take delivery of one or more vessels. It may take a substantial period of time before we can locate and purchase other suitable vessels. During this period, the portion of the proceeds of the offering originally planned for the acquisition of these vessels will be invested on a short-term basis and therefore will not yield returns at rates comparable to those these vessels might have earned.

**We will not be able to take advantage of favorable opportunities in the current spot market with respect to vessels employed on medium to long-term time charters.**

Eight of our Operational Vessels are employed under fixed rate time charter agreements with an average remaining duration of approximately seven months. When our existing time charter agreements expire and upon delivery of our Ordered Vessels or vessels to be ordered, we may enter into new time charter agreements for periods of one year or longer. Vessels committed to medium- and long-term time charters may not be available for spot charters during periods of increasing charterhire rates, when spot charters might be more profitable.

**If we purchase and operate secondhand vessels, we will be exposed to increased operating costs that could adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.**

Our current business strategy includes additional growth through the acquisition of new and secondhand vessels. While we typically inspect secondhand vessels prior to purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Generally, we do not receive the benefit of warranties from the builders of the secondhand vessels that we acquire.

## **Table of Contents**

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel-efficient than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

### **An increase in operating or voyage costs would decrease earnings and available cash.**

For all Operational Vessels, the charterer is responsible for voyage costs and we are responsible for the vessel operating costs. We may seek to employ one or more of our vessels directly in the spot market upon re-delivery from the current charterers by entering into a third-party spot chartering arrangement. Under a third-party spot chartering arrangement, our third-party chartering manager will contract voyages for the vessel in the spot market and we will be responsible for all cost associated with operating the vessel including operating expenses, voyage costs, bunkers, port and canal costs.

Our vessel operating costs include the costs of crew, provisions, deck and engine stores, insurance and maintenance, repairs and spares, which depend on a variety of factors, many of which are beyond our control. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydocking repairs are unpredictable and can be substantial. Increases in any of these expenses would decrease earnings and available cash.

### **If we are unable to operate our vessels profitably, we may be unsuccessful in competing in the highly competitive international tanker market, which would negatively affect our financial condition and our ability to expand our business.**

The operation of tanker vessels and transportation of petroleum and chemical products is extremely competitive, in an industry that is capital intensive and highly fragmented. Competition arises primarily from other tanker owners, including major oil companies as well as independent tanker companies, some of which have substantially greater resources than we do. Competition for the transportation of oil products and chemicals can be intense and depends on price, location, size, age, condition and the acceptability of the tanker and its operators to the charterers. We may be unable to compete effectively with other tanker owners, including major oil companies as well as independent tanker companies.

Our market share may decrease in the future. We may not be able to compete profitably as we expand our business into new geographic regions or provide new services. New markets may require different skills, knowledge or strategies than we use in our current markets, and the competitors in those new markets may have greater financial strength and capital resources than we do.

### **The failure of our charterers to meet their obligations under our time charter agreements, on which we depend for a majority of our revenues, could cause us to suffer losses or otherwise adversely affect our business.**

Eight of our Operational Vessels are employed under fixed rate time charter agreements with an average remaining duration of approximately seven months. When our existing time charter agreements expire and upon delivery of our vessels under construction or to be ordered, we may enter into new time charter agreements for periods of one year or longer. The ability and willingness of each of our counterparties to perform its obligations under a time charter agreement with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the tanker shipping industry and the

---

**Table of Contents**

overall financial condition of the counterparties. Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities. In addition, in depressed market conditions, there have been reports of charterers renegotiating their charters or defaulting on their obligations under charters. Our customers may fail to pay charterhire or attempt to renegotiate charter rates. Should a counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters may be at lower rates. Where we plan to employ a vessel in the spot-charter market, we intend to generally place such vessel in a commercial pool managed by a pool manager that pertains to that vessel's size class or alternatively, we may enter into a third-party spot-chartering arrangement. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and compliance with covenants in our credit facilities.

**Our charterers may terminate or default on their charters, which could adversely affect our results of operations and cash flow.**

Our charters may terminate earlier than the dates indicated in this prospectus. The terms of our charters vary as to which events or occurrences will cause a charter to terminate or give the charterer the option to terminate the charter, but these generally include a total or constructive loss of the relevant vessel, the requisition for hire of the relevant vessel, the drydocking of the relevant vessel for a certain period of time or the failure of the relevant vessel to meet specified performance criteria. In addition, the ability of each of our charterers to perform its obligations under a charter will depend on a number of factors that are beyond our control. These factors may include general economic conditions, the condition of the tanker industry, the charter rates received for specific types of vessels and various operating expenses. The costs and delays associated with the default by a charterer under a charter of a vessel may be considerable and may adversely affect our business, results of operations, cash flows and financial condition and our available cash.

We cannot predict whether our charterers will, upon the expiration of their charters, re-charter our vessels on favorable terms or at all. If our charterers decide not to re-charter our vessels, we may not be able to re-charter them on terms similar to our current charters or at all. In the future, we may also employ our vessels on the spot-charter market, which is subject to greater rate fluctuation than the time charter market. Where we plan to employ a vessel in the spot-charter market, we intend to generally place such vessel in a tanker pool managed by a pool manager that pertains to that vessel's size class.

If we receive lower charter rates under replacement charters or are unable to re-charter all of our vessels, our available cash may be significantly reduced or eliminated.

**Our ability to pay dividends may be limited by the amount of cash we generate from operations following the payment of fees and expenses, by the establishment of any reserves and by additional factors unrelated to our profitability.**

We intend to pay regular quarterly dividends. The amount of dividends we will be able to pay will depend upon the amount of cash we generate from our operations. We may not, however, have sufficient cash available each quarter to pay dividends, as a result of insufficient levels of profit, restrictions on the payment of dividends and the decisions of our management and directors. The amount of cash we will have available for dividends may fluctuate upon, among other things:

the rates we obtain from our charters as well as the rates obtained upon the expiration of our existing charters;

the level of our operating costs;

the number of unscheduled off-hire days and the timing of, and number of days required for, scheduled drydocking of our vessels;

**Table of Contents**

vessel acquisitions and related financings, such as restrictions in our credit facilities and in any future debt programs;

prevailing global and regional economic and political conditions;

the effect of governmental regulations and maritime self-regulatory organization standards, including with respect to environmental and safety matters, on the conduct of our business; and

changes in the bases of taxation of our activities in various jurisdictions.

The actual amount of cash we will have available for dividends will also depend on many factors, including:

changes in our operating cash flows, capital expenditure requirements, working capital requirements and other cash needs;

our fleet expansion strategy and associated uses of our cash and our financing requirements;

modification or revocation of our dividend policy by our board of directors;

the amount of any cash reserves established by our board of directors; and

restrictions under Marshall Islands law.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which may be affected by non-cash items. We may incur other expenses or liabilities that could reduce or eliminate the cash available for distribution as dividends. Our credit facilities also restrict our ability to declare and pay dividends if an event of default has occurred and is continuing or if the payment of the dividend would result in an event of default. In addition, Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings in excess of consideration received for the sale of stock above the par value of the stock), or while a company is insolvent or if it would be rendered insolvent by the payment of such a dividend, and any such dividend may be discontinued at the discretion of our board of directors. As a result of these and other factors mentioned above, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record income.

**Our ability to obtain additional debt financing may be dependent on the performance of our then existing charters and the creditworthiness of our charterers.**

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources that we will require to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at all or at a higher than anticipated cost may materially affect our results of operations and our ability to implement our business strategy.

**Servicing debt, including debt which we may incur in the future, would limit funds available for other purposes and if we cannot service our debt, we may lose our vessels.**

Borrowing under our existing credit facilities and the credit facilities that we expect to enter into following the completion of this offering requires us to dedicate a part of our cash flow from operations to paying interest on our indebtedness. These payments limit funds available for working capital, capital expenditures and other purposes, including further equity or debt financing in the future. Amounts borrowed under our credit facilities bear interest at variable rates. Increases in prevailing rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remains the same, and our net income and cash flows would decrease. We expect our earnings and cash flow to vary from year to year due to the cyclical nature of the tanker industry. If we do not generate or reserve enough cash flow from

operations to satisfy our debt obligations, we may have to:

seek to raise additional capital;

refinance or restructure our debt;

**Table of Contents**

sell tankers; or

reduce or delay capital investments.

However, these alternatives, if necessary, may not be sufficient to allow us to meet our debt obligations. If we are unable to meet our debt obligations or if some other default occurs under our credit facilities, the lenders could elect to declare that debt, together with accrued interest and fees, to be immediately due and payable and proceed against the collateral vessels securing that debt even though the majority of the proceeds used to purchase the collateral vessels did not come from our credit facilities.

**We are a holding company and depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make dividend payments.**

We are a holding company, and our subsidiaries, which are all directly and indirectly wholly owned by us, conduct all of our operations and own all of our operating assets. As a result, our ability to satisfy our financial obligations and to pay dividends to our shareholders depends on the ability of our subsidiaries to generate profits available for distribution to us and, to the extent that they are unable to generate profits, we will be unable to pay dividends to our shareholders.

**We have limited history operating as a publicly traded entity and may incur increased costs as a result of being a publicly traded corporation.**

As a public company we have significant legal, accounting and other expenses in addition to our initial registration and listing expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002 ( Sarbanes-Oxley ), as well as rules subsequently implemented by the SEC and the New York Stock Exchange, have imposed various requirements on public companies, including changes in corporate governance practices, and these requirements may continue to evolve. We and our management personnel, and other personnel, if any, will need to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

Sarbanes-Oxley requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. Our compliance with Sarbanes-Oxley may require that we incur substantial accounting expenses and expend significant management efforts.

**Our credit facilities contain restrictive covenants that limit the amount of cash that we may use for other corporate activities, which could negatively affect our growth and cause our financial performance to suffer.**

Our credit facilities impose operating and financial restrictions on us. These restrictions may limit our ability, or the ability of our subsidiaries party thereto to:

pay dividends and make capital expenditures if we do not repay amounts drawn under our credit facilities or if there is another default under our credit facilities;

incur additional indebtedness, including the issuance of guarantees;

create liens on our assets;

change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel;

sell our vessels;



merge or consolidate with, or transfer all or substantially all our assets to, another person; or

enter into a new line of business.

---

**Table of Contents**

Certain of our credit facilities require us to maintain specified financial ratios and satisfy financial covenants. These financial ratios and covenants include requirements that:

we maintain corporate leverage of less than 75%;

we maintain minimum cash and cash equivalents based on the number of vessels owned and chartered-in and debt service requirements. Our required minimum cash balance as of December 31, 2013 was \$4.8 million;

the aggregate fair market value of our vessels plus any additional collateral shall, depending on the facility, be no less than 125% to 150% of the debt outstanding (value maintenance covenant); and

we maintain a corporate net worth of not less than \$45 million.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours and we may not be able to obtain our lenders' permission when needed. This may limit our ability to pay dividends to you if we determine to do so in the future, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

**We cannot assure you that we will complete documentation for the Joint Facility, that we will enter into the Prospective Debt Facilities or that if we do so that we will be able to borrow all or any of the amounts committed thereunder.**

We have signed a commitment letter for the Joint Facility in the amount of \$172.0 million to finance eight of our Ordered Vessels. The terms of the Joint Facility include an accordion option whereby, subject to lenders' approval, we may request to increase the Joint Facility to finance the acquisition of additional vessels. We are also in advanced discussions with our relationship banks and have received non-binding indicative terms for the Prospective Debt Facilities. We intend to use these to finance the remaining two Ordered Vessels and the *Ardmore Seamariner* which was acquired in October 2013 with cash. There can be no assurance we will be successful in completing documentation for the Joint Facility, or that we will be successful in availing ourselves of the accordion option in the Joint Facility, or that we will be successful in agreeing to terms for the Prospective Debt Facilities.

**If interest rates increase, it will affect the interest rate under our credit facilities which could affect our profitability, earnings and cash flow.**

Amounts borrowed under our existing credit facilities bear interest at an annual rate ranging from 2.45% to 3.75% above LIBOR. Interest rates have recently been at historic lows and any normalization in interest rates would lead to an increase in LIBOR, which would affect the amount of interest payable on amounts that we were to drawdown from our credit facilities, which in turn would have an adverse effect on our profitability, earnings and cash flow.

**U.S. tax authorities could treat us as a passive foreign investment company, which could have adverse U.S. federal income tax consequences to U.S. holders.**

A foreign corporation will be treated as a passive foreign investment company (PFIC), for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of passive income or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of passive income. For purposes of these tests, passive income generally includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services generally does not constitute passive income. U.S. shareholders of a PFIC are subject to an adverse U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

---

## **Table of Contents**

Based upon our operations as described herein, we do not believe that our income from our time charters should be treated as passive income for purposes of determining whether we are a PFIC, and, consequently, the assets that we own and operate in connection with the production of that income should not constitute passive assets. Accordingly, based on our current operations, we do not believe we will be treated as a PFIC with respect to any taxable year.

There is substantial legal authority supporting this position consisting of case law and U.S. Internal Revenue Service ( IRS ), pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if the nature and extent of our operations change.

If the IRS were successful in asserting that we are or have been a PFIC for any taxable year, U.S. shareholders would face adverse U.S. federal income tax consequences. Under the PFIC rules, unless a shareholder makes an election available under the U.S. Internal Revenue Code of 1986, as amended, ( the Code ), (which election could itself have adverse consequences for such shareholders, as discussed below under Tax Considerations U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of U.S. Holders ), excess distributions and any gain from the disposition of such shareholder's common shares would be allocated ratably over the shareholder's holding period of the common shares and the amounts allocated to the taxable year of the excess distribution or sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed with respect to such tax. See Tax Considerations U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of United States Holders for a more comprehensive discussion of the U.S. federal income tax consequences to United States shareholders if we are treated as a PFIC.

### **We may have to pay tax on U.S. source shipping income, which would reduce our earnings.**

Under the Code, 50% of the gross shipping income of a corporation that owns or charters vessels, as we and our subsidiaries do, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations promulgated thereunder or that corporation is entitled to an exemption from such tax under an applicable U.S. income tax treaty.

Prior to our IPO, we believe that we had been exempt from this tax because we were entitled to the benefits of the U.S. Irish tax treaty, which generally contains an exemption from this tax for qualified Irish residents. After our IPO, although we no longer qualified for an exemption under the U.S. Irish tax treaty, we and our subsidiaries took the position that we qualify for an exemption under Section 883 of the Code for U.S. federal income tax return reporting purposes. After this offering, we intend to continue to take the position that we qualify for an exemption under Section 883 of the Code for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption after the offering and thereby become subject to U.S. federal income tax on our U.S. source shipping income. For example, we would no longer qualify for exemption under Section 883 of the Code for a particular taxable year if certain non-qualified shareholders with a 5% or greater interest in our common shares owned, in the aggregate, 50% or more of our outstanding common shares for more than half the days during the taxable year. Due to the factual nature of the issues involved, there can be no assurances that we or any of our subsidiaries will qualify for exemption under Section 883 of the Code.

---

**Table of Contents**

If we or our subsidiaries were not entitled to exemption under Section 883 of the Code for any taxable year, we or our subsidiaries would be subject for such year to an effective 2% U.S. federal income tax on the shipping income we or our subsidiaries derive during the year which is attributable to the transport of cargoes to or from the United States. The imposition of this taxation would have a negative effect on our business and would decrease our earnings available for distribution to our shareholders.

**If our effective tax rate increases, our business and financial results would be adversely impacted.**

We have significant operations and currently generate substantially all of our taxable income in Ireland. In general, tax rates in Ireland on trading income are significantly lower than tax rates in the United States and many other developed jurisdictions. Moreover, our relevant shipping profits are taxed in Ireland under the Tonnage Tax regime. Tonnage Tax provides an alternative to charging corporation tax on certain profits of a qualifying shipping company. Rather than charging corporation tax in the normal way, tax is levied each year by reference to the tonnage of the ships operated by the qualifying company. We have received approval from the Irish Revenue Commissioners to operate a number of our ship-owning subsidiaries as qualifying shipping companies under the Tonnage Tax regime. In order to ensure a compliance with the Tonnage Tax regime, a number of conditions must continue to be satisfied. Importantly we must carry on the strategic and commercial management of our qualifying ships from Ireland. If our operations no longer qualify for the lower and predictable tax rates available under Tonnage Tax or if the tax laws in Ireland were rescinded or changed, our effective tax rate could increase and our business, financial condition and results of operations could be materially adversely affected. In addition, if U.S. or other tax authorities were to challenge successfully the manner in which we recognize profits or, more generally, the jurisdiction in which our income is subject to taxation, our effective tax rate could increase and our cash flow and results of operations could be materially adversely affected.

**If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.**

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of Sarbanes-Oxley, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

We will be required to disclose changes made in our internal controls and procedures and our management will be required to assess the effectiveness of these controls annually. However, for as long as we are an emerging growth company, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 of Sarbanes-Oxley. We could be an emerging growth company for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statements and restatements and require us to incur the expense of remediation.

In the course of auditing our financial statements for the year ended December 31, 2012, our independent registered public accounting firm identified a deficiency relating to the application of U.S. GAAP to deferred finance fees and capitalization of imputed interest on vessels under construction which they considered to be a material weakness. The PCAOB defines a material weakness as a deficiency, or combination of deficiencies, in

## **Table of Contents**

internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. We have implemented steps to remediate this weakness including retaining the services of an independent accounting firm to assist with non-routine complex U.S. GAAP accounting issues during the year ended December 31, 2013, the material weakness has been remediated. However, if additional material weaknesses or significant deficiencies in our internal controls are discovered in the future, we may fail to meet our future reporting obligations, our financial statements may contain material misstatements and our operating results may be adversely affected.

### **We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.**

We have entered into various contracts, as of February 2014, including charter agreements with our customers, consisting of eight long-term fixed-rate charter agreements, two commercial pool agreements, our credit facilities and our capital lease arrangement. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. For example, the combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. In addition, in depressed market conditions, our charterers and customers may no longer need a vessel that is currently under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, charterers and customers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

### **Our insurance may not be adequate to cover our losses that may result from our operations due to the inherent operational risks of the tanker industry.**

We carry insurance to protect us against most of the accident-related risks involved in the conduct of our business, including marine hull and machinery insurance, protection and indemnity insurance, which includes pollution risks, crew insurance and war risk insurance. However, we may not be adequately insured to cover losses from our operational risks, which could have a material adverse effect on us. Additionally, our insurers may refuse to pay particular claims and our insurance may be voidable by the insurers if we take, or fail to take, certain action, such as failing to maintain certification of our vessels with applicable maritime regulatory organizations. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash. In addition, we may not be able to obtain adequate insurance coverage at reasonable rates in the future during adverse insurance market conditions.

Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain due to increased premiums or reduced or restricted coverage for losses caused by terrorist acts generally.

### **Because we obtain some of our insurance through protection and indemnity associations, which result in significant expenses to us, we may be required to make additional premium payments.**

We may be subject to increased premium payments, or calls, in amounts based on our claim records, the claim records of our managers, as well as the claim records of other members of the protection and indemnity

## **Table of Contents**

associations through which we receive insurance coverage for tort liability, including pollution-related liability. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

**We are incorporated in the Marshall Islands, which does not have a well-developed body of case law or bankruptcy law and, as a result, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.**

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act (the BCA ). The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction. Further, Marshall Islands does not have a well-developed body of bankruptcy law. As such, in the case of a bankruptcy of our Company, there may be a delay of bankruptcy proceedings and the ability of shareholders and creditors to receive recovery after a bankruptcy proceeding. Please see the section of this prospectus titled *Enforceability of Civil Liabilities* beginning on page 142.

**Our business depends upon key members of our senior management team who may not necessarily continue to work for us.**

Our future success depends to a significant extent upon certain members of our senior management team. Our management team have substantial experience in the product tanker and chemical shipping industries and have worked with us since inception. Our management team is crucial to the execution of our business strategies and to the growth and development of our business. If the individuals were no longer to be affiliated with us, we may be unable to recruit other employees with equivalent talent and experience, and our business and financial condition may suffer as a result.

**It may be difficult to serve process on or enforce a U.S. judgment against us, our officers and our directors.**

We are a Marshall Islands corporation and several of our executive offices are located outside of the United States. Some of our directors and officers and certain of the experts named in this prospectus reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors, officers and experts are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us or any of these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws. Furthermore, there is substantial doubt that the courts of the Marshall Islands or of the non-U.S. jurisdictions in which our offices are located would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws.

**Table of Contents**

**RISKS RELATED TO THIS OFFERING AND OUR COMMON SHARES**

**The price of our common shares after this offering may be volatile.**

The price of our common shares may fluctuate due to factors such as:

actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;

mergers and strategic alliances in the tanker industry;

market conditions in the tanker industry;

changes in government regulation;

the failure of securities analysts to publish research about us after this offering, or shortfalls in our operating results from levels forecast by securities analysts;

announcements concerning us or our competitors; and

the general state of the securities markets.

The seaborne transportation industry has been highly unpredictable and volatile. The market for our common shares in this industry may be equally volatile. Consequently, you may not be able to sell the common shares at prices equal to or greater than those paid by you in this offering.

**GA Holdings LLC ( GA Holdings ) beneficially owns approximately 44.6% of our total outstanding common shares, which may limit your ability to influence our actions.**

Prior to this offering, GA Holdings beneficially owns approximately 44.6% of our outstanding common shares and has the power to exert considerable influence over our actions through their ability to effectively control matters requiring shareholder approval, including the determination to enter into a corporate transaction or to prevent a transaction, regardless of whether our shareholders believe that any such transaction is in their or our best interests. For example, GA Holdings could cause us to consummate a merger or acquisition that increases the amount of our indebtedness or cause us to sell all of our revenue-generating assets. We cannot assure you that the interests of GA Holdings will coincide with the interests of other shareholders. As a result, the market price of our common shares could be adversely affected.

Additionally, GA Holdings may invest in entities that directly or indirectly compete with us, or companies in which GA Holdings currently invests may begin competing with us. GA Holdings may also separately pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. As a result of these relationships, when conflicts arise between the interests of GA Holdings and the interests of our other shareholders, our directors who were nominated by GA Holdings may not be disinterested. GA Holdings will effectively control all of our corporate decisions so long as they continue to own a substantial number of our common shares.

**Future sales of our common shares could cause the market price of our common shares to decline.**

The market price for our common shares could decline as a result of sales by existing shareholders, including GA Holdings, of large numbers of our common shares after this offering, or as a result of the perception that such sales may occur. Sales of our common shares by these shareholders also might make it more difficult for us to sell equity or equity-related securities in the future at a time and at the prices that we

## Edgar Filing: Ardmore Shipping Corp - Form F-1

deem appropriate. Of the common shares outstanding after giving effect to this offering:

shares will be freely tradable unless purchased by persons deemed our affiliates, as the term is defined in Rule 144 under the Securities Act; and



---

**Table of Contents**

additional shares may be sold after the expiration of 90-day lock-up agreements that will be entered into by our executive officers and directors and our sole shareholder, subject to registration under the Securities Act, compliance with the requirements of Rule 144 or the availability of an exemption from the registration requirements of the Securities Act.

**Anti-takeover provisions in our Amended and Restated Articles of Incorporation could make it difficult for our shareholders to replace or remove our current board of directors or could have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common shares.**

Several provisions of our Amended and Restated Articles of Incorporation and bylaws could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include:

authorizing the board of directors to issue blank check preferred stock without shareholder approval;

providing for a classified board of directors with staggered, three year terms;

prohibiting cumulative voting in the election of directors;

authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of two-thirds of the outstanding shares of our common stock entitled to vote for the directors;

limiting the persons who may call special meetings of shareholders; and

establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings.

These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

**You will experience immediate and substantial dilution of \$            per common share.**

The public offering price of \$            per common share exceeds the net tangible book value per common share immediately after this offering. Based on a public offering price of \$            per common share, you will incur immediate and substantial dilution of \$            per share. This dilution results primarily because the assets which have been contributed to us, in exchange for all of our common shares, are recorded at their historical cost, and not their fair value, in accordance with U.S. GAAP principles. Please see Dilution for a more detailed description of the dilution that you will experience upon the completion of this offering.

**We may issue additional common shares or other equity securities without your approval, which could dilute your ownership interests and may depress the market price of our common shares.**

We may issue additional common shares or other equity securities of equal or senior rank in the future in connection with, among other things, future vessel acquisitions, repayment of outstanding indebtedness or our equity incentive plan, without shareholder approval, in a number of circumstances.

Our issuance of additional common shares or other equity securities of equal or senior rank would have the following effects:

## Edgar Filing: Ardmore Shipping Corp - Form F-1

our existing shareholders' proportionate ownership interest in us will decrease;

the amount of cash available for dividends payable on our common shares may decrease;

the relative voting strength of each previously outstanding common share may be diminished; and

the market price of our common shares may decline.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

Our disclosure and analysis in this prospectus pertaining to our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates, projects, forecasts, may, should and similar expressions are forward-looking statements.

All statements in this prospectus that are not statements of either historical or current facts are forward-looking statements. Forward-looking statements include, but are not limited to, such matters as:

our future operating or financial results;

global and regional economic and political conditions, including piracy;

our pending vessel acquisitions, our business strategy and expected capital spending or operating expenses, including drydocking and insurance costs;

competition in the tanker industry;

statements about shipping market trends, including charter rates and factors affecting supply and demand;

our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;

our ability to enter into fixed-rate charters after our current charters expire and our ability to earn income in the spot market; and

our expectations of the availability of vessels to purchase, the time it may take to construct new vessels, and vessels' useful lives. Many of these statements are based on our assumptions about factors that are beyond our ability to control or predict and are subject to risks and uncertainties that are described more fully under the Risk Factors section of this prospectus. Any of these factors or a combination of these factors could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. Factors that might cause future results to differ include, but are not limited to, the following:

changes in governmental rules and regulations or actions taken by regulatory authorities;

changes in economic and competitive conditions affecting our business, including market fluctuations in charter rates and charterers' abilities to perform under existing time charters;

potential liability from future litigation and potential costs due to environmental damage and vessel collisions;

## Edgar Filing: Ardmore Shipping Corp - Form F-1

the length and number of off-hire periods and dependence on third-party managers; and

other factors discussed under the Risk Factors section of this prospectus.

You should not place undue reliance on forward-looking statements contained in this prospectus, because they are statements about events that are not certain to occur as described or at all. All forward-looking statements in this prospectus are qualified in their entirety by the cautionary statements contained in this prospectus. These forward-looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

Except to the extent required by applicable law or regulation, we undertake no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

**Table of Contents**

**USE OF PROCEEDS**

We estimate that the net proceeds to us from the sale of \_\_\_\_\_ common shares in this offering will be approximately \$ \_\_\_\_\_ million after deducting underwriting discounts and commissions and estimated expenses payable by us. We currently intend to use the net proceeds of this offering to acquire additional vessels in line with our strategy, including resales of Eco-design vessels under construction and high quality modern secondhand vessels, suitable to upgrade to Eco-mod, and to provide cash for general corporate purposes.

We cannot assure you, however, that we will be successful in acquiring vessels at prices comparable to current market prices. In the event that we are not able to acquire Eco-design resales or secondhand vessels, we may use the proceeds to contract orders for newbuildings.

---

**Table of Contents**

**OUR DIVIDEND POLICY**

While we cannot assure you that we will continue to do so, and subject to the limitations discussed below, we currently intend to pay our stockholders quarterly dividends of \$0.10 per share, or \$0.40 per share per year.

Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors. We cannot assure you that we will be able to pay regular quarterly dividends in the amounts stated above or elsewhere in this prospectus, and our ability to pay dividends will be subject to the restrictions in our credit facilities and the provisions of the laws of the Marshall Islands as well as the other limitations set forth in the section of this prospectus entitled Risk Factors.

Any distributions made by us with respect to our common shares to a U.S. Holder (as defined in Tax Considerations U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of U.S. Holders ) will generally constitute dividends to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Subject to applicable limitations, including a holding period requirement, dividends paid on our common shares to certain non-corporate U.S. Holders will generally be treated as qualified dividend income that is taxable to such U.S. Holders at preferential tax rates provided that (1) the common shares are readily tradable on an established securities market in the United States (such as the New York Stock Exchange, on which our common shares are traded); and (2) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which, as discussed in Tax Considerations U.S. Federal Income Tax Considerations Passive Foreign Investment Company Status and Significant Tax Consequences, we do not believe that we are or will be for any future taxable years). There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of such non-corporate U.S. Holders, although we expect such dividends to be so eligible provided an eligible non-corporate U.S. Holder meets all applicable requirements. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a non-corporate U.S. Holder.

We are a holding company with no material assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to pay dividends, if any, in the future, depends on our subsidiaries and their ability to distribute funds to us. Our credit facilities have restrictions on our ability, and the ability of certain of our subsidiaries, to pay dividends in the event of a default or breach of covenants under the credit facility agreements. Under such circumstances, we or our subsidiaries may not be able to pay dividends so long as we are in default or have breached certain covenants of a particular credit facility without lenders consent or waiver of the default or breach. In addition, Marshall Islands law generally prohibits the payment of dividends (i) other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or (ii) when a company is insolvent or (iii) if the payment of the dividend would render the company insolvent.

In addition, we may incur expenses or liabilities, including extraordinary expenses, decreases in revenues, including as a result of unanticipated off-hire days or loss of a vessel, or increased cash needs that could reduce or eliminate the amount of cash that we have available for distribution as dividends. The tanker shipping charter market is cyclical and volatile. We cannot predict with accuracy the amount of cash flows our operations will generate in any given period. Factors beyond our control may affect the charter market for our vessels and our charterers ability to satisfy their contractual obligations to us, and we cannot assure you that dividends will actually be declared or paid in the future. We cannot assure you that we will be able to pay regular quarterly dividends, and our ability to pay dividends will be subject to the limitations set forth above and in the section of this prospectus titled Risk Factors.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization at December 31, 2013, on a historical basis and as adjusted to give effect to this offering. The adjustments that we have made for this offering include the issuance of \_\_\_\_\_ shares of our common stock in this offering at a public offering price of \$ \_\_\_\_\_ per share. We estimate that the net proceeds to us from the sale will be approximately \$ \_\_\_\_\_ million after deducting underwriting discounts and commissions and estimated expenses payable by us.

	As of December 31, 2013	
	Actual	As Adjusted
Cash and cash equivalents	\$ 56,860,845	
<i>Current debt:</i>		
Capital leases	1,578,686	
Bank loan	9,100,000	
<i>Non-current debt:</i>		
Capital leases	28,800,329	
Bank loan	79,760,000	
<b>Total debt</b>	<b>119,239,015</b>	
<i>Equity:</i>		
Share capital	180,500	
Additional paid-in capital	244,702,577	
Accumulated Deficit	(12,524,966)	
<b>Total equity</b>	<b>232,358,111</b>	
<b>Total capitalization</b>	<b>\$ 351,597,126</b>	

**Table of Contents**

**DILUTION**

Dilution is the amount by which the offering price paid by the purchasers of our common shares in this offering will exceed the net tangible book value per common share after the offering. The net tangible book value is equal to the amount of our total tangible assets (total assets less intangible assets) less total liabilities. The historical net tangible book value as of December 31, 2013 was \$ million in total and \$ million per share for the number of shares for the existing shareholders at the time of this offering.

The as adjusted net tangible book value as of December 31, 2013 would have been \$ million, or \$ per common share after the sale by us of common shares at \$ per share in this offering, after deducting underwriting discounts and estimated offering expenses. This represents an immediate increase in net tangible book value of \$ per share to the existing shareholders and an immediate dilution in net tangible book value of \$ per share to new investors.

The following table illustrates the per share dilution and appreciation as of December 31, 2013:

Assumed public offering price per share of common stock	\$
Net tangible book value per share before this offering	
Decrease in net tangible book value attributable to new investors in this offering	
Net tangible book value per share after giving effect to this offering	
Dilution per share for new investors	\$

The following table summarizes, on an as adjusted basis as of December 31, 2013, the differences between the number of common shares acquired from us, the total amount paid and the average price per share paid by the existing shareholders and the number of common shares acquired from us, the total amount paid and average price per share paid by you in this offering, based upon the public offering price of \$ per share.

	Pro Forma Shares Outstanding		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing shareholders					
New investors					



**Table of Contents****PRICE RANGE OF OUR COMMON SHARES**

Shares of our common stock trade on the New York Stock Exchange under the symbol ASC. The high and low closing prices of our common shares on the New York Stock Exchange are presented for the periods listed below.

<b>FOR THE QUARTER ENDED</b>	<b>HIGH</b>	<b>LOW</b>
September 30, 2013	\$ 14.00	\$ 12.08
December 31, 2013	\$ 15.56	\$ 11.69

  

<b>FOR THE MONTHS ENDED</b>	<b>HIGH</b>	<b>LOW</b>
August 2013	\$ 14.00	\$ 13.50
September 2013	\$ 13.59	\$ 12.08
October 2013	\$ 13.39	\$ 11.69
November 2013	\$ 13.35	\$ 12.63
December 2013	\$ 15.56	\$ 12.21
January 2014	\$ 15.16	\$ 14.15
February 2014 (through and including February 11, 2014)	\$ 14.58	\$ 14.00

**Table of Contents****SELECTED FINANCIAL AND OTHER DATA**

The following table sets forth our selected consolidated financial data and other operating data. The selected financial data as of December 31, 2013 and 2012 and the years ended December 31, 2013, 2012 and 2011 are derived from our audited consolidated financial statements, included elsewhere in this prospectus. The selected consolidated financial data set forth below as of December 31, 2011 and 2010 and for the period ended December 31, 2010 have been derived from our audited consolidated financial statements, which are not included in this prospectus. The financial statements have been prepared in accordance with U.S. GAAP. The data set forth below should be read in conjunction with the audited consolidated financial statements, related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations and other financial information included elsewhere in this prospectus. Amounts are expressed in U.S. dollars, unless otherwise stated.

INCOME STATEMENT DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<b>REVENUE</b>				
Revenue	\$ 35,867,356	25,172,654	22,375,414	3,459,153
<b>OPERATING EXPENSES</b>				
Commissions and voyage related costs	2,523,842	789,149	468,067	94,439
Vessel operating expenses	18,215,487	14,598,071	12,186,825	2,079,857
Charter hire costs		1,699,943	1,663,380	
Depreciation	8,388,208	6,195,416	5,343,091	959,903
Amortization of deferred drydock expenditure	1,420,814	441,491		
General and administrative expenses	5,669,935	2,975,139	2,599,031	851,660
<b>Total operating expenses</b>	<b>36,218,286</b>	<b>26,699,209</b>	<b>22,260,394</b>	<b>3,985,859</b>
<b>(Loss)/profit from operations</b>	<b>(350,930)</b>	<b>(1,526,555)</b>	<b>115,020</b>	<b>(526,706)</b>
Interest expense and finance costs	(3,464,006)	(2,966,014)	(3,080,472)	(647,441)
Interest income	6,059	4,713	3,608	2,723
<b>Loss before taxes</b>	<b>(3,808,877)</b>	<b>(4,487,856)</b>	<b>(2,961,844)</b>	<b>(1,171,424)</b>
Income tax	(33,726)	(51,237)	(13,426)	3,424
<b>Net loss</b>	<b>\$ (3,842,603)</b>	<b>(4,539,093)</b>	<b>(2,975,270)</b>	<b>(1,168,000)</b>
Loss per share, basic and diluted	\$ (0.31)	(0.56)	(0.37)	(0.15)
Weighted average number of common shares, basic and diluted	12,241,599	8,049,500	8,049,500	8,049,500

BALANCE SHEET DATA	As at			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Cash and cash equivalents	\$ 56,860,845	15,334,123	5,460,304	5,203,790
Net vessels (including drydock assets)	292,054,606	157,008,968	145,760,106	94,288,390
Total assets	357,965,633	179,960,468	160,631,102	104,051,350
Short-term revolving credit facility			30,265,000	14,770,000
Senior debt and capital leases	119,239,015	67,100,000	65,600,000	38,000,000
Paid in capital	244,883,077	117,073,352	65,747,599	50,790,925
Accumulated deficit	\$ (12,524,966)	(8,682,363)	(4,143,270)	(1,168,000)

CASHFLOW DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Net cash provided by operating activities	\$ 8,120,173	3,985,253	397,273	(2,259,892)

Edgar Filing: Ardmore Shipping Corp - Form F-1

Net cash used in investing activities	(144,637,558)	(14,941,514)	(56,920,554)	(95,260,596)
Net cash provided by financing activities	178,044,107	20,830,080	56,779,795	102,724,278

**Table of Contents**

TIME CHARTER EQUIVALENT DATA(1)	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
MR Tankers Eco-design	\$ 15,838			
MR Tankers Eco-mod	13,732	13,294	13,097	12,800
Chemical Tankers Eco-mod	10,483	9,108	8,878	10,459

FLEET OPERATING DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<b>FLEET TCE</b>				
Fleet weighted average(2)	\$ 12,850	10,911	11,100	12,597
Profit / (loss) on TC-Invest(3)	(27)	(185)	(47)	(361)
Commissions and voyage related costs(4)	(235)	(337)	(234)	(334)
Third party share of profit / (loss) on chartered-in vessels(5)	(4)	(205)	(254)	
<b>Net TCE</b>	<b>\$ 12,584</b>	<b>10,184</b>	<b>10,565</b>	<b>11,902</b>

<b>OPERATING EXPENDITURE</b>				
Fleet operating costs per day(6)	\$ 6,152	6,103	6,150	6,963
Technical management fees per day(7)	379	344	334	335
<b>Total fleet operating costs per day</b>	<b>\$ 6,531</b>	<b>6,447</b>	<b>6,484</b>	<b>7,298</b>
Expenditures for drydock(8)	242,263	2,959,280		
<b>HIRE</b>				
On-hire utilization(9)	99.54%	99.10%	99.80%	99.20%

- (1) Time Charter Equivalent ( TCE ) daily rate is the gross charter rate or gross pool rate, as appropriate, per revenue day plus CVE income. For vessels employed on voyage charters, TCE is the net rate after deducting voyage costs incurred by commercial managers.
- (2) Fleet weighted average is total gross revenue for the fleet, after deducting voyage expenses incurred by commercial managers, before any profits arising or losses incurred on TC-Invest and share of profit arising or losses incurred on chartered-in vessels, divided by the number of revenue days.
- (3) Profit / (loss) on TC-Invest relate to two separate agreements entered into by the company with two third party charterers which were supplemental to the charters of the *Ardmore Seafarer* and the *Ardmore Seatrader*, respectively, to participate in the profits or losses arising from each vessel's employment in an MR pool managed by affiliates of the charterers, in exchange for an up-front investment to be used for working capital for the pool. The TC-Invest arrangements were for the period of each time charter. The time charter for the *Ardmore Seafarer* expired on July 10, 2012, and the time charter for the *Ardmore Seatrader* expired on February 12, 2013.
- (4) Commissions and voyage related costs relate to commission and administration and fees in relation to employment of the vessel, along with minor voyage expenses incurred directly by Ardmore.
- (5) Third-party share of profit / (loss) on chartered-in vessels relates to an agreement whereby the profit / (loss) arising from chartering-in and employing the *Hellespont Crusader* and the *Hellespont Commander* in a chemical tanker pool was shared 75% / 25% between us and a third party charterer, respectively.
- (6) Fleet operating costs per day are routine operating expenses and comprise, crewing, repairs and maintenance, insurance, stores, lube oils and communication costs. They do not include additional costs related to upgrading or enhancement of the vessels that are not capitalized.
- (7) Technical management are fees paid to third-party technical managers.
- (8) Drydock costs, which include costs for in-water surveys, comprise direct costs that are incurred as part of the drydocking to meet regulatory requirements, expenditures that add economic life to the vessel, and expenditures that increase the vessel's earnings capacity or improve the vessel's operating efficiency.

**Table of Contents**

(9) On-hire utilization is based on revenue days divided by net operating days (i.e. operating days less scheduled offhire days).

RECONCILIATION OF NET TCE	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<b>Revenue</b>	\$ 35,867,356	25,172,654	22,375,414	3,459,153
Commissions and voyage related costs	(2,523,842)	(789,149)	(468,067)	(94,439)
TCE Earnings	33,343,514	24,383,505	21,907,347	3,364,714
Revenue Days	2,649	2,394	2,074	283
<b>Net TCE (after rounding)</b>	<b>\$ 12,584</b>	<b>10,184</b>	<b>10,565</b>	<b>11,902</b>

---

**Table of Contents**

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

*The following presentation of management's discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements, accompanying notes thereto and other financial information, appearing elsewhere in this prospectus. You should also carefully read the following discussion with Risk Factors, The International Product and Chemical Tanker Industry, Forward-Looking Statements and Selected Financial and Other Data. The consolidated financial statements as of and for the years ended December 31, 2013, 2012, 2011 and 2010 have been prepared in accordance with U.S. GAAP. The consolidated financial statements are presented in U.S. Dollars unless otherwise indicated.*

**OVERVIEW**

We are Ardmore Shipping Corporation, a company incorporated in the Marshall Islands. We provide seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with our modern, fuel-efficient fleet of mid-size product and chemical tankers. Our Current Fleet consists of 21 vessels including ten in operation (the Operational Vessels ) and 11 on order (the Ordered Vessels ) with deliveries expected to begin in February 2014. Following the completion of this offering, we expect to have approximately \$ million of available cash from the net proceeds of this offering, based on an offering price of \$ per share, together with additional credit facilities that we expect will be available to us, to fund acquisitions in line with our growth strategy and provide cash for general corporate purposes.

We commenced business operations in April 2010 with the goal of building an enduring product and chemical tanker company that emphasizes service excellence, innovation, and operational efficiency through our focus on high quality, fuel-efficient vessels. We are led by a team of experienced senior managers who have previously held senior management positions with highly regarded public shipping companies and financial institutions. Our principal executive office is located in Hamilton, Bermuda and our principal operating office is based in Cork, Ireland.

We are strategically focused on modern, fuel-efficient, mid-size product and chemical tankers. According to Drewry Maritime Research, as of February 2014, mid-size tankers comprise 32% of the world's deepsea seaborne transport capacity as measured by number of ships. There is significant overlap between the clean petroleum product ( CPP ) and chemical sectors 68.7% of mid-range ( MR ) product tankers are classed as IMO 3 or IMO 2, enabling them to carry selective chemicals and vegetable oils, and many mid-size chemical tankers (such as ours) carry CPP cargoes on a routine basis. We actively pursue opportunities to exploit this overlap in order to enhance earnings, and also seek to engage in more complex CPP trades, such as multi-grade and multi-port loading and discharging operations, where our knowledge of chemical operations is beneficial to our CPP customers.

Our fuel-efficient operations are designed to enhance our investment returns and provide value-added service to our customers. We believe we are on the forefront of fuel efficiency and emissions reduction trends and are well-positioned to capitalize on these developments by constructing new economically advanced vessels ( Eco-design ), modifying ships to improve fuel efficiency ( Eco-mod ), and equipping our fleet with engine diagnostic and ship performance management systems to optimize voyage performance. As a result, our Eco-mod vessels achieve lower fuel consumption and, in some cases, achieve performance close to that of new Eco-design vessels. All of our Ordered Vessels are Eco-design and we intend to make Eco-mod improvements to any secondhand acquisitions as necessary. Our acquisition strategy is to build our fleet with Eco-design newbuildings and modern secondhand vessels that can be upgraded to Eco-mod.

We have no related-party transactions concerning our vessel operations. Our wholly-owned subsidiary Ardmore Shipping Limited ( ASL ), carries out our management functions. ASL's office is in Cork, Ireland. We

## **Table of Contents**

believe this location affords us many advantages, including close proximity to London and other European shipping centers and supportive assistance from Irish government agencies such as the Irish Maritime Development Office ( IMDO ), and the National Maritime College of Ireland ( NMCI ). ASL currently has a staff of 14 employees and provides corporate and accounting services and fleet administration. Technical management of our vessels is performed by a combination of ASL and our third-party technical managers. ASL's operations team is directly responsible for insurance and for overseeing significant operational functions of the third-party technical managers. ASL's operations team also supervises the construction of our newbuildings in close coordination with the third-party supervision teams. We have a resolute focus on both high-quality service and efficient operations, and we believe that our corporate overhead and operating expenses are among the lowest of our peers.

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 a broad range of customers, including oil majors, national oil companies, oil and chemical traders, chemical companies, and a range of pooling service providers. We monitor the market to understand and best utilize our vessels and may change our chartering strategy to take advantage of changing market conditions.

We believe that the market for mid-size product and chemical tankers is in the early stages of a recovery from cyclical lows, resulting from strong underlying demand growth driven by both cyclical and secular trends, as well as a reduction in the supply overhang due to reduced ordering activity and an extended period of fleet growth at a rate below that of demand growth. The Company was formed at a historically low point in the shipping cycle which our management believes represented an opportunity to build our fleet and business with a low cost asset base. Shipping is a capital and operationally intensive business and the challenges in the global economy and shipping market continued throughout 2012 and 2013. While this has afforded an extended opportunity to acquire additional vessels, we have incurred accumulated losses of \$12.5 million in the periods ended December 31, 2010 through to December 31, 2013 as a result of company set-up costs, challenging shipping markets and ongoing investments in our fleet. We believe that we are well-positioned to benefit from the market recovery with a modern, fuel-efficient fleet, access to capital for growth, a diverse and high quality customer base, an emphasis on service excellence in an increasingly demanding regulatory environment, and a relative cost advantage in assets, operations and corporate overhead.

## **OUR CHARTERS**

We generate revenues by charging customers for the transportation of their petroleum or chemical products using our vessels. Historically, these services generally have been provided under the following basic types of contractual relationships:

*Time Charter:* vessels we operate and are responsible for crewing and for paying other operating expenses, such as repairs and maintenance, insurance, stores, lube oils, communication expenses, and technical management fees, are chartered to customers for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates, or current market rates.

*Commercial Pools:* our vessels are pooled together with a group of other similar vessels for economies of scale and the earnings are pooled and distributed to the vessel owners according to a prearranged agreement.

*Third-Party Spot Chartering Arrangement:* a third-party charterer and freight trader arranges spot employment for our vessels. Our third-party chartering manager contracts voyages for the vessel in the spot market and we will be responsible for all costs associated with operating the vessel including operating expenses, voyage costs, bunkers, port and canal costs, etc.

**Table of Contents**

The table below illustrates the primary distinctions among these types of charters and contracts.

	<b>Time Charter</b>	<b>Commercial Pool</b>	<b>Third Party Spot Chartering Arrangement</b>
Typical contract length	1 - 5 years	Indefinite	Indefinite
Hire rate basis(1)	Daily	Varies (daily rate reported)	N/A
Voyage expenses(2)	Charterer pays	Pool pays	We pay
Vessel operating costs(3)	We pay	We pay	We pay
Off-hire (4)	We pay	We pay	We pay

- (1) Hire rate refers to the basic payment from the charterer for the use of the vessel.
- (2) Voyage expenses is defined herein under Glossary of Shipping Terms.
- (3) Vessel operating costs is defined below under Important Financial and Operational Terms and Concepts.
- (4) Off-hire refers to the time a vessel is not available for service due primarily to scheduled and unscheduled repairs or drydocking.

**IMPORTANT FINANCIAL AND OPERATIONAL TERMS AND CONCEPTS**

We use a variety of financial and operational terms and concepts. These include the following:

**Vessel revenues.** Vessel revenues primarily include revenues from time charters, pool revenues and income from spot employment where the vessels are employed under a third party spot chartering arrangement. Vessel revenues are affected by hire rates and the number of days a vessel operates. Vessel revenues are also affected by the mix of business between vessels on time charter and vessels in pools. Revenues from vessels in pools or employed in the spot market are more volatile, as they are typically tied to prevailing market rates.

**Voyage expenses.** Voyage expenses are all expenses related to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees. These expenses are subtracted from shipping revenues to calculate TCE rates.

**Vessel operating costs.** We are responsible for vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, and technical management fees. The largest components of our vessel operating costs are generally crews and repairs and maintenance. Expenses for repairs and maintenance tend to fluctuate from period to period because most repairs and maintenance typically occur during periodic drydockings. Please read Drydocking below. We expect these expenses to increase as our fleet matures and to the extent that it expands.

**Drydocking.** We must periodically drydock each of our vessels for inspection, and any modifications to comply with industry certification or governmental requirements. Generally, each vessel is drydocked every 30 to 60 months.

**Depreciation.** Depreciation expense typically consists of charges related to the depreciation of the historical cost of our fleet (less an estimated residual value) over the estimated useful lives of the vessels and charges relating to the depreciation of upgrades to vessels, which are depreciated over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade.

**Amortization of deferred drydock expenditure.** Amortization of deferred drydock expenditure relates to the amortization of drydocking expenditures over the estimated number of years to the next scheduled drydocking.

**Time Charter Equivalent Rates.** TCE rates are a standard industry measure of the average daily revenue performance of a vessel. The TCE rate achieved on a given voyage is expressed in U.S. dollars per day and is



## **Table of Contents**

generally calculated by subtracting voyage expenses, including bunkers and port charges, from voyage revenue and dividing the net amount (time charter equivalent revenues) by the number of days in the period. In the case of time charters or commercial pool employment the TCE will generally equal the charter rate or daily pool rate.

**Revenue Days.** Revenue days are the total number of calendar days our vessels were in our possession during a period, less the total number of off-hire days during the period generally associated with repairs or drydockings. Consequently, revenue days represent the total number of days available for the vessel to earn revenue. Idle days, which are days when a vessel is available to earn revenue, yet is not employed, are included in revenue days. We use revenue days to show changes in net voyage revenues between periods.

**Operating Days.** Operating days are the number of days our vessels are in operation during the year. Where a vessel is under our ownership for a full year, operating days will generally equal calendar days. Days when a vessel is in drydock are included in the calculation of operating days as we incur operating expenses while in drydock.

**Commercial Pools.** To increase vessel utilization and thereby revenues, we participate in commercial pools with other ship owners of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial charterers and operators who have close working relationships with customers and brokers, while technical management is performed by each ship owner. Pools negotiate charters with customers primarily in the spot market. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and Contracts of Affreightment ( COAs ), thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market while providing a higher level of service offerings to customers.

## **FACTORS YOU SHOULD CONSIDER WHEN EVALUATING OUR RESULTS**

We face a number of risks associated with our business and industry and must overcome a variety of challenges to utilize our strengths and implement our business strategy. These risks include, among others, the highly cyclical tanker industry; partial dependence on spot charters; fluctuating charter values; changing economic, political and governmental conditions affecting our industry and business; material changes in applicable laws and regulations; full performance by counterparties, particularly charterers; acquisitions and dispositions; increased operating expenses; increased capital expenditures; taxes; maintaining customer relationships; maintaining sufficient liquidity; financing availability and terms; and management turnover.

## **RESULTS OF OPERATIONS**

Revenues and TCE revenues are generally equivalent because our vessels are primarily employed on time charter contracts or in a commercial pool. When a vessel is on time charter, the customer pays us the contract revenue, and the customer is responsible for all of the voyage expenses. When a vessel is in commercial pool, the customer pays us the vessel's allocated earnings within the commercial pool, which we record as revenue, and the pool is also responsible for the voyage expenses. The vessel's allocated earnings in the pool are reduced to reflect the commercial management fee charged by the commercial pool manager.

Shipowners base economic decisions regarding the deployment of their vessels upon actual and anticipated 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. Accordingly, the discussion of revenue below focuses on TCE rates where applicable.

**Table of Contents**

The following tables present our operating results for the years ended December 31, 2013 and 2012.

**STATEMENT OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012**

INCOME STATEMENT DATA	For the years ended		Variance	Variance (%)
	Dec 31, 2013	Dec 31, 2012		
<b>REVENUE</b>				
Revenue	\$ 35,867,356	25,172,654	10,694,702	42.5%
<b>OPERATING EXPENSES</b>				
Commissions and voyage related costs	2,523,842	789,149	(1,734,693)	-219.8%
Vessel operating expenses	18,215,487	14,598,071	(3,617,416)	-24.8%
Charter hire costs		1,699,943	1,699,943	100.0%
Depreciation	8,388,208	6,195,416	(2,192,792)	-35.4%
Amortization of deferred drydock expenditure	1,420,814	441,491	(979,323)	-221.8%
General and administrative expenses	5,669,935	2,975,139	(2,694,796)	-90.6%
<b>Total operating expenses</b>	<b>36,218,286</b>	<b>26,699,209</b>	<b>(9,519,077)</b>	<b>-35.7%</b>
<b>(Loss)/profit from operations</b>	<b>(350,930)</b>	<b>(1,526,555)</b>	<b>1,175,625</b>	<b>77.0%</b>
Interest expense and finance costs	(3,464,006)	(2,966,014)	(497,992)	-16.8%
Interest income	6,059	4,713	1,346	28.6%
<b>Loss before taxes</b>	<b>(3,808,877)</b>	<b>(4,487,856)</b>	<b>678,979</b>	<b>15.1%</b>
Income tax	(33,726)	(51,237)	17,511	34.2%
<b>Net loss</b>	<b>\$ (3,842,603)</b>	<b>(4,539,093)</b>	<b>696,490</b>	<b>15.3%</b>

**Revenue.** Revenue for the year ended December 31, 2013 was \$35.9 million, an increase of \$10.7 million from \$25.2 million for the year ended December 31, 2012. Revenue days on owned vessels increased by 520 days from 2,129 days for the year ended December 31, 2012 to 2,649 days for the year ended December 31, 2013. Revenue on owned vessels for the year ended December 31, 2013 was \$35.9 million, an increase of \$12.3 million from \$23.6 million for the year ended December 31, 2012. The increase primarily relates to the *Ardmore Seavaliant* and *Ardmore Seaventure*, which were delivered on February 27, 2013 and June 7, 2013, respectively. In addition, the *Ardmore Centurion* was employed on a time charter until August 3, 2013 and following re-delivery to us, it was employed under a spot chartering arrangement. Under a time charter, voyage costs are borne by the charterer and thus revenue is recognized net of voyage expenses. Under a spot chartering arrangement, voyage expenses are borne directly by the company and thus revenue is recognized on a gross freight basis. Chartering days for chartered-in vessels decreased from 265 days for the year ended December 31, 2012 to nil for the year ended December 31, 2013. Chartering revenue for the year ended December 31, 2012 was \$1.5 million. This is due to re-delivery of chartered-in vessels (the *Hellespont Crusader* and the *Hellespont Commander*) that were delivered to us on May 12, 2011, and July 17, 2011, respectively. Gross fleet TCE rate increased by \$1,939 per day from \$10,911 for the year ended December 31, 2012 to \$12,850 for the year ended December 31, 2013.

**Commissions and voyage related costs.** Commissions and voyage related costs for the year ended December 31, 2013 were \$2.5 million, an increase of \$1.7 million from \$0.8 million for the year ended December 31, 2012. This increase is due to increases in revenue days and also voyage expenses related to the *Ardmore Centurion*'s employment in a spot chartering arrangement as of August 3, 2013. Under a spot chartering arrangement, all voyage expenses are borne by us, as opposed to the Charterer. Voyage costs also include bunker and other costs associated with drydockings which were not capitalized.

**Vessel operating expenses.** Vessel operating costs were \$18.2 million for the year ended December 31, 2013, an increase of \$3.6 million from \$14.6 million for the year ended December 31, 2012. These costs



**Table of Contents**

primarily comprise crew, technical, lube oil, and insurance expenses. The operating expenses are based on the number of operating days in the year. Operating days for our owned vessels were 2,703 days for the year ended December 31, 2012 as compared to 2,196 for the year ended December 31, 2012.

**Charter hire costs.** Charter hire costs were \$0 for the year ended December 31, 2013 as compared to \$1.7 million for the year ended December 31, 2012. Ardmore re-delivered two chartered-in vessels in 2012 (the *Hellespont Crusader* and the *Hellespont Commander*). Chartering days for chartered-in vessels were 265 for the year ended December 31, 2012.

**Depreciation.** Depreciation charges were \$8.4 million for the year ended December 31, 2013, an increase of \$2.2 million from \$6.2 million for the year ended December 31, 2012. This increase is a result of deliveries of the *Ardmore Seavalliant* and the *Ardmore Seaventure* which delivered on February 27, 2013 and June 7, 2013 respectively, along with timing of depreciation on upgrades and vessel equipment purchased. Our vessels are depreciated over an estimated useful life of 25 years on a straight line basis to their residual value (scrap value). The rate used to calculate the residual value is \$300 per lightweight ton. Upgrades are depreciated on a straight line basis over the shorter of the life of the upgrade or the remaining life of the vessel.

**Amortization of deferred drydock expenditure.** Amortization of deferred drydock expenditure for the year ended December 31, 2013 was \$1.4 million, an increase of \$1.0 million from \$0.4 million for the year ended December 31, 2012. The capitalized costs of drydocking are depreciated on a straight line basis to the next scheduled drydocking. As such, the movement in amortization of deferred drydock expenditure is in line with timing of vessels undergoing drydock.

**General and administrative expenses.** Total general and administrative expenses were \$5.7 million for the year ended December 31, 2013, as compared to \$3.0 million for the year ended December 31, 2012. \$0.7 million was incurred in relation to our IPO that was expensed as incurred. Non-cash share based compensation expense included in general and administrative expenses for the year ended December 31, 2013 amounted to \$0.6 million as compared to \$0.01 million for the year ended December 31, 2012. The remaining increase is due increased expenses as a consequence of being a public company. A significant portion of our general and administrative costs are incurred in Euros. These expenses are susceptible to foreign currency movements between U.S. dollars and Euros. However, we do not expect the impact of any fluctuations in foreign currency to have a material impact on us.

**Interest expense.** Total interest expense for the year ended December 31, 2013 was \$3.5 million as compared to \$3.0 million for the year ended December 31, 2012. Interest costs on senior debt were \$3.1 million for the year ended December 31, 2013, an increase of \$0.5 million from \$2.6 million for the year ended December 31, 2012. Interest incurred on capital leases was \$1.7 million for the year ended December 31, 2013 as compared to \$0 for the year ended December 31, 2012. Interest costs on our revolving credit facility for the year ended December 31, 2013 were \$0 as compared to \$0.5 million for the year ended December 31, 2012. Amortized deferred finance fees for the year ended December 31, 2013 were \$0.8 million, as compared to \$0.3 million for the year ended December 31, 2012.

We capitalize interest costs that are attributable to amounts advanced for vessels under construction. Where a loan is directly attributable to vessels under construction, we capitalize this interest in full. Where we have not financed the advances for vessels under construction with a loan, we attribute capitalized interest to these amounts based on the weighted average interest rate for the period ( capitalized interest ). Total capitalized interest was \$2.2 million for the year ended December 31, 2013, an increase of \$1.7 million from \$0.5 million for the year ended December 31, 2012.

**Interest income.** Interest income for the year ended December 31, 2013 was \$6,059, an increase of \$1,346 from \$4,713 for the year ended December 31, 2012. This increase is due to increased interest earned on our cash balances for the year ended December 31, 2013.

**Income tax.** Income tax for the year ended December 31, 2013 was \$33,726, a decrease of \$17,511 from \$51,237 for the year ended December 31, 2012. A valuation allowance for deferred tax of \$24,341 was provided

**Table of Contents**

for in the year ended December 31, 2012. A further decrease in income tax was realized due to timing of our chartered-in activities. This was offset by an increase in tax arising from a larger fleet as a result of deliveries of the *Ardmore Seavalliant* and the *Ardmore Seaventure* which delivered on February 27, 2013 and June 7, 2013 respectively.

**Net loss.** Net loss was \$3.8 million for the year ended December 31, 2013 as compared to a net loss of \$4.5 million for the year ended December 31, 2012.

**STATEMENT OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011**

INCOME STATEMENT DATA	For the years ended		Variance	Variance (%)
	Dec 31, 2012	Dec 31, 2011		
<b>REVENUE</b>				
Revenue	\$ 25,172,654	22,375,414	2,797,240	12.5%
<b>OPERATING EXPENSES</b>				
Commissions and voyage related costs	789,149	468,067	(321,082)	-68.6%
Vessel operating expenses	14,598,071	12,186,825	(2,411,246)	-19.8%
Charter hire costs	1,699,943	1,663,380	(36,563)	-2.2%
Depreciation	6,195,416	5,343,091	(852,325)	-16.0%
Amortization of deferred drydock expenditure	441,491		(441,491)	-100.0%
General and administrative expenses	2,975,139	2,599,031	(376,108)	-14.5%
<b>Total operating expenses</b>	<b>26,699,209</b>	<b>22,260,394</b>	<b>(4,438,815)</b>	<b>-19.9%</b>
<b>(Loss)/profit from operations</b>	<b>(1,526,555)</b>	<b>115,020</b>	<b>(1,641,575)</b>	<b>-1427.2%</b>
Interest expense and finance costs	(2,966,014)	(3,080,472)	114,458	3.7%
Interest income	4,713	3,608	1,105	30.6%
<b>Loss before taxes</b>	<b>(4,487,856)</b>	<b>(2,961,844)</b>	<b>(1,526,012)</b>	<b>-51.5%</b>
Income tax	(51,237)	(13,426)	(37,811)	-281.6%
<b>Net loss</b>	<b>\$ (4,539,093)</b>	<b>(2,975,270)</b>	<b>(1,563,823)</b>	<b>-52.6%</b>

**Revenue.** Revenue for the year ended December 31, 2012 was \$25.2 million, an increase of \$2.8 million from \$22.4 million for the year ended December 31, 2011. The *Ardmore Calypso* and *Ardmore Capella* were delivered to Ardmore on June 11, 2011 and July 1, 2011, respectively. As these vessels were trading for a full year in 2012, this resulted in an increase in revenue days of 315 days. Chartering days for our chartered-in vessels was 265 for the year ended December 31, 2012, an increase of 5 days from 260 days for the year ended December 31, 2011. Time charter revenue was \$17.7 million for the year ended December 31, 2012, an increase of \$3.2 million from \$14.5 million for the year ended December 31, 2011. Pool revenue was \$7.5 million for the year ended December 31, 2012, a decrease of \$0.4 million as compared to \$7.8 million for the year ended December 31, 2011. This decrease is due to re-delivery of chartered in vessels (the *Hellespont Crusader* and the *Hellespont Commander*) that were delivered to us on May 12, 2011, and July 17, 2011, respectively.

**Commissions and voyage related costs.** Commissions and voyage related costs for the year ended December 31, 2012 were \$0.8 million, an increase of \$0.3 million from \$0.5 million for the year ended December 31, 2011. Revenue days for the year ended December 31, 2012 were 2,394 days as compared to 2,074 days for the year ended December 31, 2011 an increase in hire days of 321 days. Voyage costs include bunker costs associated with drydockings which were not capitalized.

**Vessel operating expenses.** Vessel operating costs were \$14.6 million for the year ended December 31, 2012, an increase of \$2.4 million from \$12.2 million for the year ended December 31, 2011. These costs primarily comprise crew, technical, lube oil, and insurance expenses. The operating expenses are based on the



---

**Table of Contents**

number of operating days in the year. Operating days for our owned vessels were 2,196 days for the year ended December 31, 2012 as compared to 1,817 for the year ended December 31, 2011.

**Charterhire costs.** Charterhire costs were \$1.70 million for the year ended December 31, 2012, an increase of \$0.04 million from \$1.66 million for the year ended December 31, 2011. We re-delivered two chartered-in vessels in 2012 (the Hellespont Crusader and the Hellespont Commander). Chartering days were 265 days for the year ended 2012 as compared to 260 for the year ended December 31, 2011.

**Depreciation.** Depreciation charges were \$6.2 million for the year ended December 31, 2012, an increase of \$0.9 million from \$5.3 million for the year ended December 31, 2011. Depreciation for the year ended December 31, 2012, on vessels which were acquired during 2011, was \$1.6 million, an increase of \$0.8 million from \$0.8 million for the year ended December 31, 2011. Upgrades are depreciated on a straight line basis over the shorter of the life of the upgrade or the remaining life of the vessel. Our vessels are depreciated over an estimated useful life of 25 years on a straight line basis to their residual value (scrap value). The rate used to calculate the residual value is \$300 per lightweight ton.

**Amortization of deferred drydock expenditure.** Amortization of deferred drydock expenditure for the year ended December 31, 2013 was \$0.4 million, an increase of \$0.4 million from \$0 for the year ended December 31, 2012. The capitalized costs of drydocking are depreciated on a straight line basis to the next scheduled drydocking. As such, the movement in amortization of deferred drydock expenditure is in line with timing of vessels undergoing drydock.

**General and administrative expenses.** Total general and administrative expenses were \$3.0 million for the year ended December 31, 2012, an increase of \$0.4 million from \$2.6 million for the year ended December 31, 2011. Total personnel costs were \$1.5 million for the year ended December 31, 2012, as compared to \$1.4 million for the year ended December 31, 2011. A significant portion of our general and administrative costs are incurred in Euros. These expenses are susceptible to foreign currency movements between US\$ and Euros. However, we do not expect the impact of any fluctuations in foreign currency to have a material impact on us.

**Interest expense.** Total interest expense for the year ended December 31, 2012 was \$3.0 million as compared to \$3.1 million for the year ended December 31, 2011. Interest costs on senior debt were \$2.6 million for the year ended December 31, 2012, an increase of \$0.5 million from \$2.1 million for the year ended December 31, 2011. Interest costs on our revolving credit facility for the year ended December 31, 2012 were \$0.5 million as compared to \$0.7 million for the year ended December 31, 2011. Amortized deferred finance fees for the year ended December 31, 2012 were \$0.3 million, flat from \$0.3 million for the year ended December 31, 2011. Our weighted average interest rate for the year ended December 31, 2012 on senior debt was 4.1%, an increase of 0.3% as compared to 3.8% for the year ended December 31, 2011.

We capitalize interest costs that are attributable to amounts advanced for vessels under construction. Where a loan is directly attributable to vessels under construction, we capitalize this interest in full. Where we have not financed the advances for vessels under construction with a loan, we attribute capitalized interest to these amounts based on the weighted average interest rate for the period ( imputed capitalized interest ). Total imputed capitalized interest was \$0.5 million for the year ended December 31, 2012, an increase of \$0.5 million from \$0 for the year ended December 31, 2011.

**Interest income.** Interest income for the year ended December 31, 2012 was \$4,713, an increase of \$1,105 from \$3,608 for the year ended December 31, 2011. This increase is due to increased interest earned on our cash balances for the year ended December 31, 2012.

**Income tax.** Income tax for the year ended December 31, 2012 was \$51,237, an increase of \$37,811 from \$13,426 for the year ended December 31, 2011. A valuation allowance for deferred tax of \$24,341 was provided for in the year ended December 31, 2012, a \$40,440 increase from the deferred tax asset of \$16,099 recognized in

---

## **Table of Contents**

the year ended December 31, 2011. A further decrease in income tax was realized due to timing of our chartered-in activities. This was offset by an increase in tax arising from a larger fleet as a result of deliveries of the *Ardmore Calypso* and the *Ardmore Capella* on June 11, 2011 and July 1, 2011, respectively.

**Net loss.** Net loss was \$4.5 million for the year ended December 31, 2012 as compared to a net loss of \$3.0 million for the year ended December 31, 2011

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity**

Our primary source of funds for our short-term and long-term liquidity needs is the cash flows generated from our vessel operations. Eight of our Operational Vessels are on time charter arrangements and two are employed in commercial pools. We intend to place our Ordered Vessels on one time charters or in the spot market upon delivery to us, commencing late in February 2014. Time charters provide contracted revenue that reduces the volatility (rates can fluctuate within months) and seasonality (rates are generally stronger in first and fourth quarters of the year) from vessels that operate in the spot market. Two of our Operation Vessels are employed in a third-party commercial pool for chemical tankers. The commercial pool reduces volatility because it aggregates the revenues and expenses of all pool participants and distributes net earnings to the participants based on an agreed upon formula.

As of December 31, 2013, our cash balance was \$56.9 million, which is a \$41.6 million increase from our cash balance of \$15.3 million as of December 31, 2012. This is primarily due to net proceeds from our IPO along with proceeds from debt and capital lease drawdowns that were offset by installment payments in respect of our Ordered Vessels.

Our long term liquidity needs are met through our long term debt obligations.

Ten of our Operational Vessels have senior debt facilities in place, none of which expire until 2018. Of the three debt facilities that we currently have in place, two are with ABN AMRO Bank N.V. based in the Netherlands (the First ABN AMRO Facility and the Second ABN AMRO Facility ), and one is with DVB Bank SE based in Germany (the DVB Facility ). We also have a capital lease financing facility for two of the vessels with ICON Investments based in New York, USA (the ICON Capital Leases ) in an amount of \$31.5 million.

The First ABN AMRO Facility is in the amount of \$40.5 million and bears interest at a rate of 3.25% above LIBOR. We entered into this facility to finance the acquisition of the *Ardmore Seatrader*, the *Ardmore Calypso* and the *Ardmore Capella*. This loan was drawn down in three tranches. The first tranche was drawn down in April 2011 and the second and third tranches were drawn down in June 2011, totaling \$32.0 million. The remaining \$8.5 million is no longer available for borrowing. On March 28, 2013 two of the subsidiaries subject to the First ABN AMRO Facility entered into an agreement for the sale and leaseback (under the ICON Capital Leases) for \$31.5 million. As part of this arrangement, the senior debt outstanding on the *Ardmore Calypso* and *Ardmore Capella* was repaid in full on April 2, 2013. The amount repaid was \$17.9 million. As such, of the First ABN AMRO Facility, one vessel remains with debt outstanding and this fully matures in 2018.

The Second ABN AMRO Facility is in the amount of \$48.9 million and bears interest at a rate of 3.20% above LIBOR. We entered into this facility to finance the acquisition of the *Ardmore Seavalliant* and the *Ardmore Seaventure* and the full amount, \$48.9 million, of this facility was drawn down in line with its terms.

The DVB Facility is in the amount of \$81.9 million. The first tranche, which was drawn down in October 2012, bears interest at a rate of 3.75% above LIBOR. The second and third tranche were drawn down in January 2014 and February 2014, and bear interest at a rate of 2.45% above LIBOR. We entered into the DVB Facility to



**Table of Contents**

finance the *Ardmore Seafarer*, *Ardmore Seamaster*, *Ardmore Centurion*, *Ardmore Seavantage* and *Ardmore Seavanguard*. The amount drawn down under this facility as of December 31, 2013 was \$36.9 million. The remainder of the DVB Facility, \$45.0 million, was drawn down in two equal installments just prior to delivery of the *Ardmore Seavantage* and *Ardmore Seavanguard* in January 2014 and February 2014, respectively.

Ardmore has signed a commitment letter for a senior credit facility with ABN AMRO Bank N.V., Nordea Bank Finland Plc and Skandinaviska Enskilda Banken AB (the Joint Facility), the amount of \$172.0 million to finance eight of our Ordered Vessels. Draw downs will be made in line with deliveries of each vessel, commencing in January 2015. Interest is calculated on each tranche at a rate of 3.15% above LIBOR. Draw downs are subject to customary conditions including the absence of any material adverse change. The terms of the Joint Facility include an accordion option whereby, subject to lenders approval, we may request to increase the Joint Facility to finance the acquisition of additional vessels.

We are also in advanced discussions with our relationship banks and have received non-binding indicative terms for two additional debt facilities (the Prospective Debt Facilities). If obtained, we intend to use these facilities to finance the remaining two of our Ordered Vessels and the *Ardmore Seamariner* which was acquired in October 2013 with cash.

Agreements related to long-term debt obligations stated above include certain covenants. The financial covenants include:

corporate leverage of less than 75%;

minimum cash and cash equivalents based on the number of vessels owned and chartered-in and debt service requirements. Our required minimum cash balance as at December 31, 2013 was \$4,800,000;

the aggregate fair market value of the collateral vessels plus any additional collateral shall, depending on the facility, be no less than 125% to 150% of the debt outstanding (value maintenance covenant); and

net worth of not less than \$45 million.

The long-term debt obligations 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. We are fully compliant with all of our loan covenants as of December 31, 2013.

**CASHFLOW DATA FOR THE YEARS ENDED DECEMBER 31, 2013, DECEMBER 31, 2012 AND DECEMBER 31, 2011**

CASHFLOW DATA	For the years ended		
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Net cash provided by operating activities	\$ 8,120,173	3,985,253	397,273
Net cash used in investing activities	(144,637,558)	(14,941,514)	(56,920,554)
Net cash provided by financing activities	178,044,107	20,830,080	56,779,795
<i>Cash provided by operating activities</i>			

For the year ended December 31, 2013 cash flow provided by operating activities amounted to \$8.1 million. Net profit (after adding back depreciation, amortization and other non-cash items) was an inflow of \$7.3 million. Changes in operating assets and liabilities amounted to an inflow of \$1.1 million and payments for drydock of \$0.2 million in the year then ended.

For the year ended December 31, 2012, cash flow provided by operating activities amounted to \$4.0 million. The net profit (after adding back depreciation, amortization and other non-cash items) was an inflow of \$2.4 million. Changes in operating assets and liabilities accounted for an inflow of \$4.6 million and drydock payments amounted to \$3.0 million.



**Table of Contents**

For the year ended December 31, 2011, cash flow provided by operating activities to \$0.4 million. Net profit (after adding back depreciation, amortization and other non-cash items) was an inflow of \$2.7 million. Changes in operating assets and liabilities for the year then ended accounted for a \$2.3 million outflow. There were no payments for drydock for the year ended December 31, 2011.

*Cash used by investing activities*

For the year ended December 31, 2013, net cash used in investing activities was \$144.6 million. Investment in secondhand vessels, the completion of vessels and vessel equipment was \$63.5 million for the year the ended. Payments for vessels still under construction at December 31, 2013 were \$81.1 million, due to new orders placed within the year. In addition to these outflows, \$0.07 million was spent on other assets for the year ended December 31, 2013 which primarily relates to expenditure on IT infrastructure and further office fit out.

For the year ending December 31, 2012, net cash used in investing activities was \$14.9 million. Investment in secondhand vessels, the completion of vessels and vessel equipment was \$1.3 million. Payments for vessels under construction were \$13.6 million and \$0.05 million was spent on other assets for the year ended December 31, 2012.

For the year ended December 31, 2011, the net cash used in investing activities was \$56.9 million. Investment in vessels, vessel equipment and vessels under construction was \$56.8 million and \$0.1 million was spent on other assets for the year then ended.

*Cash provided by financing activities*

For the year ended December 31, 2013, the net cash provided by financing activities was \$178.0 million. Drawdowns of senior debt amounted to \$47.0 million and repayments of senior debt amounted to \$25.3 million. Total proceeds and repayments of a capital lease arrangement amounted to \$31.5 million and \$1.1 million respectively. We also incurred costs of \$1.3 million in relation to deferred finance charges for senior loan facility that had not been drawn down at year end, along with commitment fees payable in respect of other financing committed for vessels under construction. Proceeds from our IPO amounted to \$140.0 million which was offset by \$11.6 million of IPO related expenses. A dividend was also paid on November 20, 2013 amounting to \$1.2 million.

For the year ended December 31, 2012, the net cash provided by financing activities was \$20.8 million. Drawdowns of senior debt amounted to \$38.7 million and a repayments in association with drawn down debt was \$37.2 million. A short term revolving credit facility of \$30.3 million was repaid and we also incurred costs of \$1.7 million in relation to deferred finance charges for senior loan facilities that had not been drawn down at year end. Additional paid in capital received from GA Holdings was \$51.3 million.

For the year ended December 31, 2011, the net cash provided by financing activities was \$56.8 million. Drawdowns in the year then ended amounted to \$32.0 million and repayments of senior debt for the year were \$4.4 million. Draw downs on our short term revolving credit facility were \$15.5 million and additional paid in capital received from GA Holdings was \$14.9 million. Amounts incurred for deferred finance charges amounted to a \$1.3 million outflow.

**CAPITAL EXPENDITURES**

**Drydock**

Three of our vessels completed in-water surveys in 2013. The drydocking schedule for our Operational Vessels that were in operation as of December 31, 2013 is as follows:

	For the years ended December 31				
	2014	2015	2016	2017	2018
Number of vessels in drydock (excl in-water surveys)	2	4	0	3	2

**Table of Contents**

We will continue to try to ensure dockings are staggered across the fleet. As our fleet matures and expands, our drydock expenses are likely to increase. Ongoing costs for compliance with environmental regulations and society classification survey costs are a component of our vessel operating costs.

**Newbuildings**

We have 11 Ordered Vessels in our Current Fleet. One of the vessels, the *Ardmore Seavanguard*, is scheduled to deliver on February 14, 2014. On February 11, 2014, \$22.5 million was drawn down from the DVB Facility to finance the delivery installment of this vessel. In addition, we have a commitment letter with three of our relationship banks for a credit facility for eight of these newbuildings and we are in discussions with another relationship bank for a credit facility to finance the remaining two vessels on order.

**Upgrades**

We intend to continue our investment program for vessel upgrades where possible to maintain operational efficiency, optimum commercial performance and preservation of asset value.

**Dividends**

We have declared dividends of \$3.0 million from August 1, 2013 to January 15, 2014. We paid \$1.2 million to our shareholders on November 20, 2013 and we expect to pay our shareholders \$1.8 million on February 14, 2014. While we cannot assure you that we will continue to do so, and subject to the limitations discussed below, we currently intend to pay our stockholders quarterly dividends of \$0.10 per share, or \$0.40 per share per year.

**CONTRACTUAL OBLIGATIONS**

The following table sets forth our total obligations on vessel finance and newbuild commitments as at December 31, 2013.

	FY 2014	FY 2015 - 2017	FY 2018 - 2020	Total
Vessels under construction	\$ 120,592,620	192,069,410		312,662,030
Debt	9,100,000	27,300,000	52,460,000	88,860,000
Vessels (acquired) deliveries	16,480,000			16,480,000
Interest expense(1)	3,184,493	7,473,220	1,253,331	11,911,044
Loan commitment fees	34,313			34,313
Office space	101,607	143,944		245,551
	<b>\$ 149,493,033</b>	<b>226,986,574</b>	<b>53,713,331</b>	<b>430,192,938</b>

(1) The interest expense on our loans is variable and based on LIBOR. The amounts in the above schedule were calculated using an interest swap rate of 0.4% plus a margin of 3.41% which is the weighted average margin on our senior loan facilities.

**OFF-BALANCE SHEET ARRANGEMENTS**

As of December 31, 2013, we have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital resources.

**DISCLOSURES ABOUT MARKET RISKS****Operational risk**

## Edgar Filing: Ardmore Shipping Corp - Form F-1

We are exposed to operating costs risk arising from various vessel operations. The key areas of operating risk include drydock, repair costs, insurance and piracy. Our risk management includes various strategies for

## **Table of Contents**

technical management of drydock and repairs coordinated with a focus on measuring cost and quality. Our young fleet helps to minimize the risk. Given the potential for accidents and other incidents that may occur in vessel operations, the fleet is insured against various types of risk. Finally, we have established a set of countermeasures in order to minimize this risk of piracy attacks during voyages, particularly through the Gulf of Aden and off the coast of Africa, to make the navigation safer for sea staff and to protect our assets.

### **Foreign exchange risk**

The majority of our transactions, assets and liabilities are denominated in U.S. dollars. We incur certain general and operating expenses in other currencies (primarily Euro, Singapore Dollar, Pounds Sterling and Hong Kong Dollar) and as a result there is a transactional risk to us where the risk that currency fluctuations will 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 have not entered into any derivative contracts for either transaction or translation risk during the year.

### **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 margins, results of operations and our ability to repay debt. Lower interest rates lower the returns on cash investments. We regularly monitor interest rate exposure and will enter into swap arrangements to hedge exposure where it is considered economically advantageous to do so.

### **Credit risk**

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are held across two banks Nordea Bank Finland Plc and Morgan Stanley & Co. LLC. While we believe this risk of loss is low, we keep this under review and will 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 trade accounts receivable.

We may have a 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 of December 31, 2013, eight of our Operational Vessels were employed with five different charterers.

### **Liquidity risk**

The 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 its liquidity by strict forecasting of cash flows arising from time charter revenue, pool revenue, vessel operating expenses, general and administrative overhead and servicing of debt.

### **Inflation**

We do not expect inflation to be a significant risk to direct expenses in the current and foreseeable economic environment.

## **CRITICAL ACCOUNTING ESTIMATES**

In the application of our accounting policies, which are prepared in conformity with U.S. GAAP, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities, and

## Table of Contents

revenues and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments and estimates are as follows:

**Revenue recognition.** If a time charter agreement exists, the rate is fixed or determinable, service is provided and collection of the related revenue is reasonably assured, then we recognize revenues over the term of the time charter. We do not recognize revenue during days the vessel is offhire. Where the time charter contains a profit or loss sharing arrangement, the profit or loss is recognized based on amounts earned or incurred as of the reporting date.

Revenues and voyage expenses of our vessels operating in pool arrangements are pooled with the revenues and voyage expenses of other pool participants. The resulting net pool revenues, calculated on the time charter equivalent basis, are allocated to the pool participants according to an agreed formula. The formula used to allocate net pool revenues vary among different pools but generally allocates revenues to pool participants on the basis of the number of days a vessel operates in the pool with weighted adjustments made to reflect the vessel's differing capacities and performance capabilities. We account for our vessels share of net pool revenue on the allocated time charter equivalent on a monthly basis. Net pool revenues due from the pool are included in trade receivables.

**Shares-Based Compensation.** We may grant share-based payment awards, such as restricted stock units, as incentive-based compensation to certain employees. Stock Appreciation Rights (SARs) were granted to certain employees and officers in August 2013. We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the award, volatility and dividend yield, and making certain assumptions about the award.

**Depreciation.** Vessels are depreciated on a straight-line basis over their estimated useful economic life from the date of initial delivery from the shipyard. The useful life of our vessels is estimated at 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton. The estimated scrap value is reviewed each year.

**Vessel impairment.** Vessels and equipment that are held and used are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such indicators are present, a vessel to be held and used is tested for recoverability by comparing the estimate of future undiscounted net operating cash flows expected to be generated by the use of the vessel over its remaining useful life and its eventual disposition to its carrying amount. An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset.

Net operating cash flows are determined by applying various assumptions regarding future revenues net of commissions, operating expenses, scheduled drydockings, expected offhire and scrap values. These assumptions are based on historical trends as well as future expectations. Specifically, in estimating future charter rates, management takes into consideration rates currently in effect for existing time charters and estimated daily time charter equivalent rates for each vessel class for the unfixed days over the estimated remaining lives of each of the vessels. The estimated daily time charter equivalent rates used for unfixed days are based on a combination of

**Table of Contents**

internally forecasted rates that are consistent with forecasts provided to senior management and our board of directors, and the trailing 10-year historical average one-year time charter rates, based on average rates published by maritime researchers. Recognizing that rates tend to be cyclical, and subject to significant volatility based on factors beyond our control, management believes the use of estimates based on the combination of internally forecasted rates and 10-year historical average rates calculated as of the reporting date to be reasonable. Estimated outflows for operating expenses and drydocking requirements are based on historical and budgeted costs and are adjusted for assumed inflation. Utilization is based on historical levels achieved and estimates of a residual value are consistent with scrap rates used in management's evaluation of scrap value.

Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate at the time they were made, such assumptions are highly subjective and likely to change, possibly materially, in the future. There can be no assurance as to how long charter rates and vessel values will remain at their current low levels or whether they will improve by a significant degree. If charter rates were to remain at depressed levels, future assessments of vessel impairment would be adversely affected.

In recent years, the market values of vessels have experienced particular volatility, with substantial declines in many of the charter-free market value, or basic market value, of various vessel classes. As a result, our vessels may have declined below those vessels' carrying value, even though we did not impair those vessels' carrying value under our impairment accounting policy. This is due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

Our estimates of basic market value assume that our vessels are all in good and seaworthy condition without need for repair and, if inspected, would be certified in class without notations of any kind. Our estimates are based on the estimated market values for our vessels that we have received from independent ship brokers, reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values and news and industry reports of similar vessel sales. Vessel values are highly volatile and as such, our estimates may not be indicative of the current or future basic market value of our vessels or prices that we could achieve if we were to sell them.

The table set forth below indicates the carrying value of each of our owned vessels as of December 31, 2013, at which time we were not holding any of the vessels listed in the table below as held for sale. We believe that the future undiscounted cash flows expected to be earned by those vessels, which have experienced a decline in charter-free market value below such vessels' carrying value, over their operating lives would exceed such vessels' carrying values as of December 31, 2013, and accordingly, have not recorded an impairment charge.

	Built	DWT	Carrying Value as at(1)(2)	
			Dec 31, 2013	Dec 31, 2012
<i>Ardmore Seavalliant</i>	2013	49,998	\$ 38,494,348	\$
<i>Ardmore Seaventure</i>	2013	49,998	39,171,535	
<i>Ardmore Seatrader</i>	2002	47,141	20,466,413	22,075,898
<i>Ardmore Seamaster</i>	2004	45,840	22,102,978	23,676,818
<i>Ardmore Seafarer</i>	2004	45,744	22,219,081	23,815,239
<i>Ardmore Centurion</i>	2005	29,006	18,961,493	19,561,767
<i>Ardmore Calypso</i>	2010	17,589	18,987,607	19,676,603
<i>Ardmore Capella</i>	2010	17,567	18,401,311	19,190,083
<b>Total</b>			<b>\$ 198,804,766</b>	<b>\$ 127,996,408</b>

- (1) Carrying value includes drydock, upgrades, capitalized interest, supervision fees and other newbuilding pre-delivery costs.
- (2) Deposits paid, or costs incurred, in relation to the acquisition of secondhand vessels are not presented in the above table.



**Table of Contents**

We estimate that the aggregate carrying value of these vessels exceeds their aggregate basic charter-free market value by \$3.8 million as of December 31, 2013 and \$16.5 million as at December 31, 2012. We believe that four of our vessels carrying value exceeded the basic charter-free market value as of December 31, 2013 and that six of our vessels carrying value exceeded the basic charter-free market value as of December 31, 2012. We did not impair any vessels due to our impairment accounting policy as future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed these vessels' carrying amounts. In addition to carrying out our impairment analysis, we performed sensitivity analysis for a 10% reduction in forecasted vessel utilization and a 10% reduction in time charter rates and in each scenario the future undiscounted cash flows significantly exceeded the carrying value of our vessels.

**Contingencies.** Claims, suits and complaints arise in the ordinary course of our business. We provide for contingent liabilities when (i) it is probable that a liability has been incurred at the date of the financial statements and (ii) the amount of the loss can be reasonably estimated.

**Financial instruments.** The carrying values of cash and cash equivalents, accounts receivable and accounts payable reported in the consolidated balance sheet for those financial instruments are reasonable estimates of their fair values due to their short-term nature.

**Table of Contents**

**THE INTERNATIONAL PRODUCT AND CHEMICAL TANKER INDUSTRY**

*The information and data contained in this prospectus relating to the international product and chemical tanker shipping industries has been provided by Drewry Maritime Research ( Drewry ), and is taken from Drewry 's database and other sources. Drewry has advised that: (i) some information in their database is derived from estimates or subjective judgments; (ii) the information in the databases of other maritime data collection agencies may differ from the information in their database. We believe that all third-party data provided in this section, The International Product and Chemical Tanker Industry, is reliable.*

**Summary**

Seaborne trade in refined products and chemicals/oils and fats grew by a compound annual growth rate ( CAGR ) of 4.6% and 4.7%, respectively from 2003 to 2013 and by a CAGR of 3.8% and 2.9%, respectively, from 2008 to 2013. Growth in trade in both sectors has been underpinned by a number of factors, most notably:

demand for oils and chemicals in the developing world;

geographical shifts in the location of refinery capacity, and

the development of shale reserves in the United States which is transforming the U.S. energy economy and turning the country into a major exporter of products.

**Product and Chemical Tanker Shipping Key Features**

Growth in trade and the changes in geographical trade patterns have been beneficial to the requirement for shipping these cargoes. Tonne-mile demand in the product sector increased by a CAGR of 6.0% in the period 2003 to 2013, driven by increasing cargo volumes as well as expanding average voyage lengths.

*Source: Drewry*

## **Table of Contents**

Growth in vessel demand is beginning to counter the significant increases in product and chemical tanker supply that took place between 2007 and 2013. The large orderbooks of up to 50% of the fleet in the product and chemical tanker sectors in the peak years of 2007 and 2008 have been reduced through deliveries exceeding new orders, although ordering in the product sector did increase in 2013. In January 2014 the MR product orderbook was equivalent to 17.3% of supply. In the chemical sector it was close to 12%.

Based on the current orderbook and scheduled deliveries, supply growth will be moderate in both sectors in 2014 and 2015. New orders are expected to continue to be placed, but many product tanker building shipyards are full and financing availability is still constrained.

The improving balance between vessel supply and demand rates in both sectors has led to improvements in charter rates and asset values, although both are still well below their last cyclical peaks.

## **Overview**

The maritime shipping industry is fundamental to international trade as it is the only practicable and cost effective means of transporting large volumes of many essential commodities and finished goods. The products tanker industry plays a vital link in the global energy supply chain while the chemical tanker industry is a central part of the global chemical industry, as it helps to correct imbalances between bulk liquid chemical production and consumption. Tanker markets are highly competitive, with ship charter hire rates sensitive to changes in demand for and supply of capacity, and are consequently cyclical and volatile. Tankers make up approximately one third of the world's merchant fleet by tonnage, including product tankers, which carry refined and unrefined petroleum products and chemical tankers which carry organic and inorganic chemicals plus vegetable oils, animal fats and special products such as molasses.

In broad terms, demand for the commodities traded by sea is principally affected by world and regional economic conditions, as well as other factors such as changes in the regional prices of raw materials and products. Demand for shipping is a product of the physical quantity of the cargo (measured, depending on the cargos in terms of tonnes, barrels, cubic metrics or standard container size) together with the distance the cargo is carried.

**Table of Contents**

Generally, demand cycles move broadly in line with developments in the global economy, with demand for product and chemical shipping slowing significantly in the period immediately after the onset of the global economic downturn in late 2008. In 2013, a total of 3.25 billion tonnes of crude oil, oil products and chemicals were moved by sea. Over the period from 2003 to 2013, the refined oil products trade has grown at an annual average rate of 4.6%, over five times the growth rate of the crude oil trade at 0.8%, while seaborne trade in chemicals grew at approximately 4.7% annually. Over the period from 2008 to 2013, the annual growth rates have been -0.2% for crude oil, 3.8% for oil products, and 2.9% for chemicals. Over the period from 2003 to 2013, seaborne trade in refined products and chemicals were two of the fastest growing sectors of international shipping. Recent trends in world seaborne tanker trades are summarized in the table below.

**World Seaborne Tanker Trades**

Year	Crude Oil		Oil Products		Chemicals		Total		Global GDP (IMF)
	%		%		%		%		%
	Mill T	y-o-y	Mill T	y-o-y	Mill T	y-o-y	Mill T	y-o-y	y-o-y
2000	1,764		555		111		2,430		4.8%
2001	1,818	3.1%	570	2.7%	114	3.0%	2,502	3.0%	2.3%
2002	1,828	0.5%	567	-0.5%	122	7.0%	2,516	0.6%	2.9%
2003	1,937	6.0%	611	7.7%	129	5.9%	2,677	6.4%	3.7%
2004	2,043	5.5%	637	4.2%	139	8.0%	2,819	5.3%	5.0%
2005	2,076	1.6%	696	9.4%	152	9.4%	2,924	3.7%	4.6%
2006	2,086	0.5%	740	6.3%	161	5.4%	2,987	2.1%	5.3%
2007	2,102	0.8%	738	-0.3%	175	9.0%	3,015	1.0%	5.4%
2008	2,111	0.4%	793	7.5%	177	1.1%	3,081	2.2%	2.6%
2009	2,025	-4.1%	834	5.1%	180	1.7%	3,039	-1.4%	-0.9%
2010	2,066	2.0%	883	5.9%	187	3.9%	3,136	3.2%	5.2%
2011	2,032	-1.6%	912	3.3%	196	4.8%	3,140	0.1%	3.9%
2012	2,075	2.1%	937	2.7%	200	2.0%	3,212	2.3%	3.2%
2013 (1)	2,090	0.7%	956	2.0%	204	2.0%	3,250	1.2%	2.9%
CAGR (2008-2013)	-0.2%		3.8%		2.9%		1.1%		
CAGR (2003-2013)	0.8%		4.6%		4.7%		2.0%		

(1) = provisional estimates

Source: Drewry

Supply is determined by the size of the existing fleet as measured by its deadweight cargo carrying capacity. It is influenced by a variety of factors, primarily the size of the existing fleet by number and ship size, the rate of deliveries of newbuildings, the rate of removals from the fleet (scrapping), and other operating efficiency factors (for example, port congestion and vessels speed) affecting the number of ships available for charter.

**Table of Contents**

The world tanker fleet is generally divided into four main categories of vessels based on the main type of cargo carried. These categories are crude oil, refined petroleum products (both clean and dirty products), chemicals, oils and fats and specialist products such as bitumen. The main ship types and the cargoes they carry are shown in the table below.

**Principal Tanker Types and Main Cargoes Carried**

Vessel Type	Ship Size-Dwt	Tank Type	IMO Status	Principal Cargo	Other Cargoes
UL/VLCC	200,000+	Uncoated		Crude Oil	
Suezmax	120,000-199,999	Uncoated		Crude Oil	
Aframax	80,000-119,999	Uncoated		Crude Oil	Refined Products-Dirty
Panamax	60,000-79,999	Uncoated		Crude Oil	Refined Products-Dirty
Long Range 2 (LR2)	80,000-119,999	Coated	Non IMO	Refined Products	Crude
Long Range 1 (LR1)	60,000-79,999	Coated	Non IMO	Refined Products	Crude
Medium Range (MR)	25,000-59,999	IMO 2-Coated		Refined Products	Chemicals/Veg Oils
	25,000-59,999	IMO 3-Coated		Refined Products	Chemicals/Veg Oils
	25,000-59,999	Non IMO-Coated		Refined Products	
		Non IMO-Uncoated		Refined Products	
Short Range (SR)	10,000-24,999	Coated	Non-IMO	Refined Products	
	10,000-24,999	Coated	IMO 1/2	Refined Products; Chemicals	
Stainless Steel Tankers	10,000+	Stainless	IMO 2	Chemicals/Veg Oils	Refined Products
Specialist Tankers	10,000+	Uncoated/Coated	Non IMO	Various e.g Bitumen	

Source: Drewry

In the refined product and chemical sectors there are a number of vessels that possess the ability to carry both types of cargo. These vessels do represent a swing element in supply in both of these markets. However, many vessels will tend to trade in either refined products or chemicals/oils and fats. The total tanker fleet and its trading status as of January 31, 2014 are shown in the table below.

**World Tanker Fleet and Trading Status**

Vessel Type	ShipSize-Dwt	IMO Status	Existing Fleet		Trading Status-January 31, 2014							
			No	Mill Dwt	Crude Oil		Refined Products		Chemicals/Veg Oils		Other	
			No	Mill Dwt	No	Mill Dwt	No	Mill Dwt	No	Mill Dwt	No	Mill Dwt
UL/VLCC	200,000+		620	190.2	620	190.2						
Suezmax	120,000-199,999		494	76.4	494	76.4						
Aframax	80,000-119,999		649	69.5	649	69.5						
Panamax	60,000-79,999		89	6.2	89	6.2						
Long Range 2 (LR2) (1)	80,000-119,999	Non IMO	252	27.2	49	5.2	199	21.6	4	0.4		
Long Range 1 (LR1)	60,000-79,999	Non IMO	326	23.8	3	0.2	320	23.4	3	0.2		
Medium Range (MR)												
	25,000-59,999	IMO 2	328	12.7			133	5	195	7.7		
	25,000-59,999	IMO 3	951	43.2			830	37.7	121	5.5		
	25,000-59,999	Non IMO-Coated	541	23.84		0.2	537	23.6				
	25,000-59,999	Non IMO-Uncoated	42	1.7								
Short Range (SR)	10,000-24,999	Non-IMO	52	0.8			50	0.7	2	0.1		
	10,000-24,999	IMO 1/2	842	12.5			392	5.8	450	6.6		
Stainless Steel Tankers	10,000+	IMO 2	562	12.2			10	0.2	552	12		
Specialist Tankers	10,000+	Non IMO	73	1.9					6	0.1	67	1.8
<b>Total Fleet</b>			<b>5,821</b>	<b>502.1</b>	<b>1,908</b>	<b>347.9</b>	<b>2,471</b>	<b>118.0</b>	<b>1,333</b>	<b>32.6</b>	<b>67</b>	<b>1.8</b>

Source: Drewry

---

## **Table of Contents**

From 1999 to February 2014, the world tanker fleet (of 10,000 dwt and above) expanded from 277.6 million dwt to 502.1 million dwt. Given that some of the ships within the fleet are capable of carrying different cargoes, the number of ships that can theoretically trade in the three main cargo groups – crude oil, refined products and chemicals/oils and fats and specialized cargoes – are as follows:

Crude oil tankers (1,852 vessels),

Oil products tankers (3,334 vessels),

Chemical tankers (considered separately; 2,683 vessels) and

Specialised tankers (73 vessels).

The existing supply and demand balance for vessel capacity is the primary factor in determining charter rates. Product and chemical tanker charter rates have been generally depressed since the financial crisis in 2008, as a result of the global economic slowdown and a high volume of deliveries causing surplus capacity in the market. However, in 2013 there were signs that both markets had started to recover.

Following a very difficult 2009 and 2010, product tanker spot charter rates have improved. In 2013, MR products tanker spot earnings averaged \$10,950 per day, compared with an average of \$9,043 per day in 2009. Time charter rates have been subject to less volatility, remaining in the range \$12,500 to \$15,500 per day since the start of 2010. From a longer-term perspective, the ten year average for MR product spot earnings is \$17,899 per day and for MR one-time charter rates is \$18,909. Spot earnings reached a high of \$42,099 per day and a low of \$5,174 per day over the last ten years.

The chemical tanker market has also experienced significant surplus capacity since the economic downturn in 2008. This over-capacity was partly a result of speculative newbuilding orders during the period 2005 to 2007, sometimes involving owners with relatively little experience in operating chemical tankers. From 2008 to 2010, the fleet grew at historically high levels, and at levels in excess of trade growth and ship demand. High numbers of newbuildings were delivered into the fleet until the end of 2011. Since then there have been marginal improvements in charter rates as seaborne demand has recovered. In 2013 the chemical tanker market remained generally over supplied but with trade growth recovering to historical averages and fleet growth slowing significantly and a small orderbook in place, there is upside to the medium term outlook.

There is also a second hand market for ships, with vessels changing ownership. Although it varies between sectors, the second hand sale and purchase market is relatively liquid for product tankers, with vessels changing hands between owners on a regular basis. Liquidity in the chemical sector is less, as this is a more specialist sector where there are a smaller number of sales. Second hand prices are generally influenced by potential vessel earnings, which in turn are influenced by trends in the supply of and demand for shipping capacity.

Over recent years, firm bunker prices, slow steaming and generally low freight rates have increased interest in eco ship designs. Shipyards are now actively marketing vessel designs that potentially offer significant fuel consumption savings and speed flexibility which has generated interest and new ordering activity. However, the exact commercial advantage of this new generation of vessels is still to be proved. There has also been an increased interest in retro-fit solutions and a growing requirement to address various regulatory issues such as emissions (NO<sub>x</sub>, SO<sub>x</sub> and Carbon) and the introduction of Ballast Water Treatment (BWT) systems.

### **Charter Market**

The charter market is highly competitive. Competition is based primarily on the offered charter rate, the location and technical specification of the vessel and the reputation of the vessel and its manager. Typically, the agreed terms are based on standard industry charter parties prepared to streamline the negotiation and documentation processes. The most common types of employment structures for a tanker are:

## Edgar Filing: Ardmore Shipping Corp - Form F-1

*Spot market:* The vessel earns income for each individual voyage and the owner pays for bunkers and port charges. Earnings are dependent on prevailing market conditions, which can be highly volatile. Idle time between voyages is possible depending on the availability of cargo and position of the vessel.

## **Table of Contents**

*Contract of affreightment:* Contracts of affreightment are agreements by vessel owners to carry quantities of a specific cargo on a particular route or routes over a given period of time using ships chosen by the vessel owners within specified restrictions. Contracts of affreightment function as a long-term series of spot charters, except that the owner is not required to use a specific vessel to transport the cargo, but instead may use any vessel in its fleet.

*Time charter:* A time charter is a contract for the hire of a vessel for a certain period of time, with the vessel owner being responsible for providing the crew and paying operating costs, while the charterer is responsible for fuel and other voyage costs. A time charter is comparable to an operating lease. Some time charters also have profit sharing arrangements, the details of which vary from charter to charter.

*Bareboat charter:* The ship owner charters the vessel to another company (the charterer) for a pre-agreed period and daily rate. The charterer is responsible for operating the vessel and for payment of the charter rates, irrespective of the condition of the vessel. A bareboat charter is comparable to a finance lease / capital lease.

*Pool employment:* The vessel is part of a fleet of similar vessels, brought together by their owners in order to exploit efficiencies and benefit from a profit sharing mechanism. The operator of the pool sources different cargo shipment contracts and directs the vessels in an efficient way to service these contractual obligations. Pools can benefit from profit and loss sharing effects and the benefits of potentially less idle time through coordination of vessel movements, but vessels sailing in a pool will also be vulnerable to adverse market conditions. The type of employment arrangement is determined by customer requirements for operational involvement and range of services, along with current market conditions.

## **The Product Tanker Industry**

### ***Introduction***

While crude oil tankers transport crude oil from points of production to points of consumption, typically oil refineries in consuming countries, product tankers can carry both refined and unrefined petroleum products, including some crude oil, as well as fuel oil and vacuum gas oil (often referred to as "dirty products") and gas oil, gasoline, jet fuel, kerosene and naphtha (often referred to as "clean products"). Tankers with IMO 2/3 certification are able to carry both products and chemicals/oils and fats. Product capable tankers make up 57% of the total tanker fleet (above 10,000 dwt) in numbers terms, and are therefore a key part of the global tanker trade.

*Source: Drewry*



## **Table of Contents**

### ***Oil Tanker Demand***

Oil has been the world's primary energy source for a number of decades. In 2013, oil accounted for around one third of world energy consumption. Daily oil demand increased from approximately 74.7 million barrels per day ( bpd ) in 1998 to 86.5 million bpd in 2008. Demand fell to 85.5 million bpd in 2009 following the global economic recession, but grew in subsequent years, reaching 90.9 million bpd in 2013. Global oil demand is projected to increase to 92.0 million bpd in 2014, an increase of 1.2 %.

Proven oil reserves totaled 1,653 billion barrels at the beginning of 2013, approximately 50 times larger than 2013 production levels (according to the *BP Statistical Review of World Energy June 2013*). Proven reserves tend to be located in regions far from major consuming countries, which contribute to demand for shipping. However, one important reversal of this tendency in recent years past has been the development of tight or shale oil reserves in the United States.

Demand for product tankers is dictated by world oil demand and trade, which is influenced by many factors including economic activity, geographic changes in oil production, consumption and refinery capacity, oil prices, the availability of transport alternatives (such as pipelines) and inventory policies of nations and oil trading companies. Tanker demand is a product of (a) the amount of cargo transported in tankers, multiplied by (b) the distance that cargo is transported. The distance is determined by seaborne trading and distribution patterns.

### **World Oil Consumption and Seaborne Oil Trades**

*(Percent change year on year)*

*Source: Drewry*

Oil demand growth and the changing location of oil supply have altered the structure of the tanker market in recent years. Between 2003 and 2008, more than half of new crude oil production was located in the Middle East and Africa. These two regions still produced approximately one third of global supply in 2013. However, in recent years, U.S. and Canadian crude oil production has increased as a result of the development of shale oil deposits. This has reduced U.S. seaborne crude import demand, but is resulting in greater oil product volumes becoming available for export from the U.S. Gulf in particular and thereby providing increased employment opportunities for product tankers

Demand cycles in the oil tanker industry move broadly in line with developments in the global economy. Between 2003 and 2008, seaborne products trade grew strongly. However, following the financial downturn, total oil demand growth slowed markedly, while global seaborne crude oil trade declined, as shown in the graph below. More positively, seaborne oil products trade firmed between 2008 and 2012. Recent trends include the contraction of U.S. seaborne crude imports and continued growth in non-OECD crude imports.

**Table of Contents**

In 2013 total seaborne trade in products was just less than one billion tonnes. As the chart below indicates, trade has grown quite steadily over the last decade.

**Seaborne Products Trade***(Million Tonnes)**Source: Drewry*

As a result of the growth in trade and the changes in the location of refinery capacity, demand for product tankers expressed in terms of tonne-miles have grown by a CAGR of 6.0% over the past ten years.

**Products Tanker Demand**

Products	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR % 2003-2013
<b>Seaborne Trade - Million Tonnes</b>	567	611	637	696	740	738	793	834	883	912	937	956	<b>4.4%</b>
<b>Tonne Mile Demand - Billion Tonne Miles</b>	1,371	1,441	1,498	1,713	1,836	1,891	2,092	2,339	2,453	2,498	2,572	2,650	<b>6.0%</b>
<b>Average Voyage Lengths (Miles)</b>	2,418	2,359	2,353	2,460	2,481	2,563	2,638	2,805	2,778	2,740	2,745	2,772	<b>1.5%</b>

*Source: Drewry*

In terms of tonne-mile demand, a notable development in the patterns of world refining over the last five years has been the shift towards crude oil producing regions developing their own refinery capacity, while at the same time, poor refinery margins have led to closures of refineries in the developed world, most notably in Europe and on the U.S. east coast.

In particular, in recent years there has been a trend towards increased oil product imports into South American, African and Asia Pacific countries (excluding China and India, countries whose oil imports growth primarily relates to crude rather than products). Increased exports from the U.S. have also been a significant

**Table of Contents**

trend, with the largest proportion going to satisfy growing South America demand for oil products. Other U.S. exports have been moving transatlantic into Europe, where local refinery shutdowns have supported import demand.

**Regional Refinery Capacity**

*(changes in capacity y-o-y million bpd)*

*Source: Drewry*

Elsewhere, the large export-oriented refinery at Jamnagar on the west coast of India has already provided additional product shipment volumes of around 0.6m bpd since its start-up in 2009. Several refineries in the Arabian Gulf have either recently come on line or are due online in the coming years, including those at Jubail (at September 2013 with 0.4 million bpd capacity), Yanbu (at September 2013 with 0.4 million bpd capacity) and Jizan (planned for 2016 with 0.4 million bpd capacity) in Saudi Arabia and at Ruwais (planned for 2014 with 0.4 million bpd capacity expansion project) and Fujairah (planned for 2016 with 0.2 million bpd capacity) in the UAE.

**Table of Contents**

In this context it is already apparent that the closures of refining capacity in the developed world are prompting longer haul imports to cater for product demand, for instance on routes such as West Coast India to the U.S. eastern seaboard. Any concerted global economic recovery in combination with these new start-ups in the Arabian Gulf could prompt further growth in long-haul imports from this region. Furthermore, the Yanbu and Jizan projects in particular are expected to produce significant amounts of low- sulphur fuels, which will become increasingly in demand in the tightening regulatory environment. These developments may benefit a mixture of MR and LR sized vessels.

**Oil Product Imports Major Regions**

*(Million bpd)*

*Source: Drewry*

Refinery closures close to consuming regions elsewhere in the world will also help to support product import demand. For example, in Australia, trade from Singapore is expected to become increasingly important to compensate for the conversion of local producing refineries into storage depots. This would be part of a general increase in intra-Asian trade which is already boosting product tanker demand, something which may be further supported by expected closures in Japan (a result of new government standards).

This type of growth is generally of benefit to MR sized tankers, the workhorses of medium-haul products trades, in addition to mainstay trades such as gasoline movements across the Atlantic from Europe into the United States. MR2 vessels offer the flexibility of being sufficiently small to enable access to a diverse range of ports and are also popular with oil traders given this flexibility and ability to deal with the most common parcel sizes.

Nevertheless, there are some areas of demand which are less positive. Growing U.S. oil production has reduced demand from the Caribbean to the U.S. east coast. As a result, a number of refineries in the Caribbean have been forced to close in light of poor refining margins. However, this is being compensated for by the growth in developing Asian and South American requirements.

**Table of Contents**

**Oil Product Exports Major Growth Regions**

*(Million bpd)*

*Source: Drewry*

Much of the increase in the South American oil products requirement is being met by growing exports from the United States. The adjacent graph shows how U.S. exports of products have grown in recent years. Moderating domestic oil demand has combined with greater availability of crude feedstock (due to increased U.S. domestic crude oil production from tight oil and offshore) to make larger-scale exports feasible, particularly of middle distillates from the U.S. Gulf. In light of the projected growth in U.S. crude oil production, and strong demand growth in South America combined with increasing long-haul flows to Asia, this trend is likely to continue.

Largely as a result of the growth in trade routes due to refinery developments, product tonne-miles have grown by a CAGR of 6.0% in the period 2003 to 2013. Generally growth in products trades and product tanker demand is more consistent and less volatile than crude oil trade. Continued growth at these historical levels is feasible but will be subject to global economic development and a continuation of the trade and refinery trends of recent years.

***Product Tanker Supply***

In terms of vessel size the following definitions apply:

Short-range tankers ( SR ) are between 10,000 and 24,999 dwt

Medium-range tankers ( MR ) are between 25,000 to 59,999 dwt

Long-range 1 tankers ( LR1 ) are between 60,000 and 79,999 dwt

Long-range 2 tankers ( LR2 ) are between 80,000 and 120,000 dwt.

Within the context of this report the product tanker fleet is classified as any non-specialised tanker between 10,000 dwt and 60,000 dwt, as well as coated and other product-capable vessels over 60,000 dwt. IMO 3 tankers are included in this classification, as are IMO 2 tankers above 30,000 dwt with an average tank size of greater than 3,000 cubic metres. In practice, refined products can be transported in any of the following types of vessel:

LR2 coated tankers

LR1 coated tankers

MR IMO 3 tankers

MR IMO 2 tankers

71

**Table of Contents**

MR Non IMO (coated and uncoated) tankers

SR IMO 1/2 tankers

SR Non IMO tankers

The main types of vessel and their principal uses are summarised in the table below.

**Product Tanker Vessel Types and Main Uses**

Class of Tanker	Cargo Capacity (DWT)	Typical Use
<b>Aframax (Coated, LR2)</b>	80,000-119,999	Short- to medium-haul crude oil and refined petroleum products transportations from the North Sea or West Africa to Europe or the East Coast of the United States, from the Middle East Gulf to the Pacific Rim and on regional trade routes in the North Sea, the Caribbean, the Mediterranean and the Indo-Pacific Basin.
<b>Panamax (Coated, LR1)</b>	60,000-79,999	Short- to medium-haul crude oil and refined petroleum products transportations worldwide, mostly on regional trade routes.
<b>MR2</b>	40,000-59,999	Flexible vessels involved in medium-haul petroleum products trades
<b>MR1</b>	25,000-39,999	both in the Atlantic Basin and the growing intra-Asian/Middle East/ISC
<b>SR</b>	10,000-24,999	Short-haul of mostly refined petroleum products worldwide, usually on local or regional trade routes.

*Source: Drewry*

MR tankers carry the majority of the global trade of refined petroleum products transported at sea as their smaller size allows the greatest flexibility in trade routes and port access. The MR fleet can be divided into MR1, typically sized 25,000 dwt to 39,999 dwt (sometimes referred to as Handys ) and MR2 typically sized 40,000 dwt to 59,999 dwt. The main routes where product tankers are deployed are shown in the map below.

*Source: Drewry*

**Table of Contents****The Product Tanker Fleet: January 31, 2014**

As of January 31, 2014 the world product tanker capable fleet consisted of 3,334 vessels with a combined capacity of 145.7 million dwt. However, not all of these vessels trade in refined products and in February 2014 the refined product trading fleet consisted of 2,461 vessels with a combined capacity of 118 million dwt. Within the total tanker fleet MR vessels account for 32% of total ship numbers and in the global product tanker fleet they account for 55% of total ship numbers. MR vessels are considered the workhorses of the fleet.

Vessel Type/Class	dwt	Existing Fleet		Average Age	Age Profile (No of Ships)-%						
		Number	Mill dwt		Years						
					< 5	5-9	10-14	15-19	20-24	24+	
<b>Long Range (LR)</b>											
Long Range 2 (LR2)	80,000-119,999	252	27.2	7.2	46.8	26.2	13.1	9.9	0.8	3.2	
Long Range 1 (LR1)	60,000-79,999	326	23.8	6.6	37.1	41.1	17.5	2.1	1.5	0.6	
<b>Total LR</b>		<b>578</b>	<b>51.0</b>	<b>6.9</b>	<b>41.3</b>	<b>34.6</b>	<b>15.6</b>	<b>5.5</b>	<b>1.2</b>	<b>1.7</b>	
<b>Medium Range (MR)</b>											
Coated IMO 2	25,000-59,999	328	12.7	10.0	26.8	27.4	19.5	14.9	7.3	4.0	
Coated IMO 3 & Non IMO											
Coated/Uncoated	25,000-59,999	1,534	68.7	8.8	29.9	32.5	20.3	8.7	4.6	3.8	
<b>Total MR</b>		<b>1,862</b>	<b>81.4</b>	<b>9.0</b>	<b>29.4</b>	<b>31.6</b>	<b>20.2</b>	<b>9.8</b>	<b>5.1</b>	<b>3.9</b>	
<b>Short Range</b>	10,000-24,999	<b>894</b>	<b>13.3</b>	<b>9.8</b>	<b>30.8</b>	<b>38.3</b>	<b>7.4</b>	<b>9.6</b>	<b>4.0</b>	<b>10.0</b>	
<b>Total All Product Capable Tankers</b>		<b>3,334</b>	<b>145.7</b>	<b>8.8</b>	<b>31.8</b>	<b>33.9</b>	<b>16.0</b>	<b>9.0</b>	<b>4.1</b>	<b>5.1</b>	

Source: Drewry

The product tanker fleet has naturally grown to meet the underlying increases in seaborne trade, although the growth in the fleet over the last decade has been far from uniform. As the chart below shows, large numbers of product tankers were ordered and delivered from 2003 to 2010 as a result of the strong market from 2003 to 2008, but subsequently these additions have been largely absorbed by the continued strong demand growth for product tankers in spite of the global economic slowdown.

**Product Tanker Fleet Age Profile January 31, 2014**

Source: Drewry

Looking ahead, fleet growth due to new vessels delivered and less vessels scrapped (there are occasionally other changes, such as losses, or conversions to/from other vessel types). Demand for new vessels is affected by newbuilding prices in relation to current and anticipated charter market conditions.



**Table of Contents**

The newbuilding orderbook indicates the number of known confirmed shipbuilding contracts and is indicative of how vessel supply will develop in the short to medium term. As of January 31, 2014, the MR product tanker orderbook for all vessels above 10,000 dwt was 297 vessels totalling 14.1 million dwt. The MR orderbook as a percentage of the MR existing fleet for all tankers above 10,000 dwt was 17%, compared with just under 50% in 2008.

**World Tanker Orderbook: January 31, 2014**

Vessel Type/Class	dwt	Existing Fleet		Orderbook			Orderbook Delivery Schedule (dwt)			
		Number	Mill dwt	Number	Mill dwt	% Fleet dwt	2014	2015	2016	2017+
<b>Crude Tankers</b>										
UL/VLCC	200,000+	620	190.2	73	22.94	12.1	9.86	3.42	8.42	1.24
Suezmax	120,000-199,999	494	76.4	49	7.63	10.0	4.67	2.18	0.79	0.00
Aframax (Uncoated)	80,000-119,999	649	69.5	37	4.10	5.9	1.99	1.32	0.68	0.11
Panamax (Uncoated)	60,000-79,999	89	6.2	5	0.38	6.0	0.38	0.00	0.00	0.00
<b>Crude Tankers</b>		<b>1,852</b>	<b>342.3</b>	<b>164</b>	<b>35.05</b>	<b>10.2</b>	<b>16.90</b>	<b>6.91</b>	<b>9.89</b>	<b>1.35</b>
Long Range 2 (LR2)	80,000-119,999	252	27.2	64	7.27	26.7	2.17	4.09	1.02	0.00
Long Range 1 (LR1)	60,000-79,999	326	23.8	18	1.31	5.5	0.66	0.21	0.44	0.00
<b>LR Product Tankers</b>		<b>578</b>	<b>51.0</b>	<b>82</b>	<b>8.58</b>	<b>16.8</b>	<b>2.83</b>	<b>4.30</b>	<b>1.46</b>	<b>0.00</b>
Medium Range (MR)										
Coated IMO 2	25,000-59,999	328	12.7	30	1.10	8.7	0.21	0.83	0.10	
Coated IMO 3 & Non IMO Coated/Uncoated	25,000-59,999	1,534	68.7	267	13.00	18.9	5.12	4.66	2.82	0.35
<b>Total MR</b>		<b>1,862</b>	<b>81.4</b>	<b>297</b>	<b>14.10</b>	<b>17.3</b>	<b>5.33</b>	<b>5.49</b>	<b>2.92</b>	<b>0.35</b>
<b>Short Range</b>	10,000-24,999	<b>894</b>	<b>13.3</b>	<b>39</b>	<b>0.65</b>	<b>4.9</b>	<b>0.53</b>	<b>0.06</b>	<b>0.06</b>	<b>0.00</b>
<b>Stainless Steel Tankers</b>	10,000+	<b>562</b>	<b>12.2</b>	<b>60</b>	<b>1.44</b>	<b>11.8</b>	<b>0.39</b>	<b>0.44</b>	<b>0.45</b>	<b>0.17</b>
<b>Specialist Tankers</b>	10,000+	<b>73</b>	<b>1.9</b>	<b>10</b>	<b>0.34</b>	<b>17.9</b>	<b>0.09</b>	<b>0.05</b>	<b>0.20</b>	<b>0.00</b>
<b>Total All Tankers</b>		<b>5,821</b>	<b>502.1</b>	<b>652</b>	<b>60.17</b>	<b>11.5</b>	<b>26.1</b>	<b>17.3</b>	<b>15.0</b>	<b>1.9</b>

Source: Drewry

Based on scheduled deliveries, 5.33 million dwt of MR product tankers are due for delivery in the remainder of 2014 and a further 5.49 million dwt in 2015.

However, in recent years the orderbook has been affected by the non-delivery of vessels or slippage as it is sometimes referred to. Current estimates suggest that in 2013, approximately 30% of vessels across the entire tanker orderbook scheduled for delivery in 2013 did not deliver during the year. Some of the non-delivery was a result of delays, either through mutual agreement or through shipyard problems, whilst some was due to vessel cancellations. Slippage is likely to remain an issue going forward and will continue to temper fleet growth.

Conversely, further newbuild contracting could increase future supply. For example, the size of the MR product tanker orderbook has grown from 187 vessels at the start of 2012 to 297 vessels at January 31, 2014. However, in the short term, shipbuilding capacity could constrain supply growth, with limited availability reported in major MR building shipyards for the next few years. Many of the traditional builders of MR-sized product tankers have filled their orderbooks into the medium term as a result of recent ordering activity. In addition, the limited availability of bank finance from traditional European lenders has also been a constraining factor to newbuilding ordering and a repeat of the ordering boom of 2003 to 2008 is unlikely.

## **Table of Contents**

The other factor that will affect future supply is vessel scrapping. The volume of scrapping is a function primarily of the age profile of the fleet, scrap prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. Tanker demolition (above 10,000 dwt) was 3.0 million dwt in 2006, its lowest level since 1991. However, the onset of the recession led to an increase in scrapping, with tanker demolition averaging 7.7 million dwt per annum between 2007 and 2011. This reflected the downturn in the freight market, which in turn made demolition more attractive for some owners. In 2012, a total of 131 oil tankers of a combined 11.6 million dwt were sold for scrap, of which 45 tankers of approximately 1.8 million dwt were in the MR size range. Provisional figures suggest that approximately 10.0 million dwt of oil tanker tonnage was scrapped in 2013, of which 39 tankers of approximately 1.7 million dwt were in the MR size range. This compares to MR deliveries of 2.8 million dwt comprising 63 ships in 2012 and 4.0 million dwt comprising 84 ships in 2013. Therefore, the net supply growth for MR s in 2012 was 1% and in 2013 was 2.5%.

## **The Product Tanker Market**

Between 2003 and 2007, the differential between demand and supply for tankers remained narrow and rates were generally very firm. Following the recession, tanker demand slowed, coinciding with substantial tonnage entering the fleet, driving earnings down. Although crude demand was relatively resilient in 2009 and 2010, helping crude tanker rates to remain steady while product tanker rates remained weak, this situation was reversed in 2011 and 2012 when crude tanker demand softened and product tanker demand firmed. This was due in part to the delivery of crude tankers that were ordered before the recession and delivered in 2011 and 2012. The following graph shows the historical development of benchmark time charter rates and average MR spot earnings based on a range of the most commonly-traded routes.

### **MR Tanker Freight Rates Spot and Timecharter**

*(US\$ Per Day)*

*Source: Drewry*

Three of our MR product tankers (the *Ardmore Seafarer*, the *Ardmore Seamaster* and the *Ardmore Seatrader*) were delivered to us between July 2010 and December 2010 and have been employed in the time charter market from delivery for periods of between one and three years. The time charter rates have improved since 2010 which led to an improvement in the revenues for our MR product tankers as the old time charters expired and the new time charters were negotiated. In addition to the time charterers, we entered into two TC-Invest arrangements for the *Ardmore Seafarer* and the *Ardmore Seatrader* which allowed us to participate in the

## **Table of Contents**

profits / (losses) arising on the vessels employment in the charterers pool. This arrangement gave us exposure to the spot market which experienced a number of low points during this period which had a negative impact on our revenues. Our three Eco-design vessels (the *Ardmore Seavaliant*, the *Ardmore Seaventure* and the *Ardmore Seavantage*) were delivered to us in February 2013, June 2013 and January 2014. These vessels are employed on one year time charters at improved rates to our other MR product tankers indicating that the market is improving. We believe that the charter market for MR product tankers is improving and we believe that there is reasonable expectation that rates will continue to improve over the next few years in line with expected global economic growth.

Turning to the product tanker charter market, in 2013, clean product tanker spot earnings averaged \$10,948 per day, compared to a ten-year average of \$17,899 per day and a spot market high of \$49,273 per day in January 2006.

The estimated three year timecharter rate for an MR was \$15,561 per day in 2013, whilst the benchmark one year timecharter rate was \$14,346 per day. It should be noted that these rates are based on a standard MR vessel built circa 2010, and there is some evidence that more-recently built vessels constructed to particularly fuel-efficient Eco specifications are currently able to achieve an additional premium on these levels of up to 10%. The market high for one-year timecharter rate was reached in November 2005 at \$30,500 per day.

In the product tanker market vessel earnings can be enhanced by a deployment strategy which is known as triangulation. Triangulation in effect reduces the amount of time a vessel will spend sailing in ballast (empty) and seeks to maximise the amount of time it is carrying revenue generating cargo. The map below shows how triangulation works for a MR vessel operating in the Atlantic Basin starting with transatlantic westbound voyage from Europe the U.S. eastern seaboard; then a short ballast voyage to the U.S. Gulf, before a loaded eastbound transit to West Africa and a final ballast leg back to Europe.

### **Typical MR Triangulation in Atlantic Basin**

*Source: Drewry*

**Table of Contents**

**Asset Values**

Product tanker asset values have also fluctuated over time, and there is a relationship between changes in asset values and the charter market. Newbuilding prices increased significantly between 2003 and 2007 primarily as a result of increased tanker demand. Current newbuilding prices are significantly below the peaks reported at the height of the market in 2008. Contracting activity in 2011 and 2012 was limited due to low freight rates, the poor market outlook and difficulties in securing financing.

The secondhand sale and purchase market has traditionally been relatively liquid, with tankers changing hands between owners on a regular basis. Secondhand prices peaked over the summer of 2008 and have since declined. The following graph shows the long term historical development of newbuild, five year old and ten year old second hand asset prices for a MR product tanker of 45,000-50,000 dwt.

**MR Tankers Asset Prices**

*(U.S.\$ Millions)*

*Source: Drewry*

**Table of Contents**

In January 2014 MR prices were estimated at \$29.0 million for a five year old ship and \$36.5 million for a newbuilding. These figures compare to levels above \$50.0 million for a newbuild and five year old vessel during mid-2007 to early 2008. The following table summarizes the trend in freight rates and asset prices for MR tankers.

**MR Product Tankers: Timecharter and Asset Value Summary**

Period	Spot (U.S.\$/day)	Timecharter (U.S.\$/day)		Asset Prices (U.S.\$ million)	
		1 Year	3 Year	Newbuild	5 Year Old
Averages					
2003	17,702	14,846	13,764	29.4	25.7
2004	27,828	19,029	16,540	36.5	33.6
2005	29,043	25,271	21,794	43.2	44.2
2006	25,609	26,792	21,675	45.8	46.7
2007	23,682	25,367	22,146	49.6	50.4
2008	21,156	23,092	21,500	51.7	49.1
2009	9,043	14,850	15,267	40.0	28.2
2010	10,543	12,388	13,646	35.5	27.0
2011	10,517	13,633	14,575	35.6	29.0
2012	10,519	13,325	14,500	34.0	24.9
2013	10,948	14,346	15,161	34.1	26.3
Jan-14	7,100	15,000	16,000	36.5	29.0
5 Year Avg	10,314	13,708	14,630	35.8	27.1
5 Year Low	5,174	10,800	12,200	33.5	22.0
5 Year High	17,450	20,000	18,800	46.0	35.0
10 Yr Avg	17,889	18,809	17,680	40.6	35.9
10 Yr Low	5,174	10,800	12,200	33.5	22.0
10 Yr High	42,099	30,000	24,500	53.5	54.0

Source: Drewry

**The Chemical Tanker Industry****Introduction**

The world chemical industry is one of the largest and most diversified industries in the world with more than 1,000 large and medium-sized companies manufacturing over 70,000 different product lines. Although most specialist chemicals are used locally, world trade is becoming an increasingly prominent part of the global chemical industry for a number of reasons ranging from local stock imbalances to a lack of local production of particular chemicals in various parts of the world. In broad terms, seaborne trade growth in bulk liquid chemicals has tracked trends in economic activity and globalization.

The seaborne transportation of chemicals is technically and logistically complex compared with the transportation of crude oil and oil products, with cargoes ranging from hazardous and noxious chemicals to products such as edible oils and fats. Consequently, the chemical tanker sector comprises a broad array of specially constructed small and medium sized tankers designed to carry chemical products in various stages of production. Chemicals are generally transported in parcels of 2,000 tonnes to 6,000 tonnes. If chemical tankers of this size were used, freight costs over large distances would be prohibitively high. The alternative is to ship the cargo in a larger parcel tanker designed to carry many small parcels within a single ship at the same time in segregated tanks. Over the last 30 years a sophisticated transport system has therefore developed to handle small bulk parcels of liquid chemicals and associated products.

In broad terms, there are four major categories of chemicals traded by sea:

## Edgar Filing: Ardmore Shipping Corp - Form F-1

*Organic chemicals:* Primarily olefins and aromatics. Organic chemicals account for approximately 50% of chemical tanker cargoes. The U.S. is the largest exporter, accounting for 25% of exports. The

## **Table of Contents**

major chemicals in this category are specialised products of oil refineries and petrochemical plants, that are often intermediary steps in chemical processes which produce plastics for use in the manufacturing industries, or artificial fibres (for example, paraxylene is an intermediate step in the production of polyester).

*Inorganic chemicals:* These encompass chemicals derived from a mineral base such as caustic soda, phosphoric and sulphuric acids amongst other acids. These inorganic chemicals are used in industrial chemical processes which require the presence of a strong acid or alkali (in the case of caustic soda). In total, their movement accounts for around 15-20% of seaborne chemical tanker trade.

*Vegetable oils and animal fats:* These are primarily edible oils, such as soybean oil or palm oil. These oils and fats are used as surfactants, either industrially or in the production of soaps and other cleaning products. These account for approximately 30% of total chemical tanker employment.

*Other Cargoes principally molasses and biofuels/ethanol:* This is becoming an increasingly important trade for chemical tankers as various countries implement requirements for blending into motor fuels.

Given the industrial usage of the chemicals described above, demand for these chemicals, and as a result demand for seaborne transport, is well-correlated with global GDP.

### **World GDP and Seaborne Chemical Trade**

*(Annual growth rates)*

*Source: Drewry*

### **Chemical Tanker Demand**

Seaborne trade in chemicals is characterized by a wide range of individual cargoes and a relatively regionalized structure compared with crude and products. Given the geographical complexity and the diversity of cargoes involved and the way in which some cargoes are transported, estimating total seaborne trade in chemicals is difficult. However, based on the broad categorisation described above total movements in 2013 are

**Table of Contents**

provisionally estimated at 204 million tonnes. During the period from 2003 to 2013, world seaborne trade in chemicals and associated products increased at a CAGR of 4.7%.

**World Seaborne Chemical Trades**

*(Million Tonnes)*

*Source: Drewry*

The United States is the largest exporter of organic chemicals, accounting for approximately 25% of all exports. The four organic chemicals most frequently traded by sea are methanol, styrene, benzene and P-xylene. Inorganic chemical trade accounts for approximately 15-20% of total seaborne movements. They are not traded geographically as wide as organic chemicals and they also present several transport problems; not only are they very dense, they are also highly corrosive. They must consequently be carried in tanks coated with stainless steel, rubber or acid proof paints. Seaborne trade in vegetable oils and animal fats accounts for approximately 30% of total chemical carrier employment. Palm oil accounts for about half of this, with the next top two commodities in this sector traded by sea being soybean oil and sunflower seed oil.

From a regional perspective, activity is focused on three main geographical areas. Europe is a mature, established producing region, contributing over one quarter of total chemical production. Much of Europe's production serves domestic requirements. This manifests itself in increased demand for short-sea services, rather than deep-sea trades. North American (predominantly the United States) manufacturers produce approximately one fifth of the major chemical products in the world. Although the majority of the United States' production is for domestic use, particularly where gasoline additives are involved, the country also produces above domestic requirements, which results in significant export volumes.

A large proportion of the United States' organic chemical exports go to South East Asia. Conversely, more than half of their organic chemical imports originate from Latin America. Asia-Pacific produces, in aggregate, about one-half of chemicals globally per year. In the more developed countries such as Japan, production is supported largely by domestic chemical feedstock requirements, although much output goes to exports (mostly intra-Asian). China and Southeast Asian production is similar in structure, although chemical manufacturing here is in an earlier, faster-growing stage of development. There is also a sizeable market for imports from the Middle East, North America, Europe and Australia, which increases demand for seaborne trade.



**Table of Contents**

One potentially significant factor which will affect the U.S. chemicals industry is the development of shale gas. Shale gas is natural gas extracted from shale formations which are found in various locations throughout the world. When extracted it consists of on average of approximately 60% dry natural gas and 40% natural gas liquids.

In the United States, shale gas has become an increasingly important source of natural gas and has led to significant increases in domestic gas production. In 2005, U.S. gas production was equivalent to 511 billion cubic meters ( cbm ) but by 2012 it had risen to 717 billion cbm, an increase of 40%.

**U.S. Daily Oil and Gas Production 2002-2013**

*Source: Drewry*

Increased supplies of natural gas in the United States have also served to push down domestic gas prices. The fall in natural gas prices in the United States has also has a beneficial impact on feedstock costs for the petrochemical industry. In particular, the cost of ethane has fallen significantly since 2011 thereby increasing the competitiveness of the U.S. petrochemical industry within a global perspective. Accordingly, U.S. ethylene production costs have fallen to levels where the United States can now compete with Middle Eastern suppliers, resulting in new projects to expand United States ethylene cracking capacity and subsequently petrochemical capacity. Ethylene cracker utilization in the United States has improved and a number of new plants have been announced (see table below). Industry sources have suggested that there could be an increase in ethylene production levels of up to 35% in the United States by the middle of the decade. Ethylene is a precursor for many of the organic chemicals shipped by sea (e.g. ethylene dichloride, ethylene glycol), so increased production points to increased availability of downstream chemical products for export from the United States.

**Table of Contents****United States Confirmed Ethylene Expansion Plans<sup>(1)</sup> based on Shale Gas**

<b>Company</b>	<b>Project</b>	<b>Capacity Tons/Year</b>	<b>Location</b>	<b>Start-Up</b>
<b>Confirmed</b>				
Chevron Phillips Chemical	New cracker	1.5 m	Cedar Bayou, Texas	1Q 2017
Dow Chemical	New cracker	World-scale	US Gulf Coast	2016-2017
Dow Chemical	Restart	390,000	St Charles, Louisiana	end 2012
Formosa Plastics	New cracker	800,000	Point Comfort, Texas	2016
INEOS	Debottleneck	115,000	Chocloate Bayou, Texas	end 2013
LyondellBasell	Expansion	386,000	Laporte, Texas	2014
Shell Chemicals	New cracker	World-scale	US Northeast	2016-2017
Westlake Chemical	Expansion	109,000	Lake Charles, Louisiana	2H 2012
Westlake Chemical	Expansion	114,000	Lake Charles, Louisiana	2014
Williams	Expansion	272,000	Geismar, Louisiana	Q3 2013

(1) As of December 31, 2013

Source: Drewry

**Chemical Tanker Supply**

Chemical tankers are characterised mainly by cargo containment systems which are technically more sophisticated than those found in conventional oil and product tankers. Since chemical tankers are often required to carry many products which are typically hazardous and easily contaminated, cargo segregation and containment is important.

The IMO regulates the carriage of chemicals by sea, dividing potentially dangerous cargoes into three categories, typically referred to as IMO 1, IMO 2 and IMO 3. IMO conventions govern the requirements for particular tanks to be classified as each grading, which the pertinent features of each tank being the internal volume and its proximity to the sides and bottom of the vessel's hull.

Since January 2007, chemical tanker cargoes have been reclassified under a new system set out in the revised 2004 Amendments to MARPOL Annex II for the Control of Pollution by Noxious Liquid Substances ( NLS ) in Bulk and the International Bulk Chemical ( IBC ) Code. The code applies to all chemical tankers irrespective of size, and to all ships carrying non-oil liquids or NLS. The effect of the reclassification has been to tighten the regulations regarding simple oil products tankers carrying specialised chemical cargoes. Chemical cargoes are now rated X, Y, Z and OS ( other substances, which are deemed harmless). The result is a new system with just eight OS: coal slurry, clay slurry, water, apple juice, dextrose solution, glucose solution, molasses and kaolin slurry. Every other X, Y and Z cargo is assigned an IMO vessel type for its safe carriage.

The carriage of 18 cargoes is restricted to IMO Type 1 classified vessels. The majority of cargoes (category Y) require IMO 2 vessels, including vegetable oils and palm oils. One concession to the IBC Code regulations is an allowance that IMO 3 tankers may carry other edible oils, an exemption introduced because of the tendency for such cargoes to be shipped in large bulk parcels. This often requires ships of up to MR size, and at the point of the regulatory change, there were very few such large tankers with IMO 2 graded tanks. Despite this exemption, these vessels are not true chemical tankers in the general sense of the word, and are not able to carry other IMO 2 cargoes.

## **Table of Contents**

The following schematic shows the overall structure of the chemical tanker market.

If the tanker fleet is split IMO Type grading on the basis of tank specifications (such as the average tank size in cubic meters and tank coatings), there are 37.4 million dwt of IMO Type 1/2 and 43.2 million dwt of IMO Type 3. Over the past ten years however, the majority of MR product tankers have also been built with IMO 3 capability and while these vessels can occasionally trade in chemicals, they generally do not do so, with the exception of bulk edible oil cargoes. On the basis of trading status, we observe that around 45.0 million dwt is employed in carrying IMO1/2 type cargoes, while 35.5 million dwt is trading in IMO 3 type cargoes.

As well as defining the chemical tanker fleet in terms of their IMO type, it is also possible to separate them according to their degree of tank segregation and tank size as detailed below. Therefore the classification as detailed below is more accurate assessment of the size of the chemical fleet, albeit there is a swing element in tonnage supply and also some interchange ability.

*Chemical parcel tankers:* Over 75% of the tanks are segregated with an average tank size less than 3,000 cbm and / or stainless steel tanks. A typical parcel tanker might be 20,000 dwt and have twenty fully segregated tanks which are stainless steel.

*Chemical bulk tankers:* Vessels with a lower level of segregations to tanks (below 75%) and an average tank size below 3,000 cbm and not stainless. In addition this category also includes all other tankers below 30,000 dwt with IMO 2 (those vessels above 30,000 dwt with larger than 3,000 cbm tanks are included in the product tanker fleet). A typical chemical bulk tanker might be 17,000 dwt with 16 tanks but 8 segregations and be IMO 2.

**Table of Contents**

The following table shows the chemical fleet split by this segmentation.

**World Chemical Tanker Fleet by Ship Type: January 31, 2014**

Type	Size (dwt)	Fleet		Average Age	Avg. Tanks	Avg. Segs	%Stainless	%20+yrs	%25+yrs
		Number	m dwt						
<b>Parcel</b>									
	30,000+	390	15.4	10.3	23	19	4%	5%	3%
	10,000-29,999	1,205	19.9	8.8	16	13	40%	7%	5%
<b>Bulk</b>									
	30,000+	963	45.0	7.0	7	7	0%	0%	13%
	10,000-29,999	5	0.1	15.2	5	3	26%	51%	
<b>IMO2 Chem/Prod</b>									
	10,000-29,999	1,132	18.7	7.7	16	14	42%	3%	1%
	30,000+	603	26.2	7.7	21	20	15%	2%	1%
<b>IMO3 Chem/Prod</b>									
	10,000-29,999	78	1.3	16.7	16	12	13%	22%	27%
	30,000+	750	34.2	8.2	14.3	9.0	0.0	1%	2%
<b>Total</b>		<b>2,563</b>	<b>80.5</b>	<b>8.1</b>	<b>18</b>	<b>16</b>			

Source: Drewry

**World Chemical Tanker Orderbook by Ship Type: January 31, 2014**

Type	Size (dwt)	Orderbook			Orderbook Delivery Schedule (No. ships)			
		Number	million dwt	% Fleet	2014	2015	2016	2017
<b>Parcel</b>								
	30,000+	19	0.7	5%	7	1	10	1
	10,000-29,999	57	1.1	5%	30	18	9	
<b>Bulk</b>								
	30,000+	144	6.7	15%	73	56	15	
	10,000-29,999							
<b>IMO2 Chem/Prod</b>								
	10,000-29,999	54	1.0	5%	29	18	7	
	30,000+	41	1.8	7%	12	9	19	1
<b>IMO3 Chem/Prod</b>								
	10,000-29,999	3	0.0	4%	1	0	2	
	30,000+	122	5.6	16%	68	48	6	
<b>Total</b>		<b>220</b>	<b>8.5</b>	<b>11%</b>	<b>110</b>	<b>75</b>	<b>34</b>	<b>1</b>

Source: Drewry

With an orderbook of 9.7 million dwt, the chemical fleet is expected to remain at moderate levels over the next few years.

Ownership of the chemical fleet is relatively consolidated around a few big players. Whilst more than 400 companies own vessels within the segment, just over one-third of the fleet in deadweight capacity is owned by the 20 largest chemical shipowning companies, despite the fact that the one of these companies only owns nine ships.

## **Table of Contents**

At any point in time, the level of scrapping activity is affected by, among other factors, current and expected charter rate conditions, scrap prices, the age profile of the fleet, second-hand values in relation to scrap values, as well as operating, repair and survey costs and the impact of regulations. In 2013 provisional data suggests that 29 chemical tankers totaling 0.8 million dwt were sent for demolition.

Chemical tanker newbuilding activity has been relatively restrained since the downturn, with just 12 chemical parcel and one chemical bulk tanker contracts placed from 2009 to 2012. Chemical tankers are relatively complex vessel types to build and this increases the barriers to entry for shipyards and the pool of yards that owners are willing to consider is small. One of the major builder countries of chemical tankers is Japan, where yards have a relatively high cost base.

### ***The Chemical Tanker Market***

Chemical tanker charter rates and vessel values for all chemical tankers are influenced by the supply of, and demand for, chemical cargo carrying tanker capacity. The demand for tanker capacity is primarily determined by demand for chemicals and also by the distance that the chemicals are to be moved by sea. Demand for chemicals is affected by, among other things, general economic conditions (including increases and decreases in industrial production and transportation), chemical prices, feedstock costs and chemical production capacity. The supply of chemical tanker capacity, measured by the amount of suitable tonnage available to carry chemicals, is determined by the size of the existing fleet, the number of newbuilding chemical tankers on order, the scrapping of older tankers and the number of tankers in storage, dry docked, awaiting repairs or otherwise not available for commission (collectively, laid-up ).

Some 50% of all chemical movements are covered by COAs, while the spot market covers 35% to 40%. The remainder is made up by other charter arrangements and cargoes moved in tonnage controlled by exporters or importers. In the short sea chemical trades, contracts may cover periods up to one year, but in the deep sea trades a commitment for two/three years is not uncommon with commercial terms renewed each year.

In the chemical tanker freight market, the level of reporting of fixture information is far less widespread than for the oil tanker market. Furthermore, it is not always possible to establish a monthly series of rates for an individual cargo, on a given route, as fixing is often sporadic, or more often than not covered by contract business. For these reasons, the assessment of spot freight rate trends in the freight market is made by using a small number of routes where there is sufficient fixture volume to produce meaningful measurements. These routes in question represent a benchmark or bell weather indicator of the state of the market as a whole, and generally regarded as a very reliable guide to prevailing trends. The routes in question shown in this analysis are Rotterdam to Houston, Rotterdam to Asia and Houston to Asia. Spot cargoes are paid for on a lump sum or U.S. dollar per ton basis. Following a general firming in rates throughout 2010 and 2011 after the decline in 2009, freight rates on most major trade lanes declined during 2012 as market sentiment eroded. Although there was a recovery in 2013, it is important to note that although rates remain relatively higher than the lows recorded in late 2008 and 2009, owners' returns are currently being eroded by the higher bunker price environment. This makes the current rate levels notably weaker than they might first appear in terms of the historical context.

Two of our chemical tankers (the *Ardmore Calypso* and the *Ardmore Capella*) were delivered to us mid-2011 and have been employed to date in commercial chemical pools. The *Ardmore Centurion* was delivered to us in December 2010 and has been employed in commercial chemical pools from December 2010 to December 2011 and under time charters with profit sharing arrangements from December 2011 to date. As pool TCE rates are derived from the spot market, we were exposed to the volatility in spot market. The rates for chemical tankers were low in 2010 and 2011 which had a negative impact on our revenues. However, the rates improved in late 2012 indicating the market is improving. We believe that there is reasonable expectation that rates will continue to improve over the next few years in line with expected global economic growth.

**Table of Contents****Chemical Tanker Spot Rates***(5,000 mt parcels Easy chemicals U.S./Tonne)**Source: Drewry*

The chemical tanker time charter market has historically been fairly inactive, particularly in the stainless IMO 2 and 3 range, as these vessels are traditionally built by owners for their core fleet requirements which are dedicated to liner type trades. Indicative time charter rates do show a relationship to the spot market, and thus there was an upward trend from 2003 as market conditions improved, which is evident from the table below. However, rates declined in rates in 2009 and 2010, before staging a modest recovery in the period from 2011 to 2013.

**Chemical Tankers One-Year Time Charter Rates<sup>(1)</sup>: 2002 to 2013<sup>(2)</sup>****Coated Vessels IMO2/3***(Period Averages U.S.\$ per Day)*

Dwt Type Age	6,000		9,000		12,000		22,000		30,000		37,000		40-45000
	IMO 2 0-10 yrs	IMO 2/3 10-20 yrs	IMO 2 0-10 yrs	IMO 2/3 10-20 yrs	IMO 2 0-10 yrs	IMO 2/3 10-20 yrs	IMO 2 0-10 yrs	IMO 2/3 10-20 yrs	IMO 2 0-10 yrs	IMO 2/3 10-20 yrs	IMO 2 0-10 yrs	IMO 2/3 10-20 yrs	IMO 2 0-10 yrs
2002	4,985	4,272	7,025	5,701	8,841	8,201	10,937	10,190	11,970	11,115	13,090	11,934	n/a
2003	4,986	4,272	7,025	5,701	8,620	7,996	11,074	9,196	12,509	11,282	13,585	12,264	n/a
2004	5,276	4,272	7,131	5,915	9,350	8,282	12,550	9,664	14,237	11,451	15,953	13,478	17,196
2005	6,037	5,053	7,881	7,077	11,834	9,847	13,889	11,393	16,017	13,286	21,367	18,395	26,866
2006	6,750	5,475	8,838	7,863	13,313	11,250	14,875	12,813	18,388	15,688	24,500	21,563	29,000
2007	7,763	6,275	9,825	8,088	14,563	12,313	17,688	15,050	21,675	18,500	24,391	21,098	28,125
2008	6,913	5,688	8,600	7,300	12,563	10,500	16,763	13,713	20,175	17,500	22,438	20,500	25,425
2009	5,255	4,188	6,563	5,725	9,063	7,763	11,913	9,675	12,938	10,750	14,625	12,875	16,000
2010	4,850	4,000	5,650	4,975	7,875	6,650	11,175	8,775	11,750	9,625	12,625	10,625	13,825
2011	5,450	4,150	5,875	4,950	8,200	7,050	12,250	9,975	12,550	10,550	13,388	11,338	14,875
2012	5,450	4,075	5,863	4,900	7,975	6,850	10,900	9,438	12,625	10,613	13,325	11,238	14,100
2013	6,115	4,700	6,835	5,645	9,135	7,800	12,290	11,170	13,635	11,365	14,385	12,320	14,470

(1) Rates are based on a 12-month T/C with prompt delivery in US\$/day or sailed in time charter equivalent (TCE) based on spot market prevailing at that time

(2) Rates are period averages

*Source: Drewry*

**Table of Contents**

The other point to note on chemical tanker rates is that there is a differential between stainless steel and coated tonnage. The table above shows the trend in rates for conventional coated ships over the period 2002 to 2013 and it can be seen that in 2013 the average rate for a coated chemical tanker of 22,000 dwt was \$12,290 per day. As with product tankers eco ships would have enjoyed a premium over these rates.

As in other shipping sectors, chemical tanker sale and purchase values show a relationship to the charter market and newbuilding prices. Newbuilding prices are influenced by shipyard capacity and increased steel prices; secondhand vessel values may vary because of the country of construction and the level of outfitting of such vessels. Although there has been a relatively high level of activity in recent years, chemical vessels can be difficult to market to buyers due to complexity of operations in the chemical market and they may not always achieve their initial newbuilding premium. Newbuilding price trends in the chemical tanker sector are more difficult to track than MRs due to the lower volume of ordering and variation in specification, however prices are generally 30% to 40% lower than at the market peak in early 2008. Similarly, in the secondhand market, asset values have fallen by nearly 50% since 2008. Recent developments in the asset prices of 22,000-24,000 dwt and 35,000-37,000 dwt coated IMO 2/3 chemical tankers are shown in the table below.

**Chemical Tanker IMO 2/3 Coated Time Charter and Asset Value Summary**

Year	TC Rate		Newbuilding Price		Secondhand Price <sup>(1)</sup>	
	U.S.\$/Day		U.S.\$ Million		U.S.\$ Million	
	dwt		22-24,000	35-37,000	22-24,000	35-37,000
2002	10,937	13,090	19.0	26.0	13.6	14.6
2003	11,074	13,585	19.6	28.0	13.8	16.6
2004	12,550	15,953	22.0	30.0	15.8	18.0
2005	13,889	21,367	25.8	32.8	17.5	19.4
2006	14,875	24,500	29.5	40.8	43.3	23.5
2007	17,688	24,391	34.3	46.5	22.0	33.3
2008	16,763	22,438	36.8	46.0	23.5	33.0
2009	11,913	14,625	29.0	35.5	17.3	20.8
2010	11,175	12,625	27.0	33.0	15.3	18.0
2011	12,250	13,388	26.0	32.0	14.0	17.2
2012	10,900	13,325	26.0	32.0	14.0	17.0
2013	12,290	14,385	26.0	32.0	14.0	16.3

(1) 10 year old vessel

Source: Drewry

---

**Table of Contents**

**BUSINESS**

**Our Company**

We are Ardmore Shipping Corporation, a company incorporated in the Marshall Islands. We provide seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with our modern, fuel-efficient fleet of mid-size product and chemical tankers. Our Current Fleet consists of 21 vessels including ten in operation (the Operational Vessels ) and 11 on order (the Ordered Vessels ) with deliveries expected to begin in February 2014. Following the completion of this offering, we expect to have approximately \$ million of available cash from the net proceeds of this offering, based on an offering price of \$ per share, together with additional credit facilities that we expect will be available to us, to fund acquisitions in line with our growth strategy and provide cash for general corporate purposes.

We commenced business operations in April 2010 with the goal of building an enduring product and chemical tanker company that emphasizes service excellence, innovation, and operational efficiency through our focus on high quality, fuel-efficient vessels. We are led by a team of experienced senior managers who have previously held senior management positions with highly regarded public shipping companies and financial institutions. Our principal executive office is located in Hamilton, Bermuda and our principal operating office is based in Cork, Ireland.

We are strategically focused on modern, fuel-efficient, mid-size product and chemical tankers. According to Drewry Maritime Research, as of February 2014, mid-size tankers comprise 32% of the world's deepsea seaborne transport capacity as measured by number of ships. There is significant overlap between the clean petroleum product ( CPP ) and chemical sectors as 68.7% of mid-range ( MR ) product tankers are classed as IMO 3 or IMO 2, enabling them to carry selective chemicals and vegetable oils, and many mid-size chemical tankers (such as ours) carry CPP cargoes on a routine basis. We actively pursue opportunities to exploit this overlap in order to enhance earnings, and also seek to engage in more complex CPP trades, such as multi-grade and multi-port loading and discharging operations, where our knowledge of chemical operations is beneficial to our CPP customers.

Our fuel-efficient operations are designed to enhance our investment returns and provide value-added service to our customers. We believe we are on the forefront of fuel efficiency and emissions reduction trends and are well-positioned to capitalize on these developments by constructing new economically advanced vessels ( Eco-design ), modifying ships to improve fuel efficiency ( Eco-mod ), and equipping our fleet with engine diagnostic and ship performance management systems to optimize voyage performance. As a result, our Eco-mod vessels achieve lower fuel consumption and, in some cases, achieve performance close to that of new Eco-design vessels. All of our Ordered Vessels are Eco-design and we intend to make Eco-mod improvements to any secondhand acquisitions as necessary. Our acquisition strategy is to build our fleet with Eco-design newbuildings and modern secondhand vessels that can be upgraded to Eco-mod.

We have no related-party transactions concerning our vessel operations. Our wholly-owned subsidiary Ardmore Shipping Limited ( ASL ), carries out our management functions. ASL's office is in Cork, Ireland. We believe this location affords us many advantages, including close proximity to London and other European shipping centers and supportive assistance from Irish government agencies such as the Irish Maritime Development Office ( IMDO ), and the National Maritime College of Ireland ( NMCI ). ASL currently has a staff of 14 employees and provides corporate and accounting services and fleet administration. Technical management of our vessels is performed by a combination of ASL and our third-party technical managers. ASL's operations team is directly responsible for insurance and for overseeing significant operational functions of the third-party technical managers. ASL's operations team also supervises the construction of our newbuildings in close coordination with the third-party supervision teams. We have a resolute focus on both high-quality service and efficient operations, and we believe that our corporate overhead and operating expenses are among the lowest of our peers.



**Table of Contents**

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 a broad range of customers, including oil majors, national oil companies, oil and chemical traders, chemical companies, and a range of pooling service providers. We monitor the market to understand and best utilize our vessels and may change our chartering strategy to take advantage of changing market conditions.

We believe that the market for mid-size product and chemical tankers is in the early stages of a recovery from cyclical lows, resulting from strong underlying demand growth driven by both cyclical and secular trends, as well as a reduction in the supply overhang due to reduced ordering activity and an extended period of fleet growth at a rate below that of demand growth. The Company was formed at a historically low point in the shipping cycle which our management believes represented an opportunity to build our fleet and business with a low cost asset base. Shipping is a capital and operationally intensive business and the challenges in the global economy and shipping market continued throughout 2012 and 2013. While this has afforded an extended opportunity to acquire additional vessels, we have incurred accumulated losses of \$12.5 million in the periods ended December 31, 2010 through to December 31, 2013 as a result of company set-up costs, challenging shipping markets and ongoing investments in our fleet. We believe that we are well-positioned to benefit from the market recovery with a modern, fuel-efficient fleet, access to capital for growth, a diverse and high quality customer base, an emphasis on service excellence in an increasingly demanding regulatory environment, and a relative cost advantage in assets, operations and corporate overhead.

**Current Fleet**

Our Current Fleet consists of 21 vessels and is comprised of ten Operational Vessels (three Eco-design and seven Eco-mod) and 11 Ordered Vessels (all Eco-design) with deliveries expected to begin in February 2014. Please see [Glossary of Shipping Terms](#) on page 143 of this prospectus for definitions of terms used below. The average age of our Operational Vessels, at December 31, 2013, is 5.9 years, and the average age of the Current Fleet following delivery of the Ordered Vessels at December 31, 2015 will be 4.0 years.

Vessel Name	Type	Dwt	Imo	Built Date	Built Country	Flag	Charter Rate \$ / day(1)	Charter Expires	Specification
<b>In Operation</b>									
<i>Ardmore Seavalliant(2)</i>	Product/Chemical	49,998	3	Feb-13	Korea	MI	17,149	Feb-15	Eco-design
<i>Ardmore Seaventure(3)</i>	Product/Chemical	49,998	3	Jun-13	Korea	MI	15,873	Jun-14	Eco-design
<i>Ardmore Seavantage(4)</i>	Product/Chemical	49,997	3	Jan-14	Korea	MI	15,600	Jan-15	Eco-design
<i>Ardmore Seamariner(5)</i>	Product	45,726		Oct-06	Japan	MI	16,099	Apr-14	Eco-mod
<i>Ardmore Seatrader(6)</i>	Product	47,141		Dec-02	Japan	MI	14,299	Aug-14	Eco-mod
<i>Ardmore Seamaster(7)</i>	Product/Chemical	45,840	3	Sep-04	Japan	MI	14,299	Jul-14	Eco-mod
<i>Ardmore Seafarer(8)</i>	Product	45,744		Aug-04	Japan	MI	13,783	Jul-14	Eco-mod
<i>Ardmore Centurion(9)</i>	Product/Chemical	29,006	2	Nov-05	Korea	MI	13,549	Feb-15	Eco-mod
<i>Ardmore Calypso(10)</i>	Product/Chemical	17,589	2	Jan-10	Korea	MI	Pool	N/A	Eco-mod
<i>Ardmore Capella(11)</i>	Product/Chemical	17,567	2	Jan-10	Korea	MI	Pool	N/A	Eco-mod
<b>On Order</b>									
<i>Ardmore Seavanguard(12)</i>	Product/Chemical	49,998	3	Feb-14	Korea	MI	15,600	Feb-15	Eco-design
<i>SPP Hull S-1162(13)</i>	Product/Chemical	50,300	3	1Q15	Korea	MI	Pool		Eco-design
<i>SPP Hull S-1163(13)</i>	Product/Chemical	50,300	3	2Q15	Korea	MI	Pool		Eco-design
<i>SPP Hull S-1171(13)</i>	Product/Chemical	50,300	3	2Q15	Korea	MI	Pool		Eco-design
<i>SPP Hull S-1172(13)</i>	Product/Chemical	50,300	3	3Q15	Korea	MI	Pool		Eco-design
<i>HMD Hull H-2480(14)</i>	Product/Chemical	37,000	2	1Q15	Korea	MI	TBD		Eco-design
<i>HMD Hull H-2481(14)</i>	Product/Chemical	37,000	2	1Q15	Korea	MI	TBD		Eco-design
<i>FKA Hull N-2062(15)</i>	Product/Chemical	25,000	2	4Q14	Japan	MI	TBD		Eco-design
<i>FKA Hull N-2063(15)</i>	Product/Chemical	25,000	2	1Q15	Japan	MI	TBD		Eco-design
<i>FKA Hull N-2065(15)</i>	Product/Chemical	25,000	2	3Q15	Japan	MI	TBD		Eco-design
<i>FKA Hull N-2067(15)</i>	Product/Chemical	25,000	2	4Q15	Japan	MI	TBD		Eco-design
<b>Total</b>	<b>21</b>	<b>823,804</b>							

(1) This table shows gross charter rates, averaged over the duration, as applicable, plus CVE income (see [Glossary of Shipping Terms](#) for definitions) and does not include commissions payable by us at a rate of 1.25%, where applicable.



---

## Table of Contents

- (2) On charter at a rate of \$17,100, expiring in February 2015. CVE income is \$1,500 per month.
- (3) On charter at a rate of \$19,500 per day for the first 60 days plus \$15,100 per day thereafter, expiring in June 2014. CVE income is \$1,500 per month.
- (4) On charter at a rate of \$15,600 per day, expiring in January 2015, with an option to extend at a market based rate for a second and third year.
- (5) On charter at a rate of \$16,050, expiring in April 2014, with an option to extend at a market based rate. CVE income is \$1,500 per month.
- (6) On charter at a rate of \$14,250, expiring in August 2014. CVE income is \$1,500 per month.
- (7) On charter at a rate of \$14,250 plus an IMO3 premium of up to \$250 per day, expiring in July 2014. CVE income is \$1,500 per month.
- (8) On charter at a rate of \$13,750 per day plus a performance bonus of up to \$250 per day, expiring in July 2014. CVE income is \$1,000 per month.
- (9) On charter at a rate of \$13,500, expiring in July 2014 or January 2015, subject to certain conditions. CVE income is \$1,500 per month.
- (10) Employed in a third party commercial pool for chemical tankers.
- (11) Employed in a third party commercial pool for chemical tankers.
- (12) On charter at a rate of \$15,600 per day, expiring in February 2015, with an option to extend at a market based rate for a second and third year.
- (13) SPP Hull S-1162, Hull S-1163, Hull S-1171 and Hull S-1172 are expected to begin delivering in February 2015 where they will be employed in a third party commercial pool for product tankers.
- (14) HMD Hull H-2480 and Hull H-2481 are expected to begin delivering in February 2015 and it is expected they will be employed on a time charter or spot arrangement.
- (15) FKA Hull N-2062, Hull N-2063, Hull N-2065 and Hull N-2067 are expected to begin delivering in November 2014 and it is expected they will be employed on a time charter or spot arrangement.

Our chartering policy is to maintain a broad range of operating and potential time charter customers and pooling alternatives in order to maximize commercial flexibility and to provide a risk management tool depending on prevailing market conditions and outlook. In particular, we seek customers who place value on our proactive approach to fuel efficiency.

## **Recent Developments**

On February 7, 2014 we obtained a permit from the Ministry of Finance in Bermuda to open an executive office at 69 Pitts Bay Road, Hamilton, HM 08, Bermuda. Our operating office, through ASL, will continue to be located at City Gate Building 1000, Mahon, Cork, Ireland.

## **Competitive Strengths**

We believe that we possess a number of competitive strengths that will enable us to maximize returns and capitalize on growth opportunities in the product and chemical tanker sectors, including:

**Experienced Management Team with an Established Track Record:** Our Chief Executive Officer, Anthony Gurnee, has 32 years of experience in the maritime industry and was part of the senior management team that guided Teekay Corporation's turnaround in the 1990s and laid the foundation for its future growth with a series of public bond issues and its initial public offering. He also served as President of Nedship International (now part of DVB Bank), and in other key management roles, including as CEO of the container and chemical tanker company Industrial Shipping Enterprises and Chief Operating Officer of the chemical tanker operator MT Maritime Management Company. Our Chairman, Reginald Jones, was formerly the global head of transportation investment banking at Goldman Sachs where he led numerous shipping mergers and acquisitions and capital markets transactions, including the initial public offering of Teekay Corporation, the acquisition of tanker company Bona Shipping by Teekay, the sale of SeaLand to AP Moller Maersk, and offerings by OSG, OMI Corp and Knightsbridge Tankers. Our Chief Operating Officer, Mark Cameron, has held a wide range of operational and strategic management positions within Teekay, AP Moller Maersk and Safmarine over a 20 year onshore career. Additionally he served 11 years at sea and achieved the rank of Chief Engineer. Our Chief Financial Officer, Paul Tivnan, was formerly with Ernst & Young, most

## Table of Contents

recently as a Senior Manager in its financial services tax practice specializing in international tax structuring for banking and financial institutions. Our Director, Chartering and Business Development, Gernot Ruppelt joined Ardmore with 12 years of commercial experience in the maritime business. He previously worked as a Tanker Broker at Poten & Partners, New York, and for Maersk Broker and AP Moller Maersk in Copenhagen, Singapore and Germany. Our senior management team has 115 cumulative years of experience in maritime and related activities.

**Attractive, Fuel-Efficient Fleet:** We have assembled a modern, high quality fleet of Eco-design or Eco-mod Japanese and Korean-built tankers. The continued focus on fuel-efficient Eco-design vessels as seen from the profile of our Current Fleet represents a direct extension of this strategy. The average age of our Current Fleet is expected to be four years, at the end of December 2015, at which point we expect all Ordered Vessels to have been delivered.

**Focus on Service Excellence and Innovation:** Since inception, we have focused on service excellence through high quality operations and innovation relating to fuel efficiency improvements, including the acquisition of Eco-design newbuildings and performing Eco-mod improvements to acquired secondhand vessels. Central to our approach is accurate speed and consumption measurement and continuous operational improvement. We believe that as a result, we have been able to negotiate favorable time charter rates and benefit directly in spot trading and pool arrangements. Furthermore, we apply our operational experience and expertise in chemical tanker operations to complex CPP trades to support our customers' needs.

**Low Cost Operation:** We believe our overhead cost per vessel, and operating expenses per vessel, are among the lowest of our industry peers. We have achieved this by purchasing high quality secondhand vessels, building ships in modern, reputable shipyards and remaining focused on two closely related business sectors. We have further achieved low operating expenses per vessel by using our operations management team to closely supervise and augment our third-party technical managers, who themselves enjoy scale benefits with managed fleets of in excess of 150 vessels each.

**Financial Flexibility:** We have capitalized the business in a financially conservative manner and as a consequence have been able to raise debt capital to fund growth. We have done so during a severe shipping downturn that has led to the reorganization or bankruptcy of many leading shipping companies and prevented many other operators from taking advantage of attractive investment opportunities.

### **Business Strategy**

Our objective is to consolidate our position as a market leader in modern, fuel-efficient mid-size product and chemical tankers by engaging in well-timed growth and utilizing our operational expertise and quality-focused approach to provide value-added services to our customers. The key elements of our business strategy include:

**Focus on Modern, Mid-Size Product and Chemical Tankers:** According to Drewry Maritime Research, the median size of the global fleet for product tankers and chemical tankers is 45,238 dwt and 19,908 dwt, respectively, which is close in size to our Current Fleet, the average size of which is 47,117 dwt and 23,452 dwt for product tankers and chemical tankers, respectively. As such, we have developed our strategic focus around mainstream sizes that are readily employed and actively traded worldwide in broad and deep markets. Additionally, as a result of the overlap we have identified between the product and chemical sectors, we believe that our strategy will enable us to take advantage of opportunities, both operationally and strategically, while also providing investment diversification.

**Well-Timed Growth through the Acquisition of Quality Tonnage:** We have a diligent and patient approach to expanding our fleet and are selective with respect to the quality of ships we seek to acquire. Since we commenced business in 2010 we have only acquired Japanese or Korean-built ships, but may consider others provided they meet the same standard of quality. We believe that our commitment and selectivity has been instrumental in building our reputation for quality and service excellence.



---

## **Table of Contents**

**Optimizing Fuel Efficiency:** The shipping industry is seeing a steady increase in fuel efficiency, and we intend to remain at the forefront of this movement. Our Eco-design vessels incorporate many of the latest technological improvements, such as electronically controlled engines, more efficient hull forms matched with energy efficient propellers, and decreased water resistance. Our Eco-mod vessels have improved propulsion efficiency and decreased water resistance. In addition, we are continuing to achieve further improvements through engine diagnostics and operational performance monitoring. We estimate that our Eco-design and Eco-mod MR tankers consume approximately 10-20% less fuel than similar standard MR tankers.

**Commercial Independence, Flexibility and Diversification:** We maintain a broad range of existing and potential time charter customers and pooling alternatives to maximize commercial flexibility and to manage cash flow visibility through charter duration and customer diversification. In particular we seek customers who value our proactive approach to fuel efficiency.

**Low Cost Structure:** We have established a solid foundation for growth while cost-effectively managing our operating expenses and corporate overhead. We intend to grow our staff as needed and to realize further economies of scale as our fleet expands. At the core of our business philosophy is the belief that well-run companies can achieve high quality and efficiency simultaneously, through hands-on management, effective communication with employees, and constant re-evaluation of budgets and operational performance.

### **Corporate Officers, Staff and Seafarers**

Biographical information with respect to each of our directors and executive officers is set forth in the section titled Management.

We employ a full time staff of 14 at ASL in the port city of Cork, Ireland. We engage the services of two third-party ship management companies, Thome Ship Management and Univan Ship Management Limited, to provide technical management and crewing for our vessels, who are supervised by our in-house operations department comprising the Chief Operating Officer, Director of Chartering and Business Development, Director of Technical Services, Manager Marine and Insurance and Manager Cargo Operations. We play a central role in the selection and retention of all officers through our human resources strategy, comprising all key elements from attraction, selection, recruitment and retention. We currently employ, through our third-party technical managers, approximately four hundred seafarers, comprising one hundred and thirty officers and cadets and two hundred and seventy crew.

Our commercial management is managed in-house in the case of fixed time charters and by third-party commercial pool managers in the case where we operate our vessels in the spot market. Commercial pools provide many benefits for vessels operating in the spot market including the ability to generate higher returns due to the economies of scale derived by operating a larger fleet.

### **Our Customers**

Our customers include national, regional, and international companies and our fleet is employed through a mixture of time charters, time charters with profit participation and direct pool employment. We believe that developing strong relationships with the end users of our services allow us to better satisfy their needs with appropriate and capable vessels. A prospective charterer's financial condition, creditworthiness, and reliability track record are important factors in negotiating our vessels' employment.

Below is a brief description of our current customers:

*Mansell Limited* is the commercial shipping arm of Vitol SA, one of the world's largest independent energy trading companies. Mansell Limited's activities complement the core cargo flows of Vitol SA, and through access to third-party and internal cargoes it seeks to maximise utilisation of its fleet.

---

## **Table of Contents**

*Itochu Enex* is a global diversified business that trades petroleum products. Itochu Enex's Industrial Material segment is engaged in the sale of energy, materials, asphalt and cements, the manufacture, sale and distribution of high-pressure gas and liquefied natural gas, as well as the production, supply and sale of electrical power, steam and water.

*Cargill International S.A* is an international producer and marketer of food, agricultural, financial and industrial products and services.

*Koch Shipping Inc.* is a supply and trading marine logistics company.

*Nordic Womar Pte* is a tanker pool operating company, specializing in oil and chemical tanker tonnage up to 30,000 dwt.

*Dampskibsselskabet Norden A/S* is an independent shipping company incorporated in Denmark and operates in the dry cargo and tanker segment worldwide.

*Shell* is a global group of energy and petrochemicals companies with world wide operations.

### **Competition**

We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as our reputation. Ownership of tanker vessels is highly fragmented and is divided among publicly listed companies, state-controlled owners and private shipowners. It is likely that we will face substantial competition for charter business from a number of experienced companies. Many of these competitors may have significantly greater financial resources than we do.

### **Our Credit Facilities**

Ten of our Operational Vessels have senior debt facilities in place, none of which expire until 2018. Of the three debt facilities that we currently have in place, two are with ABN AMRO Bank N.V. based in the Netherlands (the First ABN AMRO Facility and the Second ABN AMRO Facility), and one is with DVB Bank SE based in Germany (the DVB Facility). We also have a capital lease financing facility for two of the vessels with ICON Investments based in New York, USA (the ICON Capital Leases) in an amount of \$31.5 million.

The First ABN AMRO Facility is in the amount of \$40.5 million and bears interest at a rate of 3.25% above LIBOR. We entered into this facility to finance the acquisition of the *Ardmore Seatrader*, the *Ardmore Calypso* and the *Ardmore Capella*. This loan was drawn down in three tranches. The first tranche was drawn down in April 2011 and the second and third tranches were drawn down in June 2011, totaling \$32.0 million. The remaining \$8.5 million is no longer available for borrowing. On March 28, 2013 two of the subsidiaries subject to the First ABN AMRO Facility entered into an agreement for the sale and leaseback (under the ICON Capital Leases) for \$31.5 million. As part of this arrangement, the senior debt outstanding on the *Ardmore Calypso* and *Ardmore Capella* was repaid in full on April 2, 2013. The amount repaid was \$17.9 million. As such, of the First ABN AMRO Facility, one vessel remains with debt outstanding and this fully matures in 2018.

The Second ABN AMRO Facility is in the amount of \$48.9 million and bears interest at a rate of 3.20% above LIBOR. We entered into this facility to finance the acquisition of the *Ardmore Seavalliant* and the *Ardmore Seaventure* and the full amount, \$48.9 million, of this facility was drawn down in line with its terms.

The DVB Facility is in the amount of \$81.9 million. The first tranche, which was drawn down in October 2012, bears interest at a rate 3.75% above LIBOR. The second and third tranche were drawn down in January 2014 and February 2014, and bear interest at a rate of 2.45% above LIBOR. We entered into the DVB Facility to finance the *Ardmore Seafarer*, *Ardmore Seamaster*, *Ardmore Centurion*, *Ardmore Seavantage* and *Ardmore*

---

## **Table of Contents**

*Seavanguard*. The amount drawn down under this facility as of December 31, 2013 was \$36.9 million. The remainder of the DVB Facility, \$45.0 million, was drawn down in two equal installments just prior to delivery of the *Ardmore Seavantage* and *Ardmore Seavanguard* in January 2014 and February 2014, respectively.

Ardmore has signed a commitment letter for a senior credit facility with ABN AMRO Bank N.V., Nordea Bank Finland Plc and Skandinaviska Enskilda Banken AB (the Joint Facility), in the amount of \$172.0 million to finance eight of our Ordered Vessels. Draw downs will be made in line with deliveries of each vessel, commencing in January 2015. Interest is calculated on each tranche at a rate of 3.15% above LIBOR. Draw downs are subject to customary conditions including the absence of any material adverse change. The terms of the Joint Facility include an accordion option whereby, subject to lenders' approval, we may request to increase the Joint Facility to finance the acquisition of additional vessels.

We are also in advanced discussions with our relationship banks and have received non-binding indicative terms for two additional debt facilities (the Prospective Debt Facilities). If obtained, we intend to use these facilities to finance the remaining two of our Ordered Vessels and the *Ardmore Seamariner* which was acquired in October 2013 with cash.

Agreements related to long-term debt obligations stated above include certain covenants. The financial covenants include:

corporate leverage of less than 75%;

minimum cash and cash equivalents based on the number of vessels owned and chartered-in and debt service requirements. Our required minimum cash balance as at December 31, 2013 was \$4,800,000;

the aggregate fair market value of the collateral vessels plus any additional collateral shall, depending on the facility, be no less than 125% to 150% of the debt outstanding (value maintenance covenant); and

net worth of not less than \$45 million.

The long-term debt obligations 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. We are fully compliant with all of our loan covenants as of December 31, 2013.

## **Properties**

We own no properties other than our vessels. We have entered into a lease with a third party for our office space at City Gate Building 1000, Mahon, Cork, Ireland. The lease commenced on June 1, 2011 and is for a period of ten years with a break option at the end of year five. The amount of rent payable to the third-party landlord for this lease is approximately \$101,607 per annum.

## **Environmental and Other Regulations**

Government laws and regulations significantly affect the ownership and operation of our tankers. We are subject to international conventions, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government, quasi-governmental and private organizations subject our tankers to both scheduled and unscheduled inspections. These organizations include the local port authorities, national authorities, harbor masters or equivalent, classification societies, flag state administrations (countries of registry),



---

## **Table of Contents**

labor organizations (including but not limited to the International Transport Workers Federation), charterers, terminal operators and oil companies. Some of these entities require us to obtain permits, licenses, certificates and approvals for the operation of our tankers. Our failure to maintain necessary permits, licenses, certificates or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of the vessels in our fleet, or lead to the invalidation or reduction of our insurance coverage.

We believe that the heightened levels of environmental and quality concerns among insurance underwriters, financial institutions, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the tanker industry. Increasing environmental concerns have created a demand for tankers that conform to stricter environmental standards and these standards are set to increase in stringency in the short to medium term. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, and procedural compliance together with continuous training of our officers and crews to maintain compliance with applicable local, national and international environmental laws and regulations. Such laws and regulations frequently change and may impose increasingly strict requirements. We cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our tankers. In addition, a future serious marine incident that results in significant oil pollution, release of hazardous substances, loss of life or otherwise causes significant adverse environmental impact could result in additional legislation, regulation or other requirements that could negatively affect our profitability.

### **International Maritime Organization ( IMO )**

The IMO, the United Nations agency for maritime safety and the prevention of pollution, has adopted the International Convention for the Prevention of Pollution from Ships ( MARPOL ), which has been updated through various amendments. MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms.

#### *Air Emissions*

In September 1997, the IMO adopted Annex VI to MARPOL to address air pollution from ships. Effective May 2005 and as subsequently revised, Annex VI sets limits on sulfur oxide, nitrogen oxide and particulate matter emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile organic compounds from cargo tanks, and the shipboard incineration from incinerators installed after January 1, 2000 of specific substances. Deliberate emissions are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship's repair and maintenance. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions known as Emission Control Areas ( ECAs ). Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and adversely affect our business, cash flows, results of operations and financial condition. In October 2008, the IMO adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone-depleting substances, which entered into force on July 1, 2010. The amended Annex VI will reduce air pollution from vessels by, among other things, (i) implementing a progressive reduction of sulfur oxide emissions from ships by reducing the global sulfur fuel cap initially to 3.50%, effective January 1, 2012, then progressively to 0.50%, effective globally from January 1, 2020, subject to a feasibility review to be completed no later than 2018; and (ii) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The United States ratified the Annex VI amendments in October 2008, and the EPA, promulgated equivalent emissions standards in late 2009.

The United States and Canada have requested IMO to designate the area extending 200 nautical miles from the Atlantic/Gulf and Pacific coasts of the United States and Canada and the Hawaiian Islands as ECAs under the MARPOL Annex VI amendments, which would subject ocean-going vessels in these areas to stringent emissions

---

**Table of Contents**

controls and cause us to incur additional costs. The North American ECA came into force on August 1, 2012. The North American ECA includes areas subject to the exclusive sovereignty of the United States and extends up to 200 nautical miles from the coasts of the United States, which area includes parts of the U.S. Gulf of Mexico. Consequently, the sulfur limit in marine fuel is capped at 1%. These capped amounts will then decrease progressively until they reach 0.5% by January 1, 2020 for non-ECA areas and 0.1% by January 1, 2015 for ECA areas, including the North American ECA. As of January 1, 2014, the United States Caribbean Sea was also designated an ECA.

In July 2011, further amendments to MARPOL Annex VI were adopted in part to address greenhouse gas emissions. These amendments add a new chapter, chapter 4, which addresses energy efficiency for ships. It makes the Energy Efficiency Design Index ( EEDI ), for new ships mandatory, and the Ship Energy Efficiency Management Plan ( SEEMP ) apply to all ships. These measures entered into force on January 1, 2013.

If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures or operational changes or otherwise increase the costs of our operations.

*Safety Management System Requirements*

The IMO also adopted the International Convention for the Safety of Life at Sea ( SOLAS ) and the International Convention on Load Lines ( LL ), which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL standards. The May 2012 SOLAS amendments which include, among others items, a prohibition on blending bulk liquid cargoes during sea voyages, entered into force as of January 1, 2014.

The IMO Legal Committee also adopted the 1996 Protocol to the Convention on Limitation of Liability for Maritime Claims (the LLMC ), which specifies limits of liability for loss of life or personal injury claims and property claims against ship-owners. The limits of liability are periodically amended to adjust to inflation. Amendments to the LLMC, which were adopted in April 2012, are expected to go into effect on June 8, 2015.

Our operations are also subject to environmental standards and requirements contained in the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention ( ISM Code ), promulgated by the IMO under SOLAS. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of safety and environmental protection policies setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that has been developed for our vessels for compliance with the ISM Code.

The ISM Code requires that vessel operators also obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel s management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. Our technical managers have obtained documents of compliance for its offices and safety management certificates for all of our vessels for which the certificates are required by the ISM Code. These documents of compliance and safety management certificates are renewed as required.

Noncompliance with the ISM Code and other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreases in, or invalidation of, available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, as the case may be.

---

**Table of Contents**

*Pollution Control and Liability Requirements*

Many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage (the CLC), although the United States is not a party. Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable, subject to certain affirmative defenses, for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil. The limits on liability outlined in the 1992 Protocol use the International Monetary Fund currency unit of Special Drawing Rights (SDR). The right to limit liability is forfeited under the CLC where the spill is caused by the shipowner's personal fault and under the 1992 Protocol where the spill is caused by the shipowner's personal act or omission or by intentional or reckless conduct. Vessels trading with states that are parties to these conventions must provide evidence of insurance covering the liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to that of the CLC. We believe that our protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the Bunker Convention), to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention, which became effective on November 21, 2008, requires registered owners of ships over 1,000 gross tons to maintain insurance or other financial security for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in a ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

The IMO International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances (HNS) by Sea, when it enters into force, will provide for compensation to be paid out to victims of accidents involving HNS, such as chemicals. HNS are defined by reference to lists of substances included in various IMO Conventions and Codes and include oils, other liquid substances defined as noxious or dangerous, liquefied gases, liquid substances with a flashpoint not exceeding 60°C, dangerous, hazardous and harmful materials and substances carried in packaged form, solid bulk materials defined as possessing chemical hazards, and certain residues left by the previous carriage of HNS. This Convention introduces strict liability for the shipowner and a system of compulsory insurance and insurance certificates. This Convention is still awaiting the requisite number of signatories in order to enter into force.

In addition, IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention) in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping tonnage. To date, there has not been sufficient adoption of this standard for it to take force. However, Panama may adopt this standard in the relatively near future, which would be sufficient for it to take force. Upon entry into force of the BWM Convention, mid-ocean ballast exchange would be mandatory for our vessels. In addition, our vessels would be required to be equipped with a ballast water treatment system that meets mandatory concentration limits not later than the first intermediate or renewal survey, whichever occurs first, after the anniversary date of delivery of the vessel in 2014, for vessels with ballast water capacity of 1500-5000 cubic meters, or after such anniversary date in 2016, for vessels with ballast water capacity of greater than 5000 cubic meters. If mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could significantly increase for ocean carriers. Although we do not believe the costs of compliance with mandatory mid-ocean ballast exchange would be material, it is difficult to predict the overall impact of such a requirement on our operations.

---

## **Table of Contents**

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

### **U.S. Regulations**

The U.S. Oil Pollution Act of 1990 ( OPA ), established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S. territorial sea and its 200 nautical mile exclusive economic zone. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act ( CERCLA ), which applies to the discharge of hazardous substances other than oil, whether on land or at sea. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

natural resources damage and related assessment costs;

economic loss resulting from real and personal property damage;

net loss of taxes, royalties, rents, fees and other lost revenues resulting from injury, destruction or loss of real or personal property, or natural resources;

lost profits or impairment of earning capacity due to property or natural resources damage; and

net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability to the greater of \$2,000 per gross ton or \$17.088 million for any double-hull tanker that is over 3,000 gross tons (subject to possible adjustment for inflation), and our fleet is entirely composed of vessels of this size class. CERCLA, which applies to owners and operators of vessels, contains a similar liability regime and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5 million for vessels carrying a hazardous substance as cargo or residue and the greater of \$300 per gross ton or \$0.5 million for any other vessel. These OPA and CERCLA limits of liability do not apply if an incident was directly caused by violation of applicable U.S. federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

OPA and the U.S. Coast Guard also require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential liability under OPA and CERCLA. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, self-insurance or a guaranty. We comply with the U.S. Coast Guard's financial responsibility regulations by providing a certificate of responsibility evidencing sufficient self-insurance.

We have and expect to maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage or if our insurance were to not respond, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

## **Table of Contents**

The U.S. Clean Water Act ( CWA ), prohibits the discharge of oil or hazardous substances in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal and remediation and damages and complements the remedies available under OPA and CERCLA.

The EPA regulates the discharge of ballast water, bilge water and other substances in U.S. waters under the CWA. Effective February 6, 2009, EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit ( VGP ), authorizing ballast water and bilge water discharges and other discharges incidental to the operation of vessels. The VGP imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. On March 28, 2013, the EPA re-issued the VGP for another five years, which took effect December 19, 2013. The 2013 VGP includes, among other items, numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, more stringent requirements for effluent from exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants.

U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act ( NISA ), also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. On June 21, 2012, the U.S. Coast Guard final rule regarding new ballast water management standards and practices, including limits regarding ballast water releases went into effect, though its requirements will be phased in over time. Compliance with the EPA and the U.S. Coast Guard regulations will require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

## **European Union Regulations**

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

## **Greenhouse Gas Regulation**

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change ( UNFCCC ), which we refer to as the Kyoto Protocol, entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol. In July 2011, however, the IMO's Marine Environment Protection Committee ( MEPC ), adopted two new sets of mandatory requirements to address greenhouse gas emissions from ships, which entered into force in January 2013. Currently operating ships are required to develop Ship Energy Efficiency Management Plans, and minimum energy efficiency levels per capacity mile apply to new ships. These requirements could cause us to incur additional compliance costs.

International negotiations are continuing with respect to a successor to the Kyoto Protocol, which set emission reduction targets through 2012 and has been extended with new targets through 2020 pending negotiation of a new climate change treaty that would take effect in 2020. Restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from vessels, if such emissions were not regulated through the IMO or the UNFCCC by December 31, 2011. Various options are still under discussion

---

## **Table of Contents**

in the European Union about potential ways to reduce greenhouse gas emissions from ships, including for example, monitoring, reporting and verification requirements as a potential first step that, if adopted, could come into effect as early as January 2018. In the United States, the EPA has issued a final finding that greenhouse gases threaten public health and safety, and has implemented regulations governing the emission of greenhouse gases from motor vehicles and stationary sources. The EPA may decide in the future to regulate greenhouse gas emissions from ships and has already been petitioned by the California Attorney General to regulate greenhouse gas emissions from ocean-going vessels. Other federal and state regulations relating to the control of greenhouse gas emissions may follow, including the climate change initiatives that are being considered in the U.S. Congress. In addition, the IMO is evaluating various mandatory measures to reduce greenhouse gas emissions from international shipping, including market-based instruments. Any passage of climate change legislation or other regulatory initiatives by the European Union, United States, IMO or other countries where we operate that restrict emissions of greenhouse gases could require us to make significant financial expenditures, including capital expenditures to upgrade our vessels, that we cannot predict with certainty at this time.

### **Vessel Security Regulations**

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002 (the MTSA), came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the International Ship and Port Facilities Security Code (the ISPS Code). The ISPS Code is designed to protect ports and international shipping against terrorism. After July 1, 2004, to trade internationally, a vessel must attain an International Ship Security Certificate (ISSC), from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;

on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;

the development of vessel security plans;

ship identification number to be permanently marked on a vessel's hull;

a continuous synopsis record kept onboard showing a vessel's history including, the name of the ship and of the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and

compliance with flag state security certification requirements.

Ships operating without a valid certificate may be detained at port until it obtains an ISSC, or it may be expelled from port, or refused entry at port.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non-U.S. vessels that have on board, as of July 1, 2004, a valid ISSC attesting to the vessel's compliance with SOLAS security requirements and the ISPS Code. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code.

## **Table of Contents**

### **Inspection by Classification Societies**

Every oceangoing vessel must be classed by a classification society. The classification society certifies that the vessel is in-class, signifying that the vessel has been built and maintained in accordance with the rules of International Association of Classification Standards and complies, as appointed, with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

*Annual Surveys.* For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant and where applicable for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

*Intermediate Surveys.* Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

*Class Renewal Surveys.* Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a ship owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five year cycle. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Vessels have their underwater parts inspected every 30 to 36 months. Depending on the vessel's classification status and constructed notation and other factors, this inspection can often be done afloat with minimal disruption to the vessel's commercial deployment. However, vessels are required to be drydocked, meaning physically removed from the water, for inspection and related repairs at least once every five years from delivery. If any defects are found, the classification surveyor will issue a condition of class or recommendation which must be rectified by the ship owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as in-class by a classification society which is a member of the International Association of Classification Societies. All our vessels are certified as being in-class by American Bureau of Shipping and Lloyds Register. The International Association of Classification Societies adopted harmonized Common Rules, that align with the

## **Table of Contents**

IMO goal standards, in 2013. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard purchase contracts and memoranda of agreement. If the vessel is not certified on the scheduled date of closing, we have no obligation to take delivery of the vessel.

In addition to the classification inspections, many of our customers regularly inspect our vessels as a precondition to chartering them for voyages. We believe that our well-maintained, high-quality vessels provide us with a competitive advantage in the current environment of increasing regulation and customer emphasis on quality.

### **Risk of Loss and Liability Insurance**

#### ***General***

The operation of any cargo vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities, labor strikes and acts of God. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which in certain circumstances imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the U.S. exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for vessel owners and operators trading in the U.S. market. While we believe that our present insurance coverage is adequate, not all risks can be insured against, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

#### ***Marine and War Risks Insurance***

We have in force marine and war risks insurance for all of our vessels. Our marine hull and machinery insurance covers risks of particular average and actual or constructive total loss from collision, fire, grounding, engine breakdown and other insured named perils up to an agreed amount per vessel. Our war risks insurance covers the risks of particular average and actual or constructive total loss from confiscation, seizure, capture, vandalism, sabotage, and other war-related named perils. We have also arranged coverage for increased value for each vessel. Under this increased value coverage, in the event of total loss of a vessel, we will be able to recover amounts in excess of those recoverable under the hull and machinery policy in order to compensate for additional costs associated with replacement of the loss of the vessel. Each vessel is covered up to at least its fair market value at the time of the insurance attachment and subject to a fixed deductible per each single accident or occurrence, but excluding actual or constructive total loss.

#### ***Protection and Indemnity Insurance***

Protection and indemnity insurance is provided by mutual protection and indemnity associations ( P&I Associations ), and covers our third party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses resulting from injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by mutual protection and indemnity associations, or clubs. Subject to the capping discussed below, our coverage, except for pollution, is unlimited.

Our current protection and indemnity insurance coverage for pollution is \$1.0 billion per vessel per incident. We are a member of a P&I Club that is a member of the International Group of P&I Clubs ( International Group ). The P&I Clubs that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities.



## **Table of Contents**

Although the P&I Clubs compete with each other for business, they have found it beneficial to pool their larger risks under the auspices of the International Group. This pooling is regulated by a contractual agreement which defines the risks that are to be pooled and exactly how these risks are to be shared by the participating P&I Clubs. The pool provides a mechanism for sharing all claims in excess of \$9.0 million up to approximately \$7.5 billion as of May 19, 2013. We are subject to calls payable to the associations based on its claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Clubs comprising the International Group.

## **Legal Proceedings**

To our knowledge, we are not currently a party to any lawsuit that, if adversely determined, would have a material adverse effect on our financial position, results of operations or liquidity. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements. From time to time in the future we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. While we expect that these claims would be covered by our existing insurance policies, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had, a significant effect on our financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity.

## **Exchange Controls**

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common shares.

**Table of Contents****MANAGEMENT****DIRECTORS AND EXECUTIVE OFFICERS**

Set forth below are the names, ages and positions of our directors and executive officers. Our board of directors currently consists of seven directors, who are elected annually. Each director elected will hold office for a three-year term or until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office. The initial term of office of each director is as follows: Class I directors serve for a term expiring at the 2014 annual meeting of shareholders, Class II directors serve for a term expiring at the 2015 annual meeting of shareholders, and Class III directors serve for a term expiring at the 2016 annual meeting of the shareholders. Officers are elected from time to time by vote of our board of directors and hold office until a successor is elected. The business address for each director and executive officer is the address of our principal operating office which is Ardmore Shipping Ltd. City Gate Building 1000, Mahon, Cork, Ireland.

Name	Age	Class	Position
Mr. Reginald Jones	54	III	Chairman and Director, Chairman of the Nominating and Corporate Governance Committee, Chairman of the Compensation Committee
Mr. Anthony Gurnee	54	II	Chief Executive Officer, President and Director
Mr. Brian Dunne	47	III	Director, Chairman of the Audit Committee, Member of the Nominating and Corporate Governance Committee
Mr. Niall McComiskey	32	II	Director, Member of the Nominating and Corporate Governance Committee, Member of the Audit Committee
Dr. Peter Swift	69	I	Director, Member of the Compensation Committee
Mr. Alan Robert McIlwraith	59	II	Director, Member of the Audit Committee
Mr. Albert Enste	55	I	Director, Member of the Compensation Committee
Mr. Mark Cameron	46	N/A	Chief Operating Officer
Mr. Paul Tivnan	34	N/A	Chief Financial Officer, Secretary and Treasurer
Mr. Gernot Ruppelt	33	N/A	Director, Chartering and Business Development

Biographical information with respect to each of our directors and executive officers is set forth below.

**Reginald Jones** is our Chairman and a director. Mr. Jones has been the Chairman of the Ardmore Group since 2010. Mr. Jones is a co-founder and Managing Partner of Greenbriar Equity Group LLC. Prior to founding Greenbriar in 1999, Mr. Jones spent thirteen years at Goldman, Sachs & Co., where he was a Managing Director and Group Head of global transportation investment banking. During his time there, Mr. Jones managed a number of the firm's largest corporate clients and led the execution of significant transactions related to mergers and acquisitions, equity and debt financings, leveraged buyouts, recapitalizations, and principal investments. Prior to Goldman Sachs, he worked as a consultant at Bain & Company. Mr. Jones earned a BA from Williams College and an MBA from the Harvard Business School.

**Anthony Gurnee** is our Chief Executive Officer, President, and director. Mr. Gurnee has been the Chief Executive Officer and a director of Ardmore since 2010. Between 2006 and 2008, he was the Chief Executive

---

**Table of Contents**

Officer of Industrial Shipping Enterprises, Inc., a containership and chemical tanker company, and Chief Operating Officer of MTM Group, an operator of chemical tankers. From 1992 to 1997, he was the Chief Financial Officer of Teekay Shipping Corporation, where he led the company's financial restructuring and initial public offering. Mr. Gurnee began his career as a financier with Citicorp, and he served for six years as a surface line officer in the US Navy, including a tour with naval intelligence. He is a graduate of the US Naval Academy and earned an MBA at Columbia Business School, is a CFA charter holder, and a fellow of the Institute of Chartered Shipbrokers.

**Brian Dunne** is a director of the Company. Mr. Dunne has served as a director within the Ardmore Group since June 2010. Mr. Dunne was the Chief Financial Officer of ACE Aviation Holdings Inc. (ACE) from 2005 until 2012 and was the President of the company in 2011 and 2012. ACE was the parent holding company of the reorganized Air Canada and a number of other entities including Aeroplan LP (now AIMIA Inc) and Air Canada Jazz (now Chorus Aviation Inc). Mr. Dunne was also a director of Air Canada from its initial public offering in 2006 until 2008. Prior to joining ACE, Mr. Dunne was Chief Financial Officer and a director of Aer Lingus Group plc. He started his career at Arthur Andersen in 1987 and became a partner in 1998. Mr. Dunne is a non-executive director or Chairman of a number of private companies including subsidiaries of Aviva plc in Ireland and Rainmaker Business Technologies Limited. Mr. Dunne is a Fellow of the Institute of Chartered Accountants in Ireland and holds a Bachelor of Commerce degree and a post graduate diploma in Professional Accounting from University College Dublin.

**Niall McComiskey** is a director of the Company. Mr. McComiskey was appointed as a director within the Ardmore Group in March 2011. Mr. McComiskey is also a Director at Greenbriar Equity Group LLC. Prior to joining Greenbriar, Mr. McComiskey was a Vice President at HSH Nordbank AG from 2004 to 2006 where he led many of the firm's investment activities in the transportation sector. Previously, Mr. McComiskey worked in the Mergers & Acquisitions Group at Deutsche Bank AG. Mr. McComiskey holds a BA in economics from Yale University. He also serves as a director of Grakon International, Inc.

**Peter Swift** has agreed to serve as a director as of the closing of this offering. Dr. Swift has had a distinguished career spanning 45 years in the maritime industry, and is presently serving in non-profit and charitable directorships including acting as the Chairman of the Maritime Piracy Humanitarian Response Programme, as a Member for both the American Bureau of Shipping and the IMO Committee of the Royal Institution of Naval Architects, and as a Director of the Maritime Industry Foundation. Dr. Swift was previously the Managing Director of INTERTANKO from 2000 to 2010 and a Director of Seascope Shipping Limited from 1999 to 2001. He was employed by Royal Dutch Shell from 1975 to 1999 in a range of commercial and technical roles. He was a visiting lecturer and Director for Marine Transport Economics at University of Michigan from 1970 to 1975, and was previously a naval architect for Swan Hunter. Dr. Swift holds a PhD in Transport Economics, an MS Engineering from University of Michigan, and a BS in Naval Architecture from University of Durham. He is a Chartered Engineer, a Fellow of the Royal Institution of Naval Architects, a British National and resides in the UK.

**Robert McIlwraith** is a director of the Company, as of our IPO date. Mr. McIlwraith has been an owner of Redwood Management Consultants since April 2011 and has served as Chairman of the Exeter Initiative for Science and Technology (ExIST) since June 2011. He has also served as Chairman of the Trustees of AmSafe Bridport Pension Scheme since 2000, has been teaching Accounting and Finance and Management Studies at INTO University of Exeter since January 2011, became a chamber member at the Exeter Chamber of Commerce and Industry in April 2013, and has served as a Trustee of Sidmouth Hospiscare since 2011. Prior, he served as the President of Align Aerospace France from October 2011 to August 2012 and as a Managing Director and Executive Vice President for the global aerospace and defense business Amsafe from 1998 to 2011. Prior to joining AmSafe, from 1992 to 1998 Mr. McIlwraith was Managing Director of MBM Technology, a subsidiary of Morgan Crucible plc, worked at Rolls Royce plc as a senior development engineer from 1979 to 1984, and completed a five year apprenticeship at the British Steel Corporation as a design draughtsman. Mr. McIlwraith earned his Bachelor's degree in Mechanical Engineering from Cardiff University and is a Chartered Engineer and a Member of the Institution of Mechanical Engineers.

---

## **Table of Contents**

**Albert Enste** is a director of the Company, as of our IPO date. Mr. Enste currently serves as active partner and Managing Director of both Enste & American Investors Holding GmbH and Federnfabrik Schmid AG. He also currently serves on the boards of People Guard USA and Federnfabrik Schmid AG Switzerland. Between 2006 and 2011, Mr. Enste served as the Vice President and General Manager of International Business at Electro-Motive Diesel, Inc. From 2000 to 2001, Mr. Enste headed worldwide locomotive sales as Vice President of Locomotives at DaimlerChrysler Rail Systems ADtranz and continued to hold this position as Senior Director until 2006 with Bombardier Transportation after they acquired DaimlerChrysler Rail Systems ADtranz. Mr. Enste started his career in 1985 with Siemens AG, holding various positions in their automotive and automation groups until 1999. Mr. Enste holds a Master of Engineering from the Technical University of Munich.

**Mark Cameron** is the Chief Operating Officer for Ardmore. Mr. Cameron joined Ardmore as Chief Operating Officer and was appointed an alternate director in June 2010. From 2008 to 2010 Mr. Cameron served as Vice President, Strategy and Planning for Teekay Marine Services, Teekay Corporation's internal ship management function. Mr. Cameron spent eleven years at sea rising to the rank of Chief Engineer with Safmarine and later AP Moller, including time served onboard bulk carriers, salvage tugs, tankers, general cargo, reefer and container ships. Mr. Cameron has held a number of senior management roles ashore specializing in integrating acquisitions covering all facets of ship management, as well as sale & purchase, newbuilding supervision, personnel management, procurement, fleet management and technical supervision.

**Paul Tivnan** is our Chief Financial Officer, Secretary and Treasurer. Mr. Tivnan joined Ardmore Shipping LLC in June 2010. He was employed at Ernst & Young most recently and was Senior Manager in their Financial Services Tax Advisory Services department from 2009 to 2010. He was also a participant in Ernst & Young's Accelerated Leadership Program from 2008 to 2010. Mr. Tivnan is a graduate of Dublin City University, holds a BA in Accounting and Finance and an MBS in Accounting. He is an Associate of the Institute of Chartered Accountants of Ireland, an Associate of the Irish Taxation Institute and a member of the Institute of Chartered Shipbrokers.

**Gernot Ruppelt** is our Director, Chartering and Business Development. Mr. Ruppelt joined Ardmore with 12 years of commercial experience in the maritime business. He previously worked as a Tanker Broker at Poten & Partners, New York, for five years. During his time at Poten & Partners, Gernot brokered longer term deals for crude oil, product and chemical tankers working on behalf of ship-owners and operators, oil traders, refineries and oil companies. In the seven years prior to this he worked for Maersk Broker and AP Moller Maersk in Copenhagen, Singapore and Germany. As a broker at Maersk, Gernot concluded container ship contracts for third party business, and he also spent several years at Maersk's liner organization, most recently as Trade Manager for their Pacific Eastbound trade. Gernot is a Member of the Institute of Chartered Shipbrokers in London. He also completed the two-year Maersk International Shipping Education program and graduated from Hamburg Shipping School.

### **Board of Directors and Committees**

Our board of directors currently consists of seven directors, four of whom, Brian Dunne, Peter Swift, Robert McIlwraith and Albert Enste, have been determined by our board of directors to be independent under the rules of the New York Stock Exchange and the rules and regulations of the SEC. Our Audit Committee consists of Brian Dunne, as Chairman, Robert McIlwraith and Niall McComiskey. Our board of directors has determined that Mr. Dunne qualifies as an Audit Committee financial expert as such term is defined under SEC rules. Mr. McComiskey, a non-independent member of our board of directors, does not have voting rights on the Audit Committee. The Audit Committee, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities, procedures and the adequacy of our internal accounting controls. The Nominating and Corporate Governance Committee consists of Reginald Jones (a non-independent member of our board of directors) as Chairman, Niall McComiskey and Brian Dunne. The Nominating and Corporate Governance Committee is responsible for recommending to the board of directors

## **Table of Contents**

nominees for director and directors for appointment to board committees and advising the board with regard to corporate governance practices. The Compensation Committee consists of Reginald Jones, as Chairman, Peter Swift and Albert Enste. The Compensation Committee will oversee our equity incentive plan and recommend director and senior employee compensation. Our shareholders may also nominate directors in accordance with procedures set forth in our bylaws.

### **Compensation of Directors and Senior Management**

We paid \$1,753,200 in compensation to members of our senior executive officers in 2013, which includes awards under our equity incentive plan. Each of our non-employee directors will receive annual cash compensation in the aggregate amount of \$35,000 annually, plus \$25,000 in stock-based compensation annually plus an additional fee of \$12,500 for each committee for which a director serves as Chairman, per year, plus reimbursements for actual expenses incurred while acting in their capacity as a director. Our Chairman will receive an additional \$25,000 per year. Our officers and directors are eligible to receive awards under our equity incentive plan which is described below under Equity Incentive Plan. We do not have a retirement plan for our officers or directors.

We believe that it is important to align the interests of our directors and management with that of our shareholders. In this regard, we have determined that it will generally be beneficial to us and to our shareholders for our directors and management to have a stake in our long-term performance. We expect to have a meaningful component of our compensation package for our directors and management consist of equity interests in the Company in order to provide them on an on-going basis with a meaningful percentage of ownership in the Company.

### **Equity Incentive Plan**

We currently have an equity incentive plan, which we refer to as the plan, under which directors, officers, and employees, (including any prospective officer or employee) of the Company and its subsidiaries and affiliates, and consultants and service providers to (including persons who are employed by or provide services to any entity that is itself a consultant or service provider to) the Company and its subsidiaries and affiliates, as well as entities wholly-owned or generally exclusively controlled by such persons, may be eligible to receive incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, unrestricted stock and other equity-based or equity-related awards that the plan administrator determines are consistent with the purposes of the plan and the interests of the Company. Subject to adjustment for changes in capitalization, the aggregate number of shares of our common stock with respect to which awards may at any time be granted under the plan will be equal to 8% of the issued and outstanding shares of our common stock at the time of the award issuance. Subject to adjustment for changes in capitalization, the aggregate number of shares of our common stock with respect to which incentive stock options may at any time be granted under the plan will be 1,000,000, provided in no event will incentive stock options be issued in excess of 8% of the issued and outstanding shares of our common stock at the time of issuance of the incentive stock option. The plan will be administered by our compensation committee.

Under the terms of the plan, stock options and stock appreciation rights granted under the plan will have an exercise price equal to the fair market value of a common share on the date of grant, unless otherwise determined by the plan administrator, but in no event will the exercise price be less than the fair market value of a common share on the date of grant. Options and stock appreciation rights will be exercisable at times and under conditions as determined by the plan administrator, but in no event will they be exercisable later than ten years from the date of grant.

The plan administrator may grant shares of restricted stock and awards of restricted stock units subject to vesting, forfeiture and other terms and conditions as determined by the plan administrator. With respect to restricted stock units, the award recipient will be paid an amount equal to the number of vested restricted stock units multiplied by the fair market value of a common share on the date of vesting, which payment may be paid

---

**Table of Contents**

in the form of cash or common shares or a combination of both, as determined by the plan administrator. The plan administrator may grant dividend equivalents with respect to grants of restricted stock units.

Adjustments may be made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a change in control (as defined in the plan), unless otherwise provided by the plan administrator in an award agreement, awards then outstanding will become fully vested and exercisable in full.

Our board of directors may amend or terminate the plan and the plan administrator may amend outstanding awards, provided that no such amendment or termination may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award without the consent of the grantee. Shareholder approval of plan amendments will be required under certain circumstances. Unless terminated earlier by our board of directors, the plan will expire ten years from the date the plan is adopted.

***Stock Appreciation Rights.*** As of the date of this prospectus the Company has granted 1,078,125 stock appreciation rights (SARs) to certain of its officers and directors. Under a SAR award, the grantee is entitled to receive the appreciation of a share of our 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 our 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 our common stock, based on the fair market value of a share of our 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.

The SARs are scheduled to vest and become exercisable ratably over five years from the date of grant of the SAR award (i.e., 20% of the shares covered by the SAR award will vest on each of the first five anniversaries of the grant date), subject to, and conditioned upon, the grantee's continued service as an employee, officer or director of the Company or one of its subsidiaries or affiliates. Notwithstanding that schedule, no portion of the SAR award will be exercisable prior to the third anniversary of its grant date unless the fair market value of a share of our common stock is equal to more than two times the SAR's per share exercise price and has remained above such amount for 30 consecutive days. The SAR award may receive accelerated vesting in cases of termination of service due to death or disability or in connection with a change of control of the Company. The SAR award will have a term of seven years from the date of grant and in no event will the SAR be exercisable to any extent following the seventh anniversary of the grant date.

The SAR awards are subject to adjustment in the event of certain changes in capitalization or other significant corporate events, as more fully set forth in the equity incentive plan document.

Following the offering, we may grant a number of SARs to certain of our executive officers and directors at a price to be determined, but in no event will the exercise price be less than the fair market value of a common share on the date of grant.

***Employment Agreements.*** We have entered into employment agreements with four of our executives: Anthony Gurnee, our Chief Executive Officer, Paul Tivnan, our Chief Financial Officer, Mark Cameron, our Chief Operating Officer and Gernot Ruppelt, our Director of Chartering and Business Development. These employment agreements are in effect as of August 1, 2013 and terminate in accordance with the terms of such agreements. Pursuant to the terms of their respective employment agreements, our executives are prohibited from disclosing or unlawfully using any of our material confidential information. The employment agreements also include a one year non-solicitation and a one year non-compete clause following the cessation of the employee's employment with us.

**Table of Contents**

The employment agreements require that we maintain director and officer insurance subject to which we shall indemnify and hold the employee harmless against all expenses, liability and loss (including reasonable and necessary attorneys' fees, judgments, fines and amounts paid in settlement) in connection with any threatened or pending action, suit or proceeding, to which the employee is a party or is threatened to be made a party as a result of the employee's employment with us. The indemnification provisions exclude fraud, willful misconduct or criminal activity on the employee's behalf.

**Table of Contents****PRINCIPAL SHAREHOLDERS**

The following table sets forth information regarding the beneficial owners of more than five percent of our common shares, and the beneficial ownership of each of our directors and executive officers and of all of our directors and executive officers as a group as of the date of this prospectus. All of our shareholders, including the shareholders listed in this table, are entitled to one vote for each common share held.

Beneficial ownership is determined in accordance with the SEC's rules. In computing percentage ownership of each person, common shares subject to options held by that person that are currently exercisable or convertible, or exercisable or convertible within 60 days of the date of this prospectus, are deemed to be beneficially owned by that person. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

The percentage of beneficial ownership upon consummation of this offering is based on \_\_\_\_\_ common shares outstanding immediately after this offering, or \_\_\_\_\_ assuming the underwriters' over-allotment is exercised in full, which number is calculated after giving effect to the issuance and sale of \_\_\_\_\_ common shares in this offering, or \_\_\_\_\_ shares if the underwriter's over-allotment opinion is exercised in full.

Identity of person or group	Shares Beneficially Owned Prior to Offering		Shares Beneficially Owned After Offering Assuming No Exercise of Over-Allotment Option		Shares Beneficially Owned After Offering Assuming Exercise in Full of Over-Allotment Option	
	Number	Percentage	Number	Percentage	Number	Percentage
GA Holdings LLC(1)	8,050,000	44.6%	*	*	*	*
All directors and executive officers as a group	*	*	*	*	*	*

(1) Approximately 98.6% of the limited company interests in GA Holdings LLC are owned by private investment funds managed by affiliates of Greenbriar Equity Group, LLC. Such entities and their control persons, Joel S. Beckman, Reginald L. Jones III and Gerald Greenwald, have voting and investment power with respect to shares of the company held by GA Holdings LLC.

\* Less than 1% of our outstanding shares of common stock.



**Table of Contents**

**RELATED-PARTY TRANSACTIONS**

In 2013, during the period prior to our IPO, Ardmore paid \$175,000 (2012: \$350,000; 2011:\$175,000) to Greenbriar Equity Group LLC in respect of consulting services provided to Ardmore. Greenbriar Equity Group LLC manages funds with an investment in GA Holdings LLC, a significant shareholder in Ardmore Shipping Corporation.

An amount of \$600,000 at December 31, 2012, which related to a cash advance from GA Holdings LLC, was repaid prior to our IPO.

**Table of Contents**

**SHARES ELIGIBLE FOR FUTURE SALE**

Upon completion of this offering, we will have \_\_\_\_\_ common shares outstanding, or \_\_\_\_\_ if the underwriters' over-allotment option is exercised in full. Of these shares, only \_\_\_\_\_ shares, or \_\_\_\_\_ if the underwriters' over-allotment option is exercised in full, will be freely transferable in the United States without restriction under the Securities Act, except for any shares acquired by one of our affiliates as defined in Rule 144 under the Securities Act. Immediately after the closing of this offering, the existing shareholder, directors and executive officers of our company will continue to own \_\_\_\_\_ % of our common shares, or \_\_\_\_\_ % of our common shares if the underwriters' over-allotment option is exercised in full, which were acquired in private transactions not involving a public offering, and these shares will therefore be treated as restricted securities for purposes of Rule 144. The restricted securities held by an affiliated shareholder, directors, and executive officers have been subject to the underwriters' lock-up agreement since our initial public offering, as described below. Restricted securities may not be resold except in compliance with the registration requirements of the Securities Act or under an exemption from those registration requirements, such as the exemptions provided by Rule 144, Regulation S and other exemptions under the Securities Act.

In general, under Rule 144 as currently in effect, a person or persons who is an affiliate, or whose shares are aggregated and who owns shares that were acquired from the issuer or an affiliate at least six months ago, would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of (i) 1% of our then outstanding common shares, which would be approximately \_\_\_\_\_ common shares immediately after this offering ( \_\_\_\_\_ assuming the underwriters' over-allotment option is exercised in full), or (ii) an amount equal to the average weekly reported volume of trading in our common shares on all national securities exchanges and/or reported through the automated quotation system of registered securities associations during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC. Sales in reliance on Rule 144 are also subject to other requirements regarding the manner of sale, notice and availability of current public information about us.

A person or persons whose shares are aggregated, and who is not deemed to have been one of our affiliates at any time during the 90 days immediately preceding the sale, may sell restricted securities in reliance on Rule 144(b)(1) without regard to the limitations described above, subject to our compliance with Exchange Act reporting obligations for at least three months before the sale, and provided that six months have expired since the date on which the same restricted securities were acquired from us or one of our affiliates, and provided further that such sales comply with the public information provision of Rule 144 (until the securities have been held for one year). As defined in Rule 144, an affiliate of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, that same issuer.

We and all directors and officers and the holders of all of our outstanding stock and stock options have agreed that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, we and they will not, during the period ending 90 days after the date of this prospectus (the restricted period ):

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;

file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock.

Whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we and each such person agree that, without the prior written consent

**Table of Contents**

of Morgan Stanley & Co. LLC on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restrictions described in the immediately preceding paragraph are subject to certain exceptions. See Underwriting.

Morgan Stanley & Co. LLC, in its sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice.

After the offering, certain employees, including our executive officers and/or directors may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Exchange Act. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements relating to the offering described above.

As a result of these lock-up agreements and rules of the Securities Act, the restricted shares will be available for sale in the public market, subject to certain volume and other restrictions, as mentioned above, as follows:

Date	Number of Shares	Comment
Date of prospectus	Eligible for Sale	Shares not locked up and eligible for sale freely or under Rule 144
90 days from date of prospectus(1)		Lock-up released; shares eligible for sale under Rule 144

(1) Assumes that the lock-up period will not be waived in accordance with the terms of the lock-up agreement and that the underwriters do not exercise their over-allotment option.

No prediction can be made as to the effect, if any, that future sales or the availability of common shares for sale will have on the market price of our common shares prevailing from time to time. Nevertheless, sales of substantial amounts of our common shares in the public market, including common shares issued upon the exercise of options that may be granted under any employee stock option or employee stock award plan of ours, or the perception that those sales may occur, could adversely affect prevailing market prices for our common shares.

## **Table of Contents**

### **DESCRIPTION OF OUR CAPITAL STOCK**

The following is a description of the material terms of our amended and restated articles of incorporation and bylaws that will be in effect immediately prior to the consummation of this offering. Please see our amended and restated articles of incorporation and bylaws, copies of which have been filed as exhibits to the registration statement of which this prospectus forms a part.

#### **PURPOSE**

Our purpose, as stated in our amended and restated articles of incorporation, is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Business Corporations Act of the Marshall Islands ( BCA ). Our amended and restated articles of incorporation and bylaws do not impose any limitations on the ownership rights of our shareholders.

#### **AUTHORIZED CAPITAL STOCK**

Under our Amended and Restated Articles of Incorporation our authorized capital stock consists of 250 million common shares, par value \$0.01 per share, of which 18,050,000 shares are issued and outstanding, and 25 million preferred shares, par value \$0.01 per share, of which no shares are issued and outstanding. Following the completion of this offering, we expect to have        shares issued and outstanding, assuming the underwriters' over-allotment is exercised in full.

#### **Common shares**

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of common shares are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common shares are entitled to receive pro rata our remaining assets available for distribution. Holders of common shares do not have conversion, redemption or pre-emptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of common shares are subject to the rights of the holders of any shares of preferred stock, which we may issue in the future.

#### **Preferred shares**

Our Amended and Restated Articles of Incorporation authorize our board of directors to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the terms and rights of that series, including:

the designation of the series;

the number of shares of the series;

the preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions of such series; and

the voting rights, if any, of the holders of the series.

#### **REGISTRAR AND TRANSFER AGENT**

The registrar and transfer agent for our common shares is Computershare Trust Company N.A.

#### **LISTING**

## Edgar Filing: Ardmore Shipping Corp - Form F-1

Our common stock is currently listed on the New York Stock Exchange under the symbol ASC.

## **Table of Contents**

### **DIRECTORS**

Our directors are elected by a plurality of the votes cast by shareholders entitled to vote. There is no provision for cumulative voting.

Our Amended and Restated Bylaws require our board of directors to consist of at least one member. Upon the completion of this offering, our board of directors will consist of seven members. Our Amended and Restated Bylaws may be amended by the vote of a majority of our entire board of directors.

Directors are elected annually on a staggered basis, and each shall serve for a three year term and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. Our board of directors has the authority to fix the amounts which shall be payable to the members of the board of directors for attendance at any meeting or for services rendered to us.

### **SHAREHOLDER MEETINGS**

Under our amended and restated bylaws, annual meetings of shareholders will be held at a time and place selected by our board of directors. The meetings may be held in or outside of the Marshall Islands. Special meetings may be called at any time by a majority of our board of directors, the chairman of our board of directors or an officer of the Company who is also a director. Our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the shareholders that will be eligible to receive notice and vote at the meeting. One or more shareholders representing at least one-third of the total voting rights of our total issued and outstanding shares present in person or by proxy at a shareholder meeting shall constitute a quorum for the purposes of the meeting.

### **DISSENTERS RIGHTS OF APPRAISAL AND PAYMENT**

Under the BCA, our shareholders have the right to dissent from various corporate actions, including any merger or consolidation and the sale of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares. In the event of any further amendment of our articles of incorporation, a shareholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting shareholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting shareholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the high court of the Marshall Islands or in any appropriate court in any jurisdiction in which our shares are primarily traded on a local or national securities exchange.

### **SHAREHOLDERS DERIVATIVE ACTIONS**

Under the BCA, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common shares both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

### **LIMITATIONS ON LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS**

The BCA authorizes corporations to limit or eliminate the personal liability of directors and officers to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties. Our amended and restated articles of incorporation and bylaws include a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent permitted by law.

Our bylaws provide that we must indemnify our directors and officers to the fullest extent authorized by law. We are also expressly authorized to advance certain expenses (including attorney's fees and disbursements and court costs) to our directors and officers and carry directors' and officers' insurance providing

## **Table of Contents**

indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and this insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our articles of incorporation and bylaws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

## **ANTI-TAKEOVER EFFECT OF CERTAIN PROVISIONS OF OUR AMENDED AND RESTATED ARTICLES OF INCORPORATION AND BYLAWS**

Several provisions of our Articles of Incorporation and Bylaws, which are summarized below, may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize shareholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions, which are summarized below, could also discourage, delay or prevent (i) the merger or acquisition of us by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest and (ii) the removal of incumbent officers and directors.

### **Blank check preferred stock**

Under the terms of our Amended and Restated Articles of Incorporation, our board of directors has authority, without any further vote or action by our shareholders, to issue up to 25 million shares of blank check preferred stock. Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of us or the removal of our management.

### **Election and removal of directors**

Our Amended and Restated Articles of Incorporation prohibit cumulative voting in the election of directors. Our Amended and Restated Bylaws require parties other than the board of directors to give advance written notice of nominations for the election of directors. Our Articles of Incorporation also provide that our directors may be removed for cause upon the affirmative vote of not less than two-thirds of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

### **Limited actions by stockholders**

Our Amended and Restated Articles of Incorporation and our Bylaws provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders. Our amended and restated articles of incorporation and our bylaws provide that, unless otherwise prescribed by law, only a majority of our board of directors, the chairman of our board of directors or an officer of the Company who is also a director may call special meetings of our shareholders and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a shareholder may be prevented from calling a special meeting for shareholder consideration of a proposal over the opposition of our board of directors and shareholder consideration of a proposal may be delayed until the next annual meeting.

## **Table of Contents**

### **Advance notice requirements for shareholder proposals and director nominations**

Our Amended and Restated Bylaws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder's notice must be received at our principal executive offices not less than 120 days nor more than 150 days prior to the one-year anniversary of the immediately preceding annual meeting of shareholders. Our Amended and Restated Bylaws also specify requirements as to the form and content of a shareholder's notice. These provisions may impede shareholders' ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

### **Classified board of directors**

As described above, our amended and restated articles of incorporation provide for the division of our board of directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered three year terms. Accordingly, approximately one-third of our board of directors will be elected each year. This classified board provision could discourage a third-party from making a tender offer for our shares or attempting to obtain control of us. It could also delay shareholders who do not agree with the policies of our board of directors from removing a majority of our board of directors for two years.

### **Business combinations**

Although the BCA does not contain specific provisions regarding business combinations between companies organized under Marshall Islands law and interested shareholders, we have included these provisions in our articles of incorporation. Specifically, our Amended and Restated Articles of Incorporation prohibit us from engaging in a business combination with certain persons for three years following the date the person becomes an interested shareholder. Interested shareholders generally include:

any person who is the beneficial owner of 15% or more of our outstanding voting stock; or

any person who is our affiliate or associate and who held 15% or more of our outstanding voting stock at any time within three years before the date on which the person's status as an interested shareholder is determined, and the affiliates and associates of such person.

Subject to certain exceptions, a business combination includes, among other things:

certain mergers or consolidations of us or any direct or indirect majority-owned subsidiary of ours;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition of our assets or of any subsidiary of ours having an aggregate market value equal to 10% or more of either the aggregate market value of all of our assets, determined on a combined basis, or the aggregate value of all of our outstanding stock;

certain transactions that result in the issuance or transfer by us of any stock of ours to the interested shareholder;

any transaction involving us or any of our subsidiaries that has the effect of increasing the proportionate share of any class or series of stock, or securities convertible into any class or series of stock, of ours or any such subsidiary that is owned directly or indirectly by the interested shareholder or any affiliate or associate of the interested shareholder; and

any receipt by the interested shareholder of the benefit directly or indirectly (except proportionately as a shareholder) of any loans, advances, guarantees, pledges or other financial benefits provided by or through us.



## Edgar Filing: Ardmore Shipping Corp - Form F-1

These provisions of our Articles of Incorporation do not apply to a business combination if:

before a person became an interested shareholder, our board of directors approved either the business combination or the transaction in which the shareholder became an interested shareholder;

**Table of Contents**

upon consummation of the transaction which resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, other than certain excluded shares;

at or following the transaction in which the person became an interested shareholder, the business combination is approved by our board of directors and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock that is not owned by the interest shareholder;

the shareholder was or became an interested shareholder prior to the closing of this initial public offering;

a shareholder became an interested shareholder inadvertently and (i) as soon as practicable divested itself of ownership of sufficient shares so that the shareholder ceased to be an interested shareholder; and (ii) would not, at any time within the three-year period immediately prior to a business combination between us and such shareholder, have been an interested shareholder but for the inadvertent acquisition of ownership; or

the business combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required under our articles of incorporation which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an interested shareholder during the previous three years or who became an interested shareholder with the approval of the board; and (iii) is approved or not opposed by a majority of the members of the board of directors then in office (but not less than one) who were directors prior to any person becoming an interested shareholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors. The proposed transactions referred to in the preceding sentence are limited to:

- (i) a merger or consolidation of us (except for a merger in respect of which, pursuant to the BCA, no vote of our shareholders is required);
- (ii) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of us or of any direct or indirect majority-owned subsidiary of ours (other than to any direct or indirect wholly-owned subsidiary or to us) having an aggregate market value equal to 50% or more of either the aggregate market value of all of our assets determined on a consolidated basis or the aggregate market value of all the outstanding shares; or
- (iii) a proposed tender or exchange offer for 50% or more of our outstanding voting stock.

**Table of Contents**

**MARSHALL ISLANDS COMPANY CONSIDERATIONS**

Our corporate affairs are governed by our Articles of Incorporation and Bylaws and by the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. While the BCA also provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands and we cannot predict whether Marshall Islands courts would reach the same conclusions as courts in the United States. Thus, you may have more difficulty protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction which has developed a substantial body of case law. The following table provides a comparison between the statutory provisions of the BCA and the Delaware General Corporation Law relating to shareholders' rights.

**Table of Contents**

<b>Marshall Islands</b>	<b>Shareholder Meetings</b>	<b>Delaware</b>
Held at a time and place as designated in the bylaws.		May be held at such time or place as designated in the certificate of incorporation or the bylaws, or if not so designated, as determined by the board of directors.
Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the articles of incorporation or by the bylaws.		Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws.
May be held within or without the Marshall Islands.		May be held within or without Delaware.
Notice:		Notice:
Whenever shareholders are required to take any action at a meeting, written notice of the meeting shall be given which shall state the place, date and hour of the meeting and, unless it is an annual meeting, indicate that it is being issued by or at the direction of the person calling the meeting.		Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any.
A copy of the notice of any meeting shall be given personally or sent by mail not less than 15 nor more than 60 days before the meeting.		Written notice shall be given not less than 10 nor more than 60 days before the meeting.
	<b>Shareholders Voting Rights</b>	
Any action required to be taken by a meeting of shareholders may be taken without meeting if consent is in writing and is signed by all the shareholders entitled to vote.		Any action required to be taken at a meeting of shareholders may be taken without a meeting if a consent for such action is in writing and is signed by shareholders having not fewer than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.
Any person authorized to vote may authorize another person or persons to act for him by proxy.		Any person authorized to vote may authorize another person or persons to act for him by proxy.
Unless otherwise provided in the articles of incorporation, a majority of shares entitled to vote constitutes a quorum. In no event shall a quorum consist of fewer than one-third of the shares entitled to vote at a meeting.		For stock corporations, the certificate of incorporation or bylaws may specify the number of shares required to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum.
When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.		When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.
The articles of incorporation may provide for cumulative voting in the election of directors.		The certificate of incorporation may provide for cumulative voting in the election of directors.

---

**Table of Contents**

Merger or Consolidation

Any two or more domestic corporations may merge into a single corporation if approved by the board and if authorized by a majority vote of the holders of outstanding shares at a shareholder meeting.

Any sale, lease, exchange or other disposition of all or substantially all the assets of a corporation, if not made in the corporation's usual or regular course of business, once approved by the board, shall be authorized by the affirmative vote of two-thirds of the shares of those entitled to vote at a shareholder meeting.

Any domestic corporation owning at least 90% of the outstanding shares of each class of another domestic corporation may merge such other corporation into itself without the authorization of the shareholders of any corporation.

Any mortgage, pledge of or creation of a security interest in all or any part of the corporate property may be authorized without the vote or consent of the shareholders, unless otherwise provided for in the articles of incorporation.

Any two or more corporations existing under the laws of the state may merge into a single corporation pursuant to a board resolution and upon the majority vote by shareholders of each constituent corporation at an annual or special meeting.

Every corporation may at any meeting of the board sell, lease or exchange all or substantially all of its property and assets as its board deems expedient and for the best interests of the corporation when so authorized by a resolution adopted by the holders of a majority of the outstanding stock of the corporation entitled to vote.

Any corporation owning at least 90% of the outstanding shares of each class of another corporation may merge the other corporation into itself and assume all of its obligations without the vote or consent of shareholders; however, in case the parent corporation is not the surviving corporation, the proposed merger shall be approved by a majority of the outstanding stock of the parent corporation entitled to vote at a duly called shareholder meeting.

Any mortgage or pledge of a corporation's property and assets may be authorized without the vote or consent of shareholders, except to the extent that the certificate of incorporation otherwise provides.

Directors

The board of directors must consist of at least one member.

The number of board members may be changed by an amendment to the bylaws, by the shareholders, or by action of the board under the specific provisions of a bylaw.

If the board is authorized to change the number of directors, it can only do so by a majority of the entire board and so long as no decrease in the number shall shorten the term of any incumbent director.

Removal:

Any or all of the directors may be removed for cause by vote of the shareholders.

If the articles of incorporation or the bylaws so provide, any or all of the directors may be removed without cause by vote of the shareholders.

The board of directors must consist of at least one member.

The number of board members shall be fixed by, or in a manner provided by, the bylaws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number shall be made only by an amendment to the certificate of incorporation. If the number of directors is fixed by the certificate of incorporation, a change in the number shall be made only by an amendment of the certificate.

Removal:

Any or all of the directors may be removed, with or without cause, by the holders of a majority of the shares entitled to vote unless the certificate of incorporation otherwise provides.

In the case of a classified board, shareholders may effect removal of any or all directors only for cause.

---

**Table of Contents**

Dissenters Rights of Appraisal

Shareholders have a right to dissent from any plan of merger, consolidation or sale of all or substantially all assets not made in the usual course of business, and receive payment of the fair value of their shares. However, the right of a dissenting shareholder under the BCA to receive payment of the appraised fair value of his shares is not available for the shares of any class or series of stock, which shares or depository receipts in respect thereof, at the Record Date fixed to determine the shareholders entitled to receive notice of and to vote at the meeting of the shareholders to act upon the agreement of merger or consolidation, were either (i) listed on a securities exchange or admitted for trading on an interdealer quotation system or (ii) held of record by more than 2,000 holders. The right of a dissenting shareholder to receive payment of the fair value of his or her shares shall not be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the shareholders of the surviving corporation.

A holder of any adversely affected shares who does not vote on or consent in writing to an amendment to the articles of incorporation has the right to dissent and to receive payment for such shares if the amendment:

Alters or abolishes any preferential right of any outstanding shares having preference; or

Creates, alters, or abolishes any provision or right in respect to the redemption of any outstanding shares; or

Alters or abolishes any preemptive right of such holder to acquire shares or other securities; or

Excludes or limits the right of such holder to vote on any matter, except as such right may be limited by the voting rights given to new shares then being authorized of any existing or new class.

Appraisal rights shall be available for the shares of any class or series of stock of a corporation in a merger or consolidation, subject to limited exceptions, such as a merger or consolidation of corporations listed on a national securities exchange in which listed stock is offered for consideration is (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders.

Shareholder s Derivative Actions

An action may be brought in the right of a corporation to procure a judgment in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law.

In any derivative suit instituted by a shareholder of a corporation, it shall be averred in the complaint that the plaintiff was a shareholder of the corporation at the time of the transaction of which he complains or that such shareholder s stock thereafter devolved upon such shareholder by operation of law.

**Table of Contents**

A complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort.

Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic of The Marshall Islands.

Reasonable expenses including attorney's fees may be awarded if the action is successful.

A corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than 5% of any class of stock and the shares have a value of less than \$50,000.

Other requirements regarding derivative suits have been created by judicial decision, including that a shareholder may not bring a derivative suit unless he or she first demands that the corporation sue on its own behalf and that demand is refused (unless it is shown that such demand would have been futile).

**Table of Contents**

**TAX CONSIDERATIONS**

The following is a discussion of the material Marshall Islands, Bermuda, Irish and U.S federal income tax considerations relevant to an investment decision by a U.S. Holder and a Non-U.S. Holder, each as defined below, with respect to the common shares. This discussion does not purport to deal with the tax consequences of owning our common shares to all categories of investors, some of which, such as financial institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, insurance companies, persons holding our common stock as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that have elected the mark-to-market method of accounting for their securities, persons liable for alternative minimum tax, persons who are investors in partnerships or other pass-through entities for U.S. federal income tax purposes, dealers in securities or currencies, U.S. Holders whose functional currency is not the U.S. dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of our shares of common stock, may be subject to special rules. This discussion deals only with holders who purchase common shares in connection with this offering and hold the common shares as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S federal, state, local or non-U.S. law of the ownership of common shares.

**Marshall Islands Tax Considerations**

In the opinion of Seward & Kissel LLP, the following are the material Marshall Islands tax consequences of our activities to us and of our common shares to our shareholders. We are incorporated in the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our shareholders.

**Bermuda Tax Considerations**

The following are the material Bermuda tax consequences of the ownership of our common shares. We are not currently subject to taxation under the laws of Bermuda. Distributions we receive from our subsidiaries also are not subject to any Bermuda tax. There is currently no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, or estate duty or inheritance tax payable by non-residents of Bermuda in respect of capital gains realized on a disposition of our common shares or in respect of distributions they receive from us with respect to our common shares. This does not, however, apply to the taxation of persons ordinarily resident in Bermuda. Bermuda shareholders should consult their own tax advisors regarding possible Bermuda taxes with respect to dispositions of, and distributions on, our common shares.

We have received from the Minister of Finance under the Exempted Undertakings Tax Protection Act 1966, as amended, an assurance that, in the event that Bermuda enacts legislation imposing tax computed on profits, income, any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance, the imposition of any such tax shall not be applicable to us or to any of our operations or shares, debentures or other obligations, until 31st March 2035. This assurance is subject to the proviso that it is not to be construed to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda or to prevent of the application of any tax payable in accordance with the provisions of the Land Tax Act 1967. The assurance does not exempt us from paying import duty on goods imported into Bermuda. In addition, all entities employing individuals in Bermuda are required to pay a payroll tax and there are other sundry taxes payable, directly or indirectly, to the Bermuda government. We and our subsidiaries incorporated in Bermuda pay annual government fees to the Bermuda government.

Bermuda currently has no tax treaties in place with other countries in relation to double-taxation or for the withholding of tax for foreign tax authorities.



## **Table of Contents**

### **Irish Tax Considerations**

The following are the material corporate tax consequences to us of our activities in Ireland and to Irish Holders and Non-Irish Holders, each as defined below, of the common shares. This summary is based on Irish taxation laws currently in force, regulations promulgated thereunder, proposals to amend any of the foregoing publicly announced prior to the date hereof, and the currently published administrative practices of the Irish Revenue Commissioners, all as of the date hereof. Taxation laws are subject to change, from time to time, and no representation is or can be made as to whether such laws will change, or what impact, if any, such changes will have on the statements contained in this summary. No assurance is or can be given that legislative or judicial changes, or changes in administrative practice, will not modify or change the statements expressed herein. We have assumed for the purposes of this summary that any proposed changes to the taxation laws will be enacted in the form proposed. Holders of the common shares are advised to consult with their own tax advisers with respect of the application of Irish taxation laws to their particular circumstances in relation to the purchase, ownership or disposition of the common shares.

This summary is of a general nature only. It does not constitute tax or legal advice and does not discuss all aspects of Irish taxation that may be relevant to our activities or to Irish Holders and Non-Irish Holders. The summary generally only applies to Irish and Non-Irish Holders that legally and beneficially hold their common shares as capital assets and does not address special classes of holders including, but not limited to, dealers in securities, insurance companies, pension schemes, employee share ownership trusts, collective investment undertakings, investment undertakings, charities, tax-exempt organizations, financial institutions and close companies, each of which may be subject to special rules not discussed below. For the purposes of this summary, Ireland means the Republic of Ireland.

#### ***Irish Tax Considerations Applicable to Irish Holders***

For the purposes of this discussion, an Irish Holder means a holder of common shares that (i) beneficially owns the common shares; (ii) in the case of individual holders, are resident, ordinarily resident and domiciled in Ireland under Irish taxation laws; (iii) in the case of holders that are companies, are resident in Ireland under Irish taxation laws; and (iv) are not also resident in any other country under any double taxation agreement entered into by Ireland.

#### ***Taxation of Dividends***

Individual Irish Holders will be subject to income tax on the gross amount of any dividend (the amount of the dividend received plus any Dividend Withholding Tax ( DWT ) withheld), at their marginal rate of tax (currently either 20 percent or 41 percent depending on the individual s circumstances). Individual Irish Holders may be able to claim a credit against their resulting income tax liability in respect of any DWT withheld.

Individual Irish Holders may, depending on their circumstances, also be subject to the universal social charge at rates of up to 10 percent and pay related social insurance contribution of rates up to 4 percent in respect of their dividend income. Individual Irish Holders must account for all Irish taxes on a self-assessment basis.

Corporate Irish Holders will be subject to corporation tax on the gross amount of any dividend received at the rate of 25 percent. Where the Corporate Irish Holders is a company for whom the dividends are a trading receipt, the gross amounts of any dividend will form part of its taxable income for self-assessment purposes subject to corporation tax at the rate of 12.5 percent. Corporate Irish Holders may be able to claim a credit against their resulting corporation tax liability in respect of any DWT withheld.

#### ***Disposals of Common Shares***

Irish Holders that acquire common shares will be considered, for Irish tax purposes, to have acquired their common shares at a base cost equal to the Euro equivalent amount paid for the common shares. On subsequent

---

## **Table of Contents**

dispositions, common shares acquired at an earlier time will be deemed, for Irish tax purposes, to be disposed of on a first in first out basis before common shares acquired at a later time.

Irish Holders that dispose of their common shares will be subject to capital gains tax ( CGT ) to the extent that the Euro equivalent of the proceeds realized from such disposition exceeds the Euro equivalent of the base cost of the common shares disposed of and any incidental expenses. The current rate of CGT is 33 percent. An annual exemption allows individuals to realise chargeable gains of up to 1,270 in each tax year without giving rise to CGT. This exemption may not be transferred between spouses.

Irish Holders that realize a loss on the disposition of common shares will generally be entitled to offset such allowable losses against capital gains realized from other sources in determining their capital gains tax liability in a year. Allowable losses which remain unrelieved in a year may generally be carried forward indefinitely for Irish capital gains tax purposes and applied against capital gains in future years.

### *Capital Acquisitions Tax*

A gift or inheritance of common shares by Irish Holders may fall within the charge to Irish capital acquisitions tax ( CAT ). CAT may apply to gifts or inheritances of Irish situate assets or where either the person from whom the gift or inheritance is taken is Irish domiciled, resident or ordinarily resident or the person taking the gift or inheritance is Irish resident or ordinarily resident.

CAT is currently chargeable at a rate of 33 percent on the value of gifts or inheritances above specified tax free thresholds. Different classes of tax free thresholds apply depending upon the relationship between the donor and the recipient. These tax free thresholds are also affected by the value of previous gifts or inheritances received. Gifts or inheritances between spouses are not subject to Irish CAT.

### *Irish Tax Considerations Applicable to Non-Irish Holders*

For the purposes of this discussion, a Non-Irish Holder means a holder of common shares that (i) beneficially owns the common shares; (ii) in the case of individual holders, are neither resident, ordinarily resident or domiciled in Ireland under Irish taxation laws; (iii) in the case of holders that are companies, are neither resident in Ireland under Irish taxation laws nor carrying on a trade in Ireland through a branch or agency; and (iv) are not carrying on a trade in Ireland through a permanent establishment as defined under any double taxation agreement entered into by Ireland.

Under current Irish taxation law, Non-Irish Holders are not subject to tax on income or capital gains, and no Irish withholding tax will be imposed upon payments of dividends, from common shares.

### *Irish Tax Considerations Applicable to Ardmore's Irish Subsidiaries*

The following is a brief overview of the material tax considerations relevant to our activities in Ireland. For the purposes of this discussion, Ardmore's Irish Subsidiaries means our intermediate holding company Ardmore Shipholding Limited, an Irish incorporated and resident company, and its wholly-owned subsidiaries resident in Ireland for tax purposes. These wholly-owned subsidiaries include Ardmore Shipping Limited, our management company, and the separate vessel subsidiaries.

### *Taxation in Ireland - General*

Companies that are resident in Ireland for tax purposes are subject to Irish corporation tax on their worldwide income and gains. The current rates of Irish corporation tax are 12.5 percent for certain trading income, 25 percent for all other income and 33 percent for capital gains. These rates may be reduced or eliminated depending on the nature of the income and gains and the activities of the recipient company.

## **Table of Contents**

### *Taxation of Dividends*

Should Irish Subsidiaries pay dividends, such dividends will generally be subject to DWT in Ireland at the standard rate of income tax (currently 20 percent). Where DWT applies, we will be responsible for withholding such tax at source.

Should an Irish Subsidiary pay a dividend to another Irish Subsidiary an automatic exemption from DWT will apply and so the dividend will be paid gross. The Irish Subsidiary recipient will not be subject to tax in respect of such dividends received.

Should an Irish Subsidiary pay a dividend to an Ardmore company, that is not an Irish Subsidiary, the recipient company should be entitled to claim an exemption from DWT as a qualifying non-resident person. A qualifying non-resident person for these purposes includes a non-Irish resident company which is a 75% or greater subsidiary of a company the principal class of shares of which are substantially and regularly traded on a recognised stock exchange in a relevant territory. A relevant territory means a Member State of the European Union or a jurisdiction with which Ireland has a Double Taxation Treaty.

The term substantially and regularly traded is not defined in Irish Tax legislation, however, for the purposes of qualifying for exemption from DWT the Irish Revenue Commissioners have stated that they will accept that a company's shares are substantially and regularly traded where the shares are traded on a regular basis each year in more than de minimus quantities.

The common shares, which constitute the Company's sole class of issued and outstanding stock, are traded on the New York Stock Exchange, or the NYSE. It is anticipated that the common shares will therefore be substantially and regularly traded on a recognised stock exchange and so any dividends paid by Irish Subsidiaries should be exempt from DWT.

### *Disposals of Shares Irish Subsidiaries*

A holder of common shares in an Irish Subsidiary will not be subject to CGT on a disposal of such common shares provided that such holder (i) is neither resident nor ordinarily resident in Ireland at the time of the disposal and provided that the common shares do not derive the greater part of their value from Irish land, minerals or mineral rights, and (ii) does not hold the Shares through or for the purposes of a trade carried on by an Irish branch or agency.

An Irish Subsidiary which itself is the holder of common shares in another company, including an Irish Subsidiary, will not be subject to CGT on a disposal of such common shares under the substantial shareholding exemption provided that (i) at the time of the disposal the Irish Subsidiary held a minimum of 5 percent of the common shares in the company being disposed of for a continuous period of at least 12 months ending not more than two years before the date of disposal, (ii) the company being disposed of is resident for tax purposes in a Member State of the European Union or a jurisdiction with which Ireland has a Double Taxation Treaty, and (iii) the company being disposed of is a trading company (under Irish tax rules) or when viewed as part of a group taken with the Irish Subsidiary and any other 5% subsidiaries, that group is mainly carrying on trading activities.

### *Tonnage Tax*

A number of the Irish Subsidiaries currently operate under what is known as Ireland's Tonnage Tax Regime. Tonnage Tax provides an alternative to charging corporation tax on certain profits of a qualifying shipping company. Rather than charging corporation tax in the normal way, tax is levied each year by reference to the tonnage of the ships operated by the qualifying company. Tonnage Tax is specifically legislated for under the Irish tax code. It is elective and requires a ten year commitment to remain within the regime. Completion of a detailed application process and approval from the Irish Revenue Commissioners is required before Tonnage Tax can be adopted.

---

## **Table of Contents**

A qualifying company for Tonnage Tax purposes is one which (i) is within the charge to Irish corporation tax, (ii) operates qualifying ships, and (iii) carries on the strategic and commercial management of those ships from Ireland. A qualifying ship for these purposes means a self-propelled seagoing vessel of 100 tons or more gross tonnage and which is certified for navigation at sea by the competent authorities of any country or territory. It does not include a vessel of an excluded kind examples of which include fishing and fish factory vessels, recreational vessels, oil tankers and dredgers.

Tonnage tax is not itself a tax, rather it is an alternative method by which certain qualifying shipping companies may calculate their shipping related profits for Irish corporation tax purposes. The shipping related profits, once calculated using the tonnage tax method, are subject to the 12.5% rate of corporation tax. The profits are calculated by reference to the tonnage of the ships used in a company's shipping trade. The tonnage profits replace for tax purposes the income and gains arising to the shipping company from certain specific activities.

The tonnage tax profit is calculated on the basis of a specified notional daily profit per ship depending on the net tonnage of the ship. This notional profit per ship is then multiplied by the number of days the ship was operated in the accounting period by the qualifying company. This calculation provides the profit per ship. Where the company operates more than one qualifying ship, the profits per ship are aggregated to arrive at the total tonnage tax profits. The 12.5% corporation tax rate is then applied to this notional total tonnage tax profit. Therefore corporation tax is not subsequently applied to the company's relevant shipping profits (which may include significant chartering income and gains from the disposal of qualifying ships). Losses accruing to the company in respect of its tonnage tax activities may not be set off against other taxable profits subject to corporation tax.

### **U.S. Federal Income Tax Considerations**

In the opinion of Seward & Kissel LLP, our U.S. counsel, the following are the material U.S. federal income tax consequences to us of our activities and to U.S. Holders and Non-U.S. Holders, each as defined below, of the common shares. The following discussion of U.S. federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury (the Treasury Regulations) all of which are subject to change, possibly with retroactive effect. The discussion below is based, in part, on the description of our business as described in this prospectus and assumes that we conduct our business as described herein. References in the following discussion to the Company, we, our and us are to Ardmore Shipping Corporation and its subsidiaries on a consolidated basis.

#### ***U.S. Federal Income Taxation of Operating Income: In General***

We anticipate that we will earn substantially all our income from the hiring or leasing of vessels for use on a time charter basis, from participation in a pool or from the performance of services directly related to those uses, all of which we refer to as shipping income.

Unless we qualify from an exemption from U.S. federal income taxation under either an applicable tax treaty or the rules of Section 883 of the Code (Section 883), as discussed below, a foreign corporation such as the Company will be subject to United States federal income taxation on its shipping income that is treated as derived from sources within the United States, (U.S. source shipping income.) For U.S. federal income tax purposes, U.S. source shipping income includes 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources entirely outside the United States. Shipping income derived from sources outside the United States will not be subject to any U.S. federal income tax.

---

## Table of Contents

Shipping income attributable to transportation exclusively between U.S. ports is considered to be 100% derived from U.S. sources. However, we are not permitted by United States law to engage in the transportation of cargoes that produces 100% U.S. source shipping income.

Prior to our IPO, we believe that we had been exempt from the U.S. federal income taxation with respect to our U.S. shipping income because we were entitled to the benefits of the U.S. Irish tax treaty, which generally contains an exemption from this tax for qualified Irish residents. After our IPO, although we no longer qualified for an exemption under the U.S. Irish tax treaty, we nonetheless took the position that we were exempt from such tax because we qualified for an exemption from such tax under Section 883 of the Code. After this offering, we intend to continue to take the position that we qualify for the exemption under Section 883. If we do not qualify for the exemption from tax under Section 883, our gross United States source shipping income would be subject to a 4% tax imposed without allowance for deductions as described below.

### *Exemption of Operating Income from U.S. Federal Income Taxation*

Under Section 883 and the Treasury Regulations thereunder, a foreign corporation will be exempt from U.S. federal income taxation of its U.S. source shipping income if:

- (1) it is organized in a qualified foreign country which is one that grants an equivalent exemption from tax to corporations organized in the United States in respect of each category of shipping income for which exemption is being claimed under Section 883; and
- (2) one of the following tests is met:
  - (A) more than 50% of the value of its shares is beneficially owned, directly or indirectly, by qualified shareholders, which as defined includes individuals who are residents of a qualified foreign country, to which we refer as the 50% Ownership Test ; or
  - (B) its shares are primarily and regularly traded on an established securities market in a qualified foreign country or in the United States, to which we refer as the Publicly-Traded Test.

The Marshall Islands, the jurisdiction where we and our ship-owning subsidiaries are incorporated, has been officially recognized by the IRS, as a qualified foreign country that grants the requisite equivalent exemption from tax in respect of each category of shipping income we earn and currently expect to earn in the future. Therefore, we will be exempt from U.S. federal income taxation with respect to our U.S. source shipping income if we satisfy either the 50% Ownership Test or the Publicly-Traded Test.

After the IPO, we have taken the position that we satisfy the Publicly-Traded Test and therefore qualify for an exemption from tax under Section 883. After this offering, we anticipate that we will continue to satisfy the Publicly-Traded Test but, as discussed below, this is a factual determination made on an annual basis. We do not currently anticipate circumstances under which we would be able to satisfy the 50% Ownership Test after this offering.

### *Publicly-Traded Test*

The Treasury Regulations under Section 883 provide, in pertinent part, that shares of a foreign corporation will be considered to be primarily traded on an established securities market in a country if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. After the IPO, the Company's common shares, which constitute its sole class of issued and outstanding stock are, and after this offering will continue to be, primarily traded on the New York Stock Exchange ( NYSE ).

---

## **Table of Contents**

Under the Treasury Regulations, our common shares will be considered to be regularly traded on an established securities market if one or more classes of our shares representing more than 50% of our outstanding stock, by both total combined voting power of all classes of stock entitled to vote and total value, are listed on such market, (the listing threshold). Since, after the IPO, all our common shares are, and after this offering will continue to be, listed on the NYSE, we expect to satisfy the listing threshold.

The Treasury Regulations also require that with respect to each class of stock relied upon to meet the listing threshold, (i) such class of stock traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year ( trading frequency test ); and (ii) the aggregate number of shares of such class of stock traded on such market during the taxable year must be at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year (the trading volume test ). We anticipate that we will satisfy the trading frequency and trading volume tests. Even if this were not the case, the Treasury Regulations provide that the trading frequency and trading volume tests will be deemed satisfied if, as is expected to continue to be the case with our common shares, such class of stock is traded on an established securities market in the United States and such shares are regularly quoted by dealers making a market in such shares.

Notwithstanding the foregoing, the Treasury Regulations provide, in pertinent part, that a class of shares will not be considered to be regularly traded on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified share attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of outstanding stock ( 5% Override Rule ).

For purposes of being able to determine the persons who actually or constructively own 5% or more of the vote and value of our common shares ( 5% Shareholders ) the Treasury Regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the United States Securities and Exchange Commission, as owning 5% or more of our common shares. The Treasury Regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes.

In the event the 5% Override Rule is triggered, the Treasury Regulations provide that the 5% Override Rule will nevertheless not apply if we can establish that within the group of 5% Shareholders, qualified shareholders (as defined for purposes of Section 883) own sufficient number of shares to preclude non-qualified shareholders in such group from owning 50% or more of our common shares for more than half the number of days during the taxable year.

We anticipate that after the offering is completed, we will continue to be able to satisfy the Publicly-Traded Test and will not be subject to the 5% Override Rule. However, there are factual circumstances beyond our control that could cause us to lose the benefit of the Section 883 exemption. For example, there is a risk that we could no longer qualify for Section 883 exemption for a particular taxable year if one or more 5% Shareholders were to own 50% or more of our outstanding common shares on more than half the days of the taxable year. Under these circumstances, we would be subject to the 5% Override Rule and we would not qualify for the Section 883 exemption unless we could establish that our shareholding during the taxable year was such that non-qualified 5% Shareholders did not own 50% or more of our common shares on more than half the days of the taxable year. Under the Treasury Regulations, we would have to satisfy certain substantiation requirements regarding the identity of our shareholders. These requirements are onerous and there is no assurance that we would be able to satisfy them. Given the factual nature of the issues involved, we can give no assurances in regards of our or our subsidiaries qualification for the Section 883 exemption.

### *Taxation in Absence of Section 883 Exemption*

If the benefits of Section 883 are unavailable, our U.S. source shipping income would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, or the 4% gross basis

---

**Table of Contents**

tax regime, to the extent that such income is not considered to be effectively connected with the conduct of a United States trade or business, as described below. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being U.S. source shipping income, the maximum effective rate of U.S. federal income tax on our shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent our U.S. source shipping income is considered to be effectively connected with the conduct of a U.S. trade or business, as described below, any such effectively connected U.S. source shipping income, net of applicable deductions, would be subject to U.S. federal income tax, currently imposed at rates of up to 35%. In addition, we would generally be subject to the 30% branch profits tax on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our U.S. trade or business.

Our United States source shipping income would be considered effectively connected with the conduct of a United States trade or business only if:

we have, or are considered to have, a fixed place of business in the United States involved in the earning of U.S. source shipping income; and

substantially all of our U.S. source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

We do not intend to have, or permit circumstances that would result in having, any vessel sailing to or from the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, it is anticipated that none of our U.S. source shipping income will be effectively connected with the conduct of a U.S. trade or business.

***United States Taxation of Gain on Sale of Vessels***

Regardless of whether we qualify for an exemption under Section 883, we will not be subject to U.S. federal income tax with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

***U.S. Federal Income Taxation of United States Holders***

As used herein, the term U.S. Holder means a holder that for U.S. federal income tax purposes is a beneficial owner of common shares and is an individual U.S. citizen or resident, a United States corporation or other U.S. entity taxable as a corporation, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership holds the common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding the common shares, you are encouraged to consult your tax advisor.

***Distributions***

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common shares to a U.S. Holder will generally constitute dividends to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess

---

**Table of Contents**

of such earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in its common shares and thereafter as capital gain. Because we are not a U.S. corporation, U.S. Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common shares will generally be treated as foreign source dividend income and will generally constitute passive category income for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Subject to applicable limitations, including a holding period requirement, dividends paid on our common shares to certain non-corporate U.S. Holders will generally be treated as qualified dividend income that is taxable to such U.S. Holders at preferential tax rates provided that (1) the common shares are readily tradable on an established securities market in the U.S. (such as the NYSE, on which our common shares are traded); and (2) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which, as discussed below, we do not believe that we are or will be for any future taxable years).

There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of such non-corporate U.S. Holders, although, as described above, we expect such dividends to be so eligible provided an eligible non-corporate U.S. Holder meets all applicable requirements. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a non-corporate U.S. Holder.

Special rules may apply to any extraordinary dividend generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted tax basis in a common share paid by us. If we pay an extraordinary dividend on our common shares that is treated as qualified dividend income, then any loss derived by certain non-corporate U.S. Holders from the sale or exchange of such common shares will be treated as long term capital loss to the extent of such dividend.

*Sale, Exchange or Other Disposition of Common Shares*

Assuming we do not constitute a passive foreign investment company for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such shares. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes. Long-term capital gains of certain non-corporate U.S. Holders are currently eligible for reduced rates of taxation. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

*Passive Foreign Investment Company Status and Significant Tax Consequences*

Special U.S. federal income tax rules apply to a U.S. Holder that holds shares in a PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder holds our common shares, either

at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or

at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income. For purposes of determining whether we are a PFIC, cash held by us will be treated as passive assets. In addition, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income



---

**Table of Contents**

earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute passive income unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

Based on our current and anticipated operations, we do not believe that we are currently a PFIC or will be treated as a PFIC for any future taxable year. Our belief is based principally on the position that the gross income we derive from our time chartering activities should constitute services income, rather than rental income. Accordingly, such income should not constitute passive income, and the assets that we own and operate in connection with the production of such income, in particular, the vessels, should not constitute passive assets for purposes of determining whether we are a PFIC. There is substantial legal authority supporting this position consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a United States Holder would be subject to different taxation rules depending on whether the United States Holder makes an election to treat us as a Qualified Electing Fund ( QEF election ). As an alternative to making a QEF election, a United States Holder should be able to make a mark-to-market election with respect to our common shares, as discussed below. A United States holder of shares in a PFIC will be required to file an annual information return on IRS Form 8621 containing information regarding the PFIC as required by applicable Treasury Regulations.

*Taxation of United States Holders Making a Timely QEF Election*

If a United States Holder makes a timely QEF election, which United States Holder we refer to as an Electing Holder, the Electing Holder must report for United States federal income tax purposes its pro rata share of our ordinary earnings and net capital gain, if any, for each of our taxable years during which we are a PFIC that ends with or within the taxable year of the Electing Holder, regardless of whether distributions were received from us by the Electing Holder. No portion of any such inclusions of ordinary earnings will be treated as qualified dividend income. Net capital gain inclusions of certain non-corporate United States Holders would be eligible for preferential capital gains tax rates. The Electing Holder's adjusted tax basis in the common shares will be increased to reflect any income included under the QEF election. Distributions of previously taxed income will not be subject to tax upon distribution but will decrease the Electing Holder's tax basis in the common shares. An Electing Holder would not, however, be entitled to a deduction for its pro rata share of any losses that we incur with respect to any taxable year. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common shares. A U.S. Holder would make a timely QEF election for our common shares by filing one copy of IRS Form 8621 with its United States federal income tax return for the first year in which it held such shares when we were a PFIC. If we determine that we are a PFIC for any taxable year, we would provide each United States Holder with all necessary information in order to make the QEF election described above.

*Taxation of United States Holders Making a Mark-to-Market Election*

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate will be the case, our shares are treated as marketable stock, a United States Holder would be allowed to make a mark-to-market election with respect to our common shares, provided the United States Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the United States Holder generally would include as ordinary income in each taxable year the excess, if any, of

---

**Table of Contents**

the fair market value of the common shares at the end of the taxable year over such Holder's adjusted tax basis in the common shares. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common shares over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in its common shares would be adjusted to reflect any such income or loss amount recognized. In a year when we are a PFIC, any gain realized on the sale, exchange or other disposition of our common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

*Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election*

If we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a mark-to-market election for that year, whom we refer to as a Non-Electing Holder, would be subject to special rules with respect to (i) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common shares), and (ii) any gain realized on the sale, exchange or other disposition of our common shares. Under these special rules:

the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common shares;

the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, would be taxed as ordinary income and would not be qualified dividend income; and

the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

***U.S. Federal Income Taxation of Non-U.S. Holders***

As used herein, the term Non-U.S. Holder means a holder that, for U.S. federal income tax purposes, is a beneficial owner of common shares (other than a partnership) that is not a U.S. Holder.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common shares, you are encouraged to consult your tax advisor.

***Dividends on Common Shares***

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends received from us with respect to our common shares, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S..

***Sale, Exchange or Other Disposition of Common Shares***

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized upon the sale, exchange or other disposition of our common shares, unless:

the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S.; or

---

**Table of Contents**

the Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more during the taxable year of disposition and other conditions are met.

*Income or Gains Effectively Connected with a U.S. Trade or Business*

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, dividends on the common shares and gain from the sale, exchange or other disposition of the shares, that is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment), will generally be subject to regular U.S. federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, in the case of a corporate Non-U.S. Holder, its earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable U.S. income tax treaty.

***Backup Withholding and Information Reporting***

In general, dividend payments, or other taxable distributions, and the payment of the gross proceeds on a sale of our common shares, made within the U.S. to a non-corporate U.S. Holder will be subject to information reporting. Such payments or distributions may also be subject to backup withholding if the non-corporate U.S. Holder:

fails to provide an accurate taxpayer identification number;

is notified by the IRS that it has failed to report all interest or dividends required to be shown on its federal income tax returns; or

in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding with respect to dividends payments or other taxable distribution on our common shares by certifying their status on an applicable IRS Form W-8. If a Non-U.S. Holder sells our common shares to or through a U.S. office of a broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless the Non-U.S. Holder certifies that it is a non-U.S. person, under penalties of perjury, or it otherwise establishes an exemption. If a Non-U.S. Holder sells our common shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid outside the U.S., then information reporting and backup withholding generally will not apply to that payment. However, U.S. information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the U.S., if a Non-U.S. Holder sells our common shares through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the U.S. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that the Non-U.S. Holder is not a U.S. person and certain other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Rather, a refund may generally be obtained of any amounts withheld under backup withholding rules that exceed the taxpayer's U.S. federal income tax liability by filing a timely refund claim with the IRS.

Individuals who are U.S. Holders (and to the extent specified in applicable Treasury regulations, Non-U.S. Holders and certain U.S. entities) who hold specified foreign financial assets (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury Regulations). Specified foreign financial assets would include, among other assets, our common shares, unless the common shares are held in an account maintained with a U.S. financial institution. Substantial penalties apply to any

**Table of Contents**

failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual U.S. Holder (and to the extent specified in applicable Treasury Regulations, a Non-U.S. Holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. U.S. Holders (including U.S. entities) and Non-U.S. Holders are encouraged to consult their own tax advisors regarding their reporting obligations in respect of our common shares.

**Table of Contents**

**UNDERWRITING**

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC is acting as representative, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. LLC	
Total:	

The underwriters and the representative are collectively referred to as the underwriters and the representative, respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representative.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional shares of common stock.

	Per Share	Total	
		No Exercise	Full Exercise
Public offering price	\$	\$	\$
Underwriting discounts and commissions to be paid by us	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$

The underwriting discounts and commissions to be paid by us represent % of the total amount of this offering. The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately \$ . We have agreed to reimburse the underwriters for expenses relating to clearance of this offering with the Financial Industry Regulatory Authority up to \$30,000.

Our common stock is listed on the New York Stock Exchange under the trading symbol ASC.

---

**Table of Contents**

We and all directors and officers and certain holders of our outstanding stock and stock options have agreed that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, we and they will not, during the period ending 90 days after the date of this prospectus (the restricted period ):

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;

file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we and each such person agree that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restrictions described in the immediately preceding paragraph to do not apply to:

the sale of shares to the underwriters;

the issuance by the Company of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;

transfers of shares of common stock as a bona fide gift or to limited partners or stockholders of holders of our common stock; provided that each transferee shall agree to the same lock-up restrictions described above and no filing under Section 16(a) of the Exchange Act, is required or voluntarily made during the restricted period; or

the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of common stock, provided that (i) such plan does not provide for the transfer of common stock during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required or voluntarily made regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of common stock may be made under such plan during the restricted period.

Morgan Stanley & Co. LLC, in its sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the



## **Table of Contents**

underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representative may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representative to underwriters that may make Internet distributions on the same basis as other allocations.

## **Other Relationships**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

## **Selling Restrictions**

### ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State ) an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representative for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.



**Table of Contents**

For the purposes of this provision, the expression an offer to the public in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

***United Kingdom***

Each underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ( FSMA )) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

***Addresses of the Underwriters***

The addresses of the underwriters are as follows:

Morgan Stanley & Co. LLC

1585 Broadway

New York, New York 10036

**Table of Contents**

**LEGAL MATTERS**

The validity of the common shares and certain other matters relating to United States Federal income and Marshall Islands tax considerations and to Marshall Islands corporations law will be passed upon for us by Seward & Kissel LLP, New York, New York. The underwriters have been represented in connection with this offering by Davis Polk & Wardwell LLP.

**EXPERTS**

The consolidated financial statements of Ardmore Shipping Corporation at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, appearing in this prospectus and Registration Statement have been audited by Ernst & Young, Dublin, Ireland, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The sections in this prospectus titled *Prospectus Summary* and *The International Product and Chemical Tanker Industry* have been prepared by Drewry Maritime Research, our industry experts, who have confirmed to us that such sections accurately describe the international tanker market.

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We have filed with the SEC a registration statement on Form F-1 under the Securities Act with respect to the common shares offered hereby. For the purposes of this section, the term registration statement means the original registration statement and any and all amendments including the schedules and exhibits to the original registration statement or any amendment. This prospectus does not contain all of the information set forth in the registration statement we filed. Each statement made in this prospectus concerning a document filed as an exhibit to the registration statement is qualified by reference to that exhibit for a complete statement of its provisions. The registration statement, including its exhibits and schedules, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the SEC at its principal office in Washington, D.C. 20549. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

Upon completion of this offering, we will be subject to the reporting requirements of the Exchange Act. We will furnish holders of common shares with annual reports containing audited financial statements and a report by our independent registered public accounting firm and intend to make available quarterly financial information containing selected unaudited financial data for the first three quarters of each fiscal year. The audited financial statements will be prepared in accordance with U.S. GAAP and those reports will include a *Management's Discussion and Analysis of Financial Condition and Results of Operations* section for the relevant periods. As a foreign private issuer, we will be exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, but will be required to furnish those proxy statements to shareholders under New York Stock Exchange rules. Those proxy statements are not expected to conform to Schedule 14A of the proxy rules promulgated under the Exchange Act. In addition, as a foreign private issuer, our officers and directors and holders of more than 10% of our issued and outstanding common shares, which we refer to collectively as insiders, will be exempt from the rules under the Exchange Act requiring insiders to report purchases and sales of our common share as well as from Section 16 short swing profit reporting and liability.

**Table of Contents****OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION**

We estimate the expenses in connection with the distribution of our common shares in this offering, other than underwriting discounts and commissions, will be as set forth in the table below. We will be responsible for paying the following expenses associated with this offering.

SEC Registration Fee	\$ 9,660
Printing and Engraving Expenses	\$ *
Legal Fees and Expenses	\$ *
Accountants Fees and Expenses	\$ *
FINRA Fee	\$ *
Blue Sky Fees and Expenses	\$ *
Transfer Agent's Fees and Expenses	\$ *
Miscellaneous Costs	\$ *
<b>Total</b>	<b>\$ *</b>

\* To be provided by amendment.

**ENFORCEABILITY OF CIVIL LIABILITIES**

We are a Marshall Islands company, and our executive office is located outside of the United States in Hamilton, Bermuda. Some of our directors, officers and the experts named in this registration statement reside outside the United States. In addition, a substantial portion of our assets and the assets of certain of our directors, officers and experts are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us or these persons.

---

**Table of Contents**

**GLOSSARY OF SHIPPING TERMS**

The following are definitions of certain terms that are commonly used in the shipping industry.

**Aframax tanker.** A tanker ranging in size from 85,000 dwt to 120,000 dwt.

**Annual survey.** The inspection of a vessel pursuant to international conventions, by a classification society surveyor, on behalf of the flag state, that takes place every year.

**Ballast.** A voyage during which the vessel is not laden with cargo.

**Bareboat charter.** A charter of a vessel under which the vessel-owner is usually paid a fixed daily or monthly rate for a certain period of time during which the charterer is responsible for the ship operating expenses and voyage expenses of the vessel and for the management of the vessel. In this case, all voyage related costs, including vessel fuel, or bunker, and port dues as well as all vessel operating costs, such as day-to-day operations, maintenance, crewing and insurance are paid by the charterer. A bareboat charter is also known as a demise charter or a time charter by demise and involves the use of a vessel usually over longer periods of time ranging over several years. The owner of the vessel receives monthly charterhire payments on a per day basis and is responsible only for the payment of capital costs related to the vessel.

**Bunkers.** Fuel oil used to operate a vessel's engines, generators and boilers.

**CERCLA.** Comprehensive Environmental Response, Compensation and Liability Act.

**Charter.** The hiring of a vessel, or use of its carrying capacity, for either (1) a specified period of time or (2) to carry a cargo for a fixed fee from a loading port to a discharging port. The contract for a charter is called a charterparty.

**Charterer.** The party that hires a vessel pursuant to a charter.

**Charterhire.** Money paid to the vessel-owner by a charterer for the use of a vessel under a time charter or bareboat charter. Such payments are usually made during the course of the charter every 15 or 30 days in advance or in arrears by multiplying the daily charter rate times the number of days and, under a time charter only, subtracting any time the vessel was deemed to be off-hire. Under a bareboat charter such payments are usually made monthly and are calculated on a 360 or 365 day calendar year basis.

**Charter rate.** The amount of money agreed between the charterer and the vessel-owner accrued on a daily or monthly basis that is used to calculate the vessel's charterhire.

**Classification society.** An independent society that certifies that a vessel has been built and maintained according to the society's rules for that type of vessel and complies with the applicable rules and regulations of the country in which the vessel is registered, as well as the international conventions which that country has ratified. A vessel that receives its certification is referred to as being in class as of the date of issuance.

**Clean petroleum products.** Liquid products refined from crude oil, whose color is less than or equal to 2.5 on the National Petroleum Association scale. Clean products include naphtha, jet fuel, gasoline and diesel/gasoil.

**Contract of Affreightment.** A contract of affreightment, or COA, relates to the carriage of specific quantities of cargo with multiple voyages over the same route and over a specific period of time which usually spans a number of years. A COA does not designate the specific vessels or voyage schedules that will transport the cargo, thereby providing both the charterer and ship owner greater operating flexibility than with voyage charters alone. The charterer has the flexibility to determine the individual voyage scheduling at a future date while the ship owner

## **Table of Contents**

may use different ships to perform these individual voyages. As a result, COAs are mostly entered into by large fleet operators such as pools or ship owners with large fleets of the same vessel type. All of the ship's operating, voyage and capital costs are borne by the ship owner while the freight rate normally is agreed on a per cargo ton basis.

**CVE income.** Allowance paid by charterers to owners in respect of communications, victualing and entertainment costs for crew.

**Deadweight ton or dwt.** A unit of a vessel's capacity for cargo, fuel oil, stores and crew, measured in metric tons of 1,000 kilograms. A vessel's dwt or total deadweight is the total weight necessary to submerge the vessel to its maximum permitted draft.

**Dirty petroleum products.** Liquid products refined from crude oil, whose color is greater than 2.5 on the National Petroleum Association scale. Dirty products usually require heating during a voyage, because their viscosity or waxiness makes discharge difficult at ambient temperatures.

**Double-hull.** Hull construction design in which a vessel has an inner and outer side and bottom separated by void space, usually 2 meters in width.

**Draft.** Vertical distance between the waterline and the bottom of the vessel's keel.

**Drydocking.** The removal of a vessel from the water for inspection and/or repair of those parts of a vessel which are below the water line. During drydockings, which are required to be carried out periodically, certain mandatory classification society inspections are carried out and relevant certifications issued. Drydockings are generally required once every 30 to 60 months.

**Gross ton.** A unit of weight equal to 2,240 pounds.

**Handymax (also known as MR or Medium Range) tanker.** A tanker ranging in size from 25,000 dwt to 59,999 dwt.

**Handysize (also known as SR or Small Range) tanker.** A tanker ranging in size from 10,000 dwt to 24,999 dwt.

**Hull.** Shell or body of a vessel.

**IMO.** International Maritime Organization, a United Nations agency that issues international regulations and standards for seaborne transportation.

**ISM Code.** International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, which, among other things, requires vessel-owners to obtain a safety management certification for each vessel they manage.

**ISPS Code.** International Security Code for Ports and Ships, which enacts measures to detect and prevent security threats to vessels and ports.

**Intermediate survey.** The inspection of a vessel by a classification society surveyor which takes place between two and three years before and after each special survey for such vessel pursuant to the rules of international conventions and classification societies.

**Metric ton.** A unit of weight equal to 1,000 kilograms.

**MR Product Tanker.** A vessel ranging from 25,000 dwt to 59,999 dwt and classed for petroleum or IMO 3 cargoes (e.g. vegetable oils, caustic soda, or liquid fertilizer).

## **Table of Contents**

***Newbuilding.*** A new vessel under construction or just completed.

***Off-hire.*** The period a vessel is unable to perform the services for which it is required under a time charter. Off-hire periods typically include days spent undergoing repairs and drydocking, whether or not scheduled.

***OPA.*** Oil Pollution Act of 1990 of the United States (as amended).

***Panamax tanker.*** A tanker ranging in size from 60,000 dwt to 85,000 dwt. The term is derived from the maximum length, breadth and draft capable of passing fully loaded through the Panama Canal.

***Period charter.*** A period charter is an industry term referring to both time and bareboat charters. These charters are referred to as period charters or period market charters due to use of the vessel by the charterer over a specific period of time.

***Product tanker.*** A tanker designed for the carriage of refined petroleum products whose cargo tanks are usually coated with epoxy-based paint to facilitate the cleaning of the tanker between the carriage of different cargoes and to prevent product contamination and hull corrosion. A product tanker typically has multiple cargo tanks capable of handling different cargoes simultaneously. The vessel may have equipment designed for the loading and unloading of cargoes with a high viscosity.

***Protection and indemnity (or P&I) insurance.*** Insurance obtained through mutual associations (called Clubs ) formed by vessel-owners to provide liability insurance protection against a large financial loss by one member by contribution towards that loss by all members. To a great extent, the risks are reinsured.

***Refined petroleum products.*** Refined crude oil products, such as fuel oils, gasoline and jet fuel.

***Scrapping.*** The disposal of old or damaged vessel tonnage by way of sale as scrap metal.

***Single-hull.*** A hull construction design in which a vessel has only one hull.

***Sister ship.*** Vessels of the same type and specification.

***SOLAS.*** The International Convention for the Safety of Life at Sea 1974, as amended, adopted under the auspices of the IMO.

***Special survey.*** An extensive inspection of a vessel by classification society surveyors that must be completed within five years. Special surveys require a vessel to be drydocked.

***Spot charter.*** A spot charter is an industry term referring to both voyage and trip time charters. These charters are referred to as spot charters or spot market charters due to their short term duration, consisting mostly of a single voyage between one load port and one discharge port.

***Spot market.*** The market for the immediate chartering of a vessel, usually for single voyage.

***Strict liability.*** Liability that is imposed without regard to fault.

***Suezmax tanker.*** Tanker ranging in size from 120,000 dwt to 200,000 dwt. The term is derived from the maximum length, breadth and draft capable of passing fully loaded through the Suez Canal.

***Tanker.*** Vessel designed for the carriage of liquid cargoes in bulk with cargo space consisting of many tanks. Tankers carry a variety of products including crude oil, refined petroleum products, liquid chemicals and liquid gas.

## **Table of Contents**

**Time charter.** A time charter is a contract under which a charterer pays a fixed daily hire rate on a semi-monthly or monthly basis for a fixed period of time for use of the vessel. Subject to any restrictions in the charter, the charterer decides the type and quantity of cargo to be carried and the ports of loading and unloading. The charterer pays the voyage related expenses such as fuel, canal tolls, and port charges. The vessel-owner pays all vessel operating costs such as the management expenses and crew costs as well as for the capital costs of the vessel. Any delays at port or during the voyages are the responsibility of the charterer, except for certain specific exceptions such as loss of time arising from vessel breakdown and routine maintenance.

**Time charter equivalent (TCE) rates.** Time charter equivalent, or TCE, rates, are a standard industry measure of the average daily revenue performance of a vessel. The TCE rate achieved on a given voyage is expressed in U.S. dollars per day and is generally calculated by subtracting voyage expenses, including bunkers and port charges, from voyage revenue and dividing the net amount (time charter equivalent revenues) by the number of days in the period.

**Trip time charter.** A trip time charter is a short term time charter where the vessel performs a single voyage between load port(s) and discharge port(s) and the charterer pays a fixed daily hire rate on a semi-monthly basis for use of the vessel. The difference between a trip time charter and a voyage charter is only in the form of payment for use of the vessel and the respective financial responsibilities of the charterer and vessel-owner as described under time charter and voyage charter.

**Ton.** See Metric ton.

**Ultra Large Crude Carrier (ULCC).** A tanker whose size is above 200,000 dwt and has a typical cargo capacity of about 350,000 dwt.

**Very Large Crude Carrier (VLCC).** A tanker whose size is above 200,000 dwt and has a typical cargo capacity of about 300,000 dwt.

**Vessel operating costs.** The costs of operating a vessel that are incurred during a charter, primarily consisting of crew wages and associated costs, insurance premiums, lubricants and spare parts, and repair and maintenance costs. Vessel operating costs exclude fuel and port charges, which are known as voyage expenses. For a time charter, the vessel-owner pays vessel operating costs. For a bareboat charter, the charterer pays vessel operating costs.

**Voyage charter.** A voyage charter involves the carriage of a specific amount and type of cargo from specific load port(s) to specific discharge port(s), subject to various cargo handling terms. Most of these charters are of a single voyage nature between two specific ports, as trading patterns do not encourage round voyage trading. The owner of the vessel receives one payment derived by multiplying the tons of cargo loaded on board by the cost per cargo ton, as agreed to transport that cargo between the specific ports. The owner is responsible for the payment of all expenses including voyage, operating and capital costs of the vessel. The charterer is typically responsible for any delay at the loading or discharging ports.

**Voyage expenses.** Expenses incurred due to a vessel's traveling from a loading port to a discharging port, such as fuel (bunker) cost, port expenses, agent's fees, canal dues and extra war risk insurance, as well as commissions.

**Table of Contents**

**INDEX TO FINANCIAL STATEMENTS OF ARDMORE SHIPPING CORPORATION**

*Index to Audited Financial Statements of Ardmore Shipping Corporation*

<u>Report of independent registered public accounting firm</u>	F-2
Audited consolidated financial statements	
<u>Consolidated balance sheets at December 31, 2013 and 2012</u>	F-3
<u>Consolidated statement of operations for the years ended December 31, 2013, 2012 and 2011</u>	F-4
<u>Consolidated statement of changes in equity for the years ended December 31, 2013, 2012 and 2011</u>	F-5
<u>Consolidated statement of cash flows for the year ended December 31, 2013, 2012 and 2011</u>	F-6
<u>Notes to consolidated financial statements</u>	F-7



**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Ardmore Shipping Corporation

We have audited the accompanying consolidated balance sheets of Ardmore Shipping Corporation as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ardmore Shipping Corporation at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young

Dublin, Ireland

February 12, 2014

**Table of Contents****Ardmore Shipping Corporation**

## Consolidated Balance Sheets

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

	Notes	As at Dec 31, 2013	Dec 31, 2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	56,860,845	15,334,123
Receivables, trade	6	743,406	864,386
Working capital advances	7	534,571	1,573,955
Prepayments		471,563	223,471
Advances and deposits		1,894,317	423,703
Other receivables		321,810	498,259
Inventories		1,131,466	666,240
<b>Total current assets</b>		<b>61,957,978</b>	<b>19,584,137</b>
<b>Non-current assets</b>			
Vessels and equipment, net of accumulated depreciation of \$20.8 million (2012: \$12.4 million)	8	201,700,229	125,478,619
Deferred drydock expenditure, net of accumulated amortization of \$1.9 million (2012: \$0.4 million)	8	1,339,238	2,517,789
Vessels under construction	8	89,015,139	29,012,560
Other non-current assets, net of accumulated depreciation of \$0.1 million (2012: \$0.05 million)	8	158,308	133,147
Deferred finance charges, net of accumulated amortization of \$0.7 million (2012: \$0.6 million)		3,794,741	3,234,216
<b>Total non-current assets</b>		<b>296,007,655</b>	<b>160,376,331</b>
<b>TOTAL ASSETS</b>		<b>357,965,633</b>	<b>179,960,468</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Payables, trade		3,999,311	2,514,052
Charter revenue received in advance		1,806,600	851,045
Other payables		5,436	1,867
Amounts due to related parties			600,000
Accrued interest on loans		557,160	502,515
Current portion of long-term debt	9	9,100,000	6,819,918
Current portion of capital lease obligations	10	1,578,686	
<b>Total current liabilities</b>		<b>17,047,193</b>	<b>11,289,397</b>
<b>Non-current liabilities</b>			
Non-current portion of long-term debt	9	79,760,000	60,280,082
Non-current portion of capital lease obligations	10	28,800,329	
<b>Total non-current liabilities</b>		<b>108,560,329</b>	<b>60,280,082</b>
<b>Equity</b>			
Share capital (\$0.01 par value, 250,000,000 shares authorised, 18,050,000 issued and outstanding at December 31, 2013 and 8,049,500 at December 31, 2012)		180,500	80,495
Additional paid in capital		244,702,577	116,992,857
Accumulated deficit		(12,524,966)	(8,682,363)
<b>Total equity</b>		<b>232,358,111</b>	<b>108,390,989</b>

**TOTAL LIABILITIES AND EQUITY**

**357,965,633**

**179,960,468**

*The accompanying notes are an integral part of these financial statements*

F-3

**Table of Contents****Ardmore Shipping Corporation**

## Consolidated Statement of Operations

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

	Notes	Dec 31, 2013	For the years ended Dec 31, 2012	Dec 31, 2011
<b>REVENUE</b>				
Revenue		35,867,356	25,172,654	22,375,414
<b>OPERATING EXPENSES</b>				
Commissions and voyage related costs		2,523,842	789,149	468,067
Vessel operating expenses		18,215,487	14,598,071	12,186,825
Charter hire costs			1,699,943	1,663,380
Depreciation		8,388,208	6,195,416	5,343,091
Amortization of deferred drydock expenditure		1,420,814	441,491	
General and administrative expenses	12	5,669,935	2,975,139	2,599,031
<b>Total operating expenses</b>		<b>36,218,286</b>	<b>26,699,209</b>	<b>22,260,394</b>
<b>(Loss) / profit from operations</b>		<b>(350,930)</b>	<b>(1,526,555)</b>	<b>115,020</b>
Interest expense and finance costs	13	(3,464,006)	(2,966,014)	(3,080,472)
Interest income	14	6,059	4,713	3,608
<b>Loss before taxes</b>		<b>(3,808,877)</b>	<b>(4,487,856)</b>	<b>(2,961,844)</b>
Income tax		(33,726)	(51,237)	(13,426)
<b>Net loss</b>		<b>(3,842,603)</b>	<b>(4,539,093)</b>	<b>(2,975,270)</b>
Loss per share, basic and diluted	15	(0.31)	(0.56)	(0.37)
Weighted average number of common shares, basic and diluted		12,241,599	8,049,500	8,049,500
<i>The accompanying notes are an integral part of these financial statements</i>				

**Table of Contents****Ardmore Shipping Corporation**

## Consolidated Statement of Changes in Equity

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

	Share capital	Additional paid-in capital	Accumulated deficit	TOTAL
Balance as at January 1, 2011	80,495	50,710,430	(1,168,000)	49,622,925
Shareholder contributions		14,940,000		14,940,000
Share based compensation		16,674		16,674
Loss for year			(2,975,270)	(2,975,270)
<b>Balance as at December 31, 2011</b>	<b>80,495</b>	<b>65,667,104</b>	<b>(4,143,270)</b>	<b>61,604,329</b>
Shareholder contributions		51,314,503		51,314,503
Share based compensation		11,250		11,250
Loss for year			(4,539,093)	(4,539,093)
<b>Balance as at December 31, 2012</b>	<b>80,495</b>	<b>116,992,857</b>	<b>(8,682,363)</b>	<b>108,390,989</b>
Shareholder contributions	5	495		500
Net proceeds from equity offering	100,000	128,329,204		128,429,204
Share based compensation		571,321		571,321
Dividend payment (\$0.066 per share)		(1,191,300)		(1,191,300)
Loss for year			(3,842,603)	(3,842,603)
<b>Balance as at December 31, 2013</b>	<b>180,500</b>	<b>244,702,577</b>	<b>(12,524,966)</b>	<b>232,358,111</b>

*The accompanying notes are an integral part of these financial statements*

**Table of Contents****Ardmore Shipping Corporation**

## Consolidated Statement of Cash Flows

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

	Notes	For the years ended		
		Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
<b>OPERATING ACTIVITIES</b>				
Net loss		(3,842,603)	(4,539,093)	(2,975,270)
Non-cash items:				
Depreciation		8,388,208	6,195,416	5,343,091
Amortization of deferred drydock expenditure		1,420,814	441,491	
Share based compensation		571,321	11,250	16,674
Amortization of deferred finance charges	13	772,787	254,547	290,391
Deferred tax (benefit) / expense			24,341	(16,099)
Changes in operating assets and liabilities:				
Receivables, trade		120,980	1,126,119	(1,629,497)
Working capital advances		1,039,384	2,098,612	(1,331,321)
Prepayments		(248,092)	26,518	(214,710)
Advances and deposits		(1,470,614)	145,540	(419,243)
Other receivables		176,449	(104,521)	155,121
Inventories		(465,226)	(44,449)	(315,842)
Payables, trade		1,485,259	324,688	1,401,642
Charter revenue received in advance		955,555	411,705	(14,968)
Other payables		3,569	(70,993)	(86,532)
Amounts due to related parties		(600,000)	625,397	(25,397)
Accrued interest on loans		54,645	17,965	219,233
Deferred drydock expenditure		(242,263)	(2,959,280)	
<b>Net cash provided by operating activities</b>		<b>8,120,173</b>	<b>3,985,253</b>	<b>397,273</b>
<b>INVESTING ACTIVITIES</b>				
Payments for acquisition of vessels and equipment	9	(63,497,023)	(1,330,198)	(41,381,029)
Payments for vessels under construction	9	(81,072,100)	(13,560,194)	(15,418,751)
Payments for other non-current assets	9	(68,435)	(51,122)	(120,774)
<b>Net cash used in investing activities</b>		<b>(144,637,558)</b>	<b>(14,941,514)</b>	<b>(56,920,554)</b>
<b>FINANCING ACTIVITIES</b>				
Short-term revolving credit facility			(30,265,000)	15,495,000
Proceeds from long-term debt		47,030,000	38,700,000	32,000,000
Repayments of long term debt		(25,270,000)	(37,200,000)	(4,400,000)
Proceeds from capital leases		31,500,000		
Repayments of capital leases		(1,120,985)		
Payments for deferred finance charges		(1,333,312)	(1,719,423)	(1,255,205)
Net proceeds from equity offering		128,429,204		
Payment of dividend		(1,191,300)		
Shareholder contributions		500	51,314,503	14,940,000
<b>Net cash provided by financing activities</b>		<b>178,044,107</b>	<b>20,830,080</b>	<b>56,779,795</b>
<b>Net increase in cash and cash equivalents</b>		<b>41,526,722</b>	<b>9,873,819</b>	<b>256,514</b>
Cash and cash equivalents at the beginning of the year		15,334,123	5,460,304	5,203,790

Edgar Filing: Ardmore Shipping Corp - Form F-1

<b>Cash and cash equivalents at the end of the year</b>	<b>56,860,845</b>	<b>15,334,123</b>	<b>5,460,304</b>
<b>Cash paid during the year for:</b>			
Interest payments, net of capitalised interest	3,619,005	3,235,270	2,570,847
Taxation	33,963	42,998	12,063

*The accompanying notes are an integral part of these financial statements*

F-6

**Table of Contents****Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

**1. Overview****1.1. Background**

Ardmore Shipping Corporation (NYSE: ASC) (ASC) and subsidiaries (collectively Ardmore or the Company) is an international marine transportation company. Ardmore was established to acquire and operate a high quality fleet of tanker vessels. As at December 31, 2013 Ardmore had eight vessels in operation, twelve vessels under construction and was awaiting delivery of one recently acquired second-hand vessel. The average age of Ardmore's operating fleet at December 31, 2013 is 5.9 years.

All of Ardmore's vessels are double-hulled and are engaged in the transportation of refined oil and chemical products. All the vessels are subject to IMO (International Maritime Organization) regulations including MARPOL (the International Convention for the Prevention of Pollution from Ships) and regulations of major oil and energy-related companies and other relevant international standards.

**1.2. Management and organizational structure**

Ardmore Shipping Corporation (ASC) was incorporated in the Republic of the Marshall Islands on May 14, 2013 as a wholly owned subsidiary of GA Holdings LLC, a limited liability company incorporated in the Marshall Islands. On August 6, 2013, the Company completed its initial public offering (IPO) of 10,000,000 shares of its common stock, par value \$0.01, at \$14.00 per share. The gross proceeds to the Company from the IPO were \$140 million before deducting underwriting commissions and IPO related expenses. Prior to the initial public offering of ASC's common stock, GA Holdings LLC exchanged all of the shares of its wholly owned subsidiary, Ardmore Shipping LLC (ASLLC), for 8,049,500 additional shares of ASC and ASLLC became a wholly owned subsidiary of ASC (the Reorganization). The financial statements have been retroactively adjusted to reflect the issuance of 8,049,500 shares in connection with the Reorganization. Immediately following the IPO, GA Holdings LLC held 44.6% of the common stock of the Company, with the remaining 55.4% held by public investors.

**1.3. Vessels**

Ardmore's fleet as of December 31, 2013 comprises the following:

Vessel Name In Operation	Type	Dwt	Imo	Built Date	Built Country	Employment	Specification
<i>Ardmore Seavaliant</i>	Product/Chemical	49,998	3	Feb-13	Korea	Time Charter	Eco-design
<i>Ardmore Seaventure</i>	Product/Chemical	49,998	3	Jun-13	Korea	Time Charter	Eco-design
<i>Ardmore Seatrader</i>	Product	47,141		Dec-02	Japan	Time Charter	Eco-mod
<i>Ardmore Seamaster</i>	Product/Chemical	45,840	3	Sep-04	Japan	Time Charter	Eco-mod
<i>Ardmore Seafarer</i>	Product	45,744		Aug-04	Japan	Time Charter	Eco-mod
<i>Ardmore Centurion</i>	Product/Chemical	29,006	2	Nov-05	Korea	Spot	Eco-mod
<i>Ardmore Calypso</i>	Product/Chemical	17,589	2	Jan-10	Korea	Pool	Eco-mod
<i>Ardmore Capella</i>	Product/Chemical	17,567	2	Jan-10	Korea	Pool	Eco-mod
<b>Awaiting delivery</b>							
<i>Ardmore Seamariner</i>	Product	45,726		Oct-06	Japan	Time Charter	Eco-mod



**Table of Contents****Ardmore Shipping Corporation**

## Notes to Consolidated Financial Statements

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

Vessel Name On Order	Type	Dwt	Imo	Built Date	Built Country	Employment	Specification
<i>Ardmore Seavantage</i>	Product/Chemical	49,997	3	Jan-14	Korea	Time Charter	Eco-design
<i>Ardmore Seavanguard</i>	Product/Chemical	49,998	3	Feb-14	Korea	MI	Eco-design
<i>SPP Hull S-1162</i>	Product/Chemical	50,300	3	1Q15	Korea	MI	Eco-design
<i>SPP Hull S-1163</i>	Product/Chemical	50,300	3	2Q15	Korea	MI	Eco-design
<i>SPP Hull S-1171</i>	Product/Chemical	50,300	3	2Q15	Korea	MI	Eco-design
<i>SPP Hull S-1172</i>	Product/Chemical	50,300	3	3Q15	Korea	MI	Eco-design
<i>HMD Hull H-2480</i>	Product/Chemical	37,000	2	1Q15	Korea	MI	Eco-design
<i>HMD Hull H-2481</i>	Product/Chemical	37,000	2	1Q15	Korea	MI	Eco-design
<i>FKA Hull N-2062</i>	Product/Chemical	25,000	2	4Q14	Japan	MI	Eco-design
<i>FKA Hull N-2063</i>	Product/Chemical	25,000	2	1Q15	Japan	MI	Eco-design
<i>FKA Hull N-2065</i>	Product/Chemical	25,000	2	3Q15	Japan	MI	Eco-design
<i>FKA Hull N-2067</i>	Product/Chemical	25,000	2	4Q15	Japan	MI	Eco-design
<b>Total</b>	<b>21</b>	<b>823,804</b>					

On February 27, 2013 Ardmore took delivery of the *Ardmore Seavariant* from SPP Shipbuilding Co., Ltd, in Korea. The *Ardmore Seavariant* is an IMO 3 product and chemical tanker and was employed on a one year time charter.

On June 7, 2013 Ardmore took delivery of the *Ardmore Seaventure* from SPP Shipbuilding Co., Ltd, in Korea. The *Ardmore Seaventure* is an IMO 3 product and chemical tanker and was employed on a one year time charter.

On October 23, 2013 Ardmore agreed to acquire a 45,726 dwt MR product tanker built in October 2006 at Minami Nippon Shipbuilding Co., Ltd., Japan, to be renamed the *Ardmore Seamariner*.

**2. Significant accounting policies****2.1. Basis of preparation**

The accompanying consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ( U.S. GAAP ). The consolidated financial statements include the accounts of ASC and its subsidiaries. All subsidiaries are 100% directly or indirectly owned by ASC. All intercompany balances and transactions have been eliminated on consolidation.

**2.2. Uses of estimates**

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future drydock dates, the selection of useful lives for tangible assets, expected future cash flows from long-lived assets to support impairment tests, provisions necessary for accounts receivables, the selection of inputs used in the valuation model for share based payment awards, provisions for legal disputes and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable. Actual results could differ from those estimates.

**Table of Contents**

**Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

**2.3. Reporting currency**

The consolidated financial statements are stated in U.S. Dollars. The functional currency of Ardmore is U.S. Dollars because Ardmore operates in international shipping markets which typically utilize the U.S. Dollar as the functional currency. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than U.S. Dollar are translated to reflect the year end exchange rates. Resulting gains and losses are included in the accompanying consolidated statement of operations.

**2.4. Recent accounting pronouncements**

There are no recent accounting pronouncements issued whose adoption would have a material impact on Ardmore's consolidated financial statements in the current year or are expected to have a material impact on future years.

**2.5. Cash and cash equivalents**

Ardmore classifies investments with an original maturity date of three months or less as cash and cash equivalents.

**2.6. Receivables, trade**

Trade receivables include amounts due from charterers for hire and other recoverable expenses due to Ardmore. At the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate provision for doubtful accounts.

**2.7. Working capital advances**

Working capital advances relate to capital advanced directly to ship pools in which Ardmore's vessels operate together with working capital amounts advanced under time charter agreements. The working capital amounts advanced under time charter agreements allows Ardmore to share in the profits and losses arising from the vessels employment in the spot market. The working capital amounts advanced under the time charter are advanced for the period of the time charter. The amounts are classified as current assets where it is expected that the amounts advanced will be realized within one year.

**2.8. Prepayments**

Prepayments consist of payments in advance for insurance or other ad hoc purchases.

**2.9. Advances and deposits**

Advances and deposits primarily include amounts advanced to the technical managers for expenses incurred by them in operating the vessels, together with other necessary deposits paid during the course of business.

**2.10. Other receivables**

Other receivables primarily relate to insurance claims outstanding, certain assets held by vessel managers and other necessary receivables. Insurance claims are recorded, net of any deductible amounts, at the time Ardmore



---

**Table of Contents**

**Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

realizes insured damages, where recovery is probable under the related insurance policies and where Ardmore can make an estimate of the amount to be reimbursed following the insurance claim. At the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate provision for doubtful accounts.

**2.11. Inventories**

Inventories consist of bunkers, lubricating oils and other consumables on board our vessels. Inventories are valued at the lower of cost or market value on a first-in first-out basis. Cost is based on the normal levels of cost and comprises the cost of purchase, being the suppliers' invoice price with the addition of charges such as freight or duty where appropriate.

**2.12. Vessels**

Vessels are recorded at their cost less accumulated depreciation. Vessel cost comprises acquisition costs directly attributable to the vessel and the expenditures made to prepare the vessel for its initial voyage. Vessels are depreciated on a straight-line basis over their estimated useful economic life from the date of initial delivery from the shipyard. The useful life of Ardmore's vessels is estimated at 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton. Ardmore capitalizes and depreciates the costs of significant replacements, renewals and upgrades to its vessels over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade. The amount capitalized is based on management's judgment as to expenditures that extend a vessel's useful life or increase the operational efficiency of a vessel. Costs that are not capitalized are recorded as a component of direct vessel operating expenses during the period incurred. Expenses for routine maintenance and repairs are expensed as incurred.

**2.13. Impairment**

Vessels and equipment that are held and used are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such indicators are present, a vessel to be held and used is tested for recoverability by comparing the estimate of future undiscounted net operating cash flows expected to be generated by the use of the vessel over its remaining useful life and its eventual disposition to its carrying amount. Net operating cash flows are determined by applying various assumptions regarding future revenues net of commissions, operating expenses, scheduled dry-dockings, expected offhire and scrap values, and taking into account historical revenue data and published forecasts on future world economic growth and inflation. An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset.

**2.14. Drydock expenditure**

Vessels are typically drydocked every three to five years. Expenditures incurred in drydocking are deferred and amortized until the next scheduled drydocking. Ardmore only includes in deferred drydocking costs those direct costs that are incurred as part of the drydocking to meet regulatory requirements, expenditures that add economic life to the vessel, and expenditures that increase the vessels earnings capacity or improve the vessels operating efficiency.

**Table of Contents**

**Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

**2.15. Vessels under construction**

The carrying value of the vessels under construction represents the accumulated costs to the balance sheet date which Ardmore has had to pay by way of purchase instalments and other capital expenditures, together with capitalized interest and other re-delivery costs. The amount of interest expense capitalized in an accounting period is determined by applying an interest rate ( the capitalization rate ) to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period are based on the rates applicable to borrowings outstanding during the period. If Ardmore's borrowings are directly attributable to the vessels under construction, Ardmore uses the rate on that borrowing as the capitalization rate. If average accumulated expenditures for the asset exceed the amounts of specific borrowings associated with the asset, the capitalization rate applied to such excess is a weighted average of the rates applicable to other borrowings of Ardmore. Ardmore does not capitalize amounts in excess of actual interest expense incurred in the period. No charge for depreciation is made until the vessel is available for use.

**2.16. Other non-current assets**

Other assets relate to office equipment, fixtures and fittings. These are recorded at their cost less accumulated depreciation and are depreciated based on estimated useful life of five years.

**2.17. Deferred finance charges**

Deferred financing charges include fees, commissions and legal expenses associated with securing loan facilities. These costs are amortized to interest expense and finance costs in the consolidated statement of operations using the effective interest method over the life of the related debt.

**2.18. Payables, trade**

Payables, trade include all accounts payable and accrued liabilities in relation to the operating and running of the vessels, along with amounts due for general and administrative expenses.

**2.19. Capital leases**

Capital leases relate to financing arrangements for vessels in operation. Interest costs are expensed to interest expense and finance costs in the consolidated statement of operations using the effective interest method over the life of the lease.

**2.20. Contingencies**

Claims, suits and complaints arise in the ordinary course of Ardmore's business. Ardmore provides for contingent liabilities when (i) it is probable that a liability has been incurred at the date of the financial statements and (ii) the amount of the loss can be reasonably estimated. Disclosure in the notes to the financial statements is required for contingent liabilities that do not meet both these conditions if there is a reasonable possibility that a liability may have been incurred at the balance sheet date. Any such matters that should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements, are discussed in Note 19 to the consolidated financial statements.

**2.21. Distributions to shareholder**

Distributions to the shareholder are applied first to retained earnings. When retained earnings are not sufficient, distributions are applied to the additional paid in capital account.



**Table of Contents**

**Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

**2.22. Equity issuance costs**

Incremental costs incurred that are directly attributable to a proposed or actual offering of equity securities are deferred and deducted from the related proceeds of the offering, and the net amount recorded as contributed shareholder's equity in the period when such shares are issued. Other costs incurred that are not directly attributable, but are related, to a proposed or actual offering are expensed as incurred.

**2.23. Share based compensation**

Ardmore may grant share based payment awards, such as restricted stock units, as incentive-based compensation to certain employees. 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 statement of operations over the requisite service period. Refer to Note 18 to the consolidated financial statements for further information.

**2.24. Financial instruments**

The carrying values of cash and cash equivalents, accounts receivable and accounts payable 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.

**2.25. Revenues and expenses**

**2.25.1. Time charter revenues**

If a time charter agreement exists, the rate is fixed or determinable, service is provided and collection of the related revenue is reasonably assured, Ardmore recognizes revenues over the term of the time charter. Ardmore does not recognize revenue during days the vessel is offhire. Where the time charter contains a profit or loss sharing arrangement, the profit or loss is recognized based on amounts earned or incurred as of the reporting date.

**2.25.2. Pool revenues**

Revenues and voyage expenses of Ardmore's vessels operating in pool arrangements are pooled with the revenues and voyage expenses of other pool participants. The resulting net pool revenues, calculated on the time charter equivalent basis, are allocated to the pool participants according to an agreed formula. The formula used to allocate net pool revenues vary among different pools but generally allocates revenues to pool participants on the basis of the number of days a vessel operates in the pool with weighted adjustments made to reflect the vessel's differing capacities and performance capabilities. Ardmore accounts for its vessels share of net pool revenue on the allocated time charter equivalent on a monthly basis. Net pool revenues due from the pool are included in receivables, trade.

**2.25.3. Voyage revenues**

Revenues from voyage charters on the spot market are recognized ratably on a discharge to discharge basis, i.e. from when cargo is discharged (unloaded) at the end of one voyage to when it is discharged after the next voyage, provided an agreed non-cancelable charter between Ardmore and the charterer is in existence, the charter

**Table of Contents**

**Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

rate is fixed or determinable and collectability is reasonably assured. Revenue under voyage charters will not be recognized until a charter has been agreed even if the vessel has discharged its previous cargo and is proceeding to an anticipated port of loading.

**2.25.4. Expenses**

All voyage expenses are expensed as incurred. Under time charters or pool employment, expenses such as fuel, port charges, canal tolls and cargo handling operations are paid by the charterers. Under voyage charters, these expenses are borne by Ardmore and expensed as incurred.

All commissions and administration fees are expensed as incurred which is over the term of the employment of the vessel.

Vessel operating expenses are costs which are directly attributable to the operation of the vessels such as crew costs, lubricating oils, insurance, repairs and maintenance. Vessel operating expenses are expensed as incurred.

**2.25.5. Charter hire costs**

Charter hire costs relate to amounts paid for chartering in vessels. Charter hire costs are expensed to the statement of operations as incurred.

**2.26. Income taxes**

*Republic of Marshall Islands*

Ardmore Shipping Corporation, Ardmore Shipping LLC and all vessel owning subsidiaries are incorporated in the Marshall Islands. Ardmore Shipping Corporation believes that neither it, nor its subsidiaries, are subject to taxation under the laws of the Republic of Marshall Islands and that distributions by its subsidiaries to Ardmore Shipping Corporation will not be subject to any taxes under the laws of the Republic of the Marshall Islands.

*Ireland*

Ardmore Shipholding Limited and Ardmore Shipping Limited are incorporated in Ireland. The consolidated financial statements reflect the fact that the Irish incorporated entities, along with all vessels operating subsidiaries, are separate taxable entities resident for tax purposes in Ireland. All income tax relates to continuing operations.

Ardmore Shipping Corporations vessel operating subsidiaries have elected, for Irish corporation tax purposes, into the Irish Tonnage Tax regime whereby each vessel operating subsidiary is assessed to Irish corporation tax on attributed notional tonnage tax profits which are calculated by reference to the size of the ship. The notional tonnage tax profits are then taxed at the standard rate of corporation tax of 12.5%. Ardmore Shipholding Limited and Ardmore Shipping Limited's non-tonnage tax trading profits are taxable at the standard rate of corporation tax which is currently 12.5% based on generally accepted accounting principles in Ireland. Other trading profits are taxed at 12.5%. Any non-trading / passive income is taxed at the higher rate of corporation tax which is currently 25%.



**Table of Contents****Ardmore Shipping Corporation**

## Notes to Consolidated Financial Statements

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

*Deferred taxation*

Deferred income tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statements and tax basis of existing assets and liabilities using enacted rates applicable to the periods in which the differences are expected to affect taxable income. Deferred income tax balances included on the consolidated balance sheet reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax basis and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. The recoverability of these future tax deductions is evaluated by assessing the adequacy of future taxable income, including the reversal of temporary differences and forecasted operating earnings. If it is deemed more likely than not that the deferred tax assets will not be realized Ardmore provides for a valuation allowance. Income taxes have been provided for all items included in the consolidated statement of operations regardless of when such items were reported for tax purposes or when the taxes were actually paid or refunded.

*Uncertainties related to income taxes*

The Financial Accounting Standards Board issued guidance clarifying the accounting for uncertainty in income taxes recognized in the financial statements. The guidance requires companies to determine whether it is more-likely-than-not that the tax position taken or expected to be taken in a tax return will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If a tax position meets the more-likely-than-not threshold it is measured to determine the amount of benefit to recognize in the financial statements. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

**3. Business and segmental reporting**

Ardmore is primarily engaged in the ocean transportation of petroleum and chemical products in international trade through the ownership and operation of a fleet of tankers. Tankers are not bound to specific ports or schedules and therefore can respond to market opportunities by moving between trades and geographical areas. Ardmore charters its vessels to commercial shippers through a combination of time-charter and pool arrangements. The chief operating decision maker ( CODM ) does not use discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet. Furthermore, when Ardmore charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographic information is impracticable. In this respect, Ardmore has determined that it operates under one reportable segment, relating to its operations of its vessels.

The following table presents consolidated revenues for customers that accounted for more than 10% of Ardmore's consolidated revenues during the periods presented:

	For the year ended		
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Navig8 Group	<10%	16,336,503	17,183,539
Dampskibsselskabet Norden A/S	5,145,075	5,022,559	5,191,875
Cargill International SA, Geneva	8,119,657	<10%	<10%
Itochu Enex Co., Ltd	4,860,957	<10%	<10%
Koch Shipping, Inc.	4,360,159	<10%	<10%
Womar Logistic Pte., Ltd	10,299,096	<10%	<10%

**Table of Contents****Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

**4. Contractual charter revenue**

The minimum future revenues to be received from time charters in place as of December 31, 2013 (before Ardmore's share of profit / loss under the time charter participation and assuming no offhire) which are accounted for as operating leases is as follows:

	As at Dec 31, 2013
2014	22,361,045
2015	1,032,857

As of December 31, 2013, seven of Ardmore's vessels are part of time charter agreements. The leases expire as follows:

Name	Lease expiry	Lease option
<i>Ardmore Seavaliant</i>	Feb, 2014	No
<i>Ardmore Seaventure</i>	Jun, 2014	No
<i>Ardmore Seatrader</i>	Aug, 2014	Yes
<i>Ardmore Seamaster</i>	Jul, 2014	Yes
<i>Ardmore Seafarer</i>	Jul, 2014	Yes
<i>Ardmore Seavantage</i>	Jan, 2015	Yes
<i>Ardmore Seavanguard</i>	Feb, 2015	Yes

The charterers of the *Ardmore Seavantage* and the *Ardmore Seavanguard* have an option to extend the time charter agreement at a market based rate for a second and third year which is to be determined prior to the commencement of the option.

The *Ardmore Calypso* and *Ardmore Capella* are employed under a pool arrangement which does not have a fixed lease expiration period.

From August, 2013 the *Ardmore Centurion* was employed under a third party spot chartering arrangement. Prior to this the *Ardmore Centurion* was employed on a time charter which included a profit sharing arrangement whereby, Ardmore was entitled to 50% of the profits arising on vessels employment in the charterer's pool after payment of charter hire to Ardmore. All profits arising from the profit sharing arrangement were recognized based on amounts earned as of the reporting date. Profit share revenue in relation to this arrangement for the year ended December 31, 2013 amounted to \$222,648 (2012: \$207,788 and 2011: \$50,097).

Ardmore had two separate supplemental charter hire agreements, in respect of the *Ardmore Seafarer* and the *Ardmore Seatrader*, which entitled Ardmore to participate in the profits arising from, or losses incurred on, each vessels employment in the charterer's pool. These agreements are for the period of each time charter. One of the time charters expired in July 2012 and the other time charter expired in February 2013. The supplemental charter hire agreements entitled Ardmore to 60% of the profits arising from, or losses incurred on, each vessels employment in the charterer's pool, after payment of charter hire to Ardmore. All profits or losses under the supplemental charter hire agreement are recognized based on amounts earned or incurred as of the reporting date. For the year ended December 31, 2013 Ardmore incurred losses of \$71,615 (2012: loss of \$441,713 and 2011: loss of \$98,235) in relation to these agreements.

On May 12, 2011 and July 17, 2011 Ardmore took delivery of the *Hellespont Crusader* and *Hellespont Commander* respectively under a time charter-in arrangement. These vessels were re-delivered to the owner on May 29, 2012 and June 23, 2012 respectively. These vessels were employed under a pool arrangement.



**Table of Contents****Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

Supplementary to the pool employment agreement for the vessels, Ardmore entered into a profit or loss sharing agreement with an affiliate of the pool manager (the Pool Manager Affiliate), whereby the profit or loss arising from the pool employment income less the charter-in cost, of the vessels, was shared 75% / 25% between Ardmore and the Pool Manager Affiliate respectively. Ardmore's policy is to recognize only its share of revenue and expenses.

**5. Cash and cash equivalents**

	As at	
	Dec 31, 2013	Dec 31, 2012
Cash and cash equivalents	56,860,845	15,334,123

Ardmore is required to maintain a minimum cash balance in accordance with its long-term debt facility agreement (see Note 9).

**6. Receivables, trade**

There was no provision for doubtful accounts as at December 31, 2013 (2012: \$0). The maximum amount of loss due to the credit risk is the full amount of trade receivables. All trade receivables are current. The carrying value of receivables approximates their fair value.

**7. Working capital advances**

At the balance sheet date, all potentially uncollectible working capital advances are assessed individually for purposes of determining the appropriate provision for doubtful accounts. There was no provision for doubtful advances at December 31, 2013 (2012: \$0).

**8. Non-current assets**

The scrap value of the vessels is estimated at \$300 (2012: \$300) per lightweight ton. Interest capitalized in relation to vessels under construction as of December 31, 2013 amounts to \$2,372,199 (2012: \$1,081,182). Vessels, which are owned and operated by Ardmore, have been provided as collateral under certain loan agreements entered into by Ardmore (see Note 9). As at December 31, 2013 an amount of \$4,234,701 (2012: \$0) was included in vessels and equipment which related to initial payments for the acquisition of a second-hand vessel that had not delivered at the balance sheet date. Other non-current assets comprise office equipment, fixtures and fittings. No impairment has been recognized as at the balance sheet date.

**9. Debt****Short-term revolving credit facility**

On July 15, 2010, Ardmore Shipholding Limited, entered into a short term revolving credit facility agreement for \$30 million. On September 6, 2011, the loan agreement was amended to increase the amount available under the facility to \$50 million. Interest was calculated on each tranche from July 2010 to April 2013 at LIBOR plus 5%. Interest from May 2013 to August 2013 was calculated on each tranche at LIBOR plus 4%. In August 2013 the facility was fully repaid and the facility cancelled. Amounts drawn down in prior periods were used to finance Ardmore's capital commitments and for temporary working capital needs.

**Table of Contents****Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

**Long-term debt**

As at December 31, 2013 Ardmore had three loan facilities. ASC's subsidiaries have first priority mortgages against the relevant vessels in favor of the financier as security for its obligations under the loan agreements. ASC's subsidiary, Ardmore Shipholding Limited, has provided a guarantee in respect of the three loan facilities. These guarantees can be called upon where a default in loan repayment occurs. The balance on each facility at the balance sheet date is as follows:

	As at Dec 31, 2013
Facility I (ABN AMRO)	9,000,000
Facility II (ABN AMRO)	46,830,000
Facility III (DVB Bank)	33,030,000
	<b>88,860,000</b>
Current portion of long-term debt	9,100,000
<b>Non-current portion of long-term debt</b>	<b>79,760,000</b>

Future minimum repayments under ASC's loan facilities for each year ended are as follows:

	As at Dec 31, 2013
2014	9,100,000
2015	9,100,000
2016	9,100,000
2017	9,100,000
2018	38,530,000
2019	13,930,000
	<b>88,860,000</b>

**Facility I**

On March 16, 2011, three of ASC's subsidiaries entered into a long term loan facility agreement with ABN AMRO Bank for \$40.5 million for vessel acquisitions. This loan was drawn down in three tranches. The first tranche was drawn down in April, 2011 and the second and third tranches were drawn down in June 2011. \$32 million was drawn down on this facility and the remaining \$8.5 million is no longer available for borrowing. Interest is calculated on each tranche at LIBOR plus 3.25%. On March 28, 2013 two of the subsidiaries subject to this loan entered into a capital lease arrangement (see Note 10). As part of this arrangement the senior debt outstanding on the vessels was repaid in full on April 2, 2013. The amount repaid was \$17.9 million. As such, of this facility, one subsidiary remains with debt outstanding. Principal repayments on loans are made on a quarterly basis. There was an amendment to this loan facility on September 30, 2013 whereby the maturity date was extended from 2016 to 2018. This resulted in a modification of the loan agreement (See note 13). The amount outstanding at the balance sheet date in relation to this facility is \$9.0 million.

**Facility II**

On August 24, 2011, two of ASC's subsidiaries entered into a long term loan facility agreement with ABN AMRO Bank for \$48.9 million for two of its vessels under construction. This loan was drawn down in six

F-17

**Table of Contents****Ardmore Shipping Corporation**

## Notes to Consolidated Financial Statements

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

tranches. Interest is calculated on each tranche at LIBOR plus 3.20%. Principal repayments on loans are made on a quarterly basis, with a balloon payment paid with the final instalment. The loan fully matures in 2018. The total amount of this facility was drawn down and the balance at the balance sheet date is \$46.8 million.

**Facility III**

On September 28, 2012, five of ASC's subsidiaries entered into a long term loan facility agreement with DVB Bank for \$81.85 million. \$36.85 million of this has been drawn down at the balance sheet date and matures in 2019. Interest on this tranche is calculated at LIBOR plus 3.75%. The remaining \$45 million of the new facility is for Ardmore's vessels under construction and will be drawn down in conjunction with the delivery of these vessels. Principal repayments on loans are made on a quarterly basis, with a balloon payment paid with the final instalment. The amount outstanding at the balance sheet date in relation to this facility is \$33.0 million. This loan agreement replaced an existing loan agreement dated October 15, 2010 which resulted in a modification of the loan agreement (See note 13).

**Long-term debt financial covenants**

Agreements related to long-term debt obligations stated above include covenants which limit the amount of total long-term debt as a proportion of total market value of assets and provide for a minimum net worth for Ardmore. Ardmore is required to maintain a minimum cash balance based on the number of vessels Ardmore owns. The required minimum cash balance for Ardmore as at December 31, 2013 was \$4,800,000 (2012: \$3,600,000). Ardmore is also required to maintain sufficient collateral for its debt facilities whereby the fair market value of its vessels, plus any additional collateral, must be above a certain percentage of debt outstanding (value maintenance covenant). The required value maintenance covenant varies under each loan facility ranging from 125% to 135%. The value maintenance covenant for one of Ardmore's vessels increases from 135% to 150% when the vessel is over twelve years old. Ardmore is also required to have a net worth of not less than \$45 million. The long-term debt obligations do not impose a restriction on dividend, distribution, return of capital unless an event of default has occurred, is continuing or will result from such payment. Ardmore is fully compliant with all of its loan covenants at the balance sheet date.

**10. Capital leases**

On March 28, 2013 two of ASC's subsidiaries entered into an agreement for the sale and leaseback (under a capital lease arrangement) of the *Ardmore Calypso* and *Ardmore Capella*. The capital lease arrangement was executed on April 2, 2013. This transaction is treated as a financing transaction. As part of this arrangement the senior debt outstanding on the vessels was repaid in full on April 2, 2013. The amount repaid was \$17.9 million. The capital lease is scheduled to expire in 2018 and includes a mandatory purchase obligation to repurchase the vessels. ASC's subsidiary, Ardmore Shipholding Limited, has provided a guarantee in respect of this financing arrangement.

	As at Dec 31, 2013
Current portion of capital lease obligations	1,578,686
Non-current portion of capital lease obligations	28,800,329
<b>Total capital lease obligations</b>	<b>30,379,015</b>

**Table of Contents****Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

The future minimum lease payments required under the capital leases at December 31, 2013, are as follows:

	<b>As at Dec 31, 2013</b>
2014	3,834,690
2015	3,834,690
2016	3,845,196
2017	3,834,690
2018	23,705,540
Total minimum lease payments	<b>39,054,806</b>
Less amount representing interest	(8,675,791)
Net minimum lease payments	<b>30,379,015</b>

Assets recorded under capital leases and included in vessels and vessel equipment, net consist of the following at December 31, 2013:

	<b>As at Dec 31, 2013</b>
Vessels and equipment	41,326,198
Accumulated depreciation	(4,009,872)
	<b>37,316,326</b>

**11. Risk Management****11.1. Operational risk**

Ardmore is exposed to operating costs risk arising from various vessel operations. The key areas of operating risk include drydock, repair costs, insurance and piracy. Ardmore's risk management includes various strategies for technical management of drydock and repairs coordinated with a focus on measuring cost and quality. Ardmore's young fleet helps to minimize the risk. Given the potential for accidents and other incidents that may occur in vessel operations, the fleet is insured against various types of risk. Finally, Ardmore has established a set of countermeasures in order to minimize the risk of piracy attacks during voyages, particularly through the Gulf of Aden and off the coast of Africa, to make the navigation safer for sea staff and to protect Ardmore's assets.

**11.2. Foreign exchange risk**

The majority of Ardmore's transactions, assets and liabilities are denominated in U.S. Dollars, the functional currency of Ardmore. Ardmore incurs certain general and operating expenses in other currencies (primarily Euro, Singapore Dollar, Pounds Sterling, Hong Kong Dollar) and as a result there is a transactional risk to Ardmore where the risk that currency fluctuations will have a negative effect on the value of Ardmore's cash flows. Such risk may have an adverse effect on Ardmore's financial condition and results of operations. Ardmore believes these adverse effects to be immaterial and have not entered into any derivative contracts for either transaction or translation risk during the year.



**11.3. Interest rate risk**

Ardmore is exposed to the impact of interest rate changes primarily through borrowings that require Ardmore to make interest payments based on LIBOR. Significant increases in interest rates could adversely affect Ardmore's

**Table of Contents****Ardmore Shipping Corporation**

## Notes to Consolidated Financial Statements

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

margins, results of operations and its ability to repay debt. Lower interest rates lower the returns on cash investments. Ardmore regularly monitors its interest rate exposure and will enter into swap arrangements to hedge its exposure where it is considered economically advantageous to do so.

**11.4. Credit risk**

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are held across two banks Nordea Bank and Morgan Stanley & Co. LLC. While Ardmore believes this risk of loss is low, it will keep this under review and will revise its policy for managing cash and cash equivalents if considered advantageous and prudent to do so.

Ardmore limits its credit risk with trade accounts receivable by performing ongoing credit evaluations of its customers' financial condition. It generally does not require collateral for its trade accounts receivable.

Ardmore may have a credit risk in relation to vessel employment and at times may have multiple vessels employed by one charterer. Ardmore considers and evaluates concentration of credit risk regularly and performs on-going evaluations of these charterers for credit risk. As at December 31, 2013 Ardmore's eight vessels in operation were employed with five different charterers and the Company continuously monitors credit concentration risk.

**11.5. Liquidity risk**

The principal objective in relation to liquidity is to ensure that Ardmore has access at minimum cost, to sufficient liquidity to enable it to meet its obligations as they fall due and to provide adequately for contingencies. Ardmore's policy is to manage its liquidity by strict forecasting of cash flows arising from time charter revenue, pool revenue, vessel operating expenses, general and administrative overhead and servicing of debt.

**12. General and administration expenses**

	For the year ended		
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Staff salaries	2,020,970	1,493,475	1,360,582
Share based compensation (non-cash)	571,321	11,250	16,674
Office administration	590,518	245,477	466,550
Bank charges and foreign exchange	61,295	48,942	45,326
Auditors' remuneration	870,394	109,517	96,720
Other professional fees	589,720	535,857	181,948
Other administration costs	965,717	530,621	431,231
	<b>5,669,935</b>	<b>2,975,139</b>	<b>2,599,031</b>

Of the above \$721,375 related to costs in relation to ASCs initial public offering that were expensed as incurred. Audit remuneration for the year arises solely on fees incurred for independent audit services.

**Table of Contents****Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

**13. Interest expense and finance costs**

	For the year ended		
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Interest incurred	5,063,418	3,248,789	3,333,941
Capitalized interest	(2,372,199)	(537,322)	(543,860)
Amortization of deferred financing charges	772,787	254,547	290,391
	<b>3,464,006</b>	<b>2,966,014</b>	<b>3,080,472</b>

Following drawdown of the loan entered into on September 28, 2012, the outstanding balance of \$32.4 million in respect of an earlier loan facility dated October 15, 2010 was repaid in full. As this resulted in a modification of the debt facility dated October 15, 2010, the deferred finance charges associated with the original facility, along with newly incurred fees with Ardmore's creditor, were deferred and amortized to interest expense and finance costs using the effective interest method over the life of the new loan facility. Third party costs associated with the modification were expensed as incurred. Further to this there was an amendment to a loan facility on September 30, 2013 whereby the loan maturity was extended from 2016 to 2018. As this resulted in a modification of the debt facility dated March 16, 2011 the deferred finance charges associated with the original facility, along with newly incurred fees with Ardmore's creditor, are deferred and amortized to interest and finance costs using the effective interest method over the new life of the loan facility. Third party costs associated with the modification were expensed as incurred.

**14. Interest income**

Interest income relates to bank interest received on Ardmore's cash balances.

**15. Income taxes**

Loss before taxes was derived from the following sources:

	For the year ended		
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Domestic	(3,808,877)	(4,487,856)	(2,961,844)
Foreign			
	<b>(3,808,877)</b>	<b>(4,487,856)</b>	<b>(2,961,844)</b>

The components of the provision for income taxes are as follows:

	For the year ended		
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Domestic:			

Edgar Filing: Ardmore Shipping Corp - Form F-1

Current tax expense	(33,726)	(26,896)	(29,525)
Deferred tax (expense) / benefit		(24,341)	16,099
<b>Income tax expense for year</b>	<b>(33,726)</b>	<b>(51,237)</b>	<b>(13,426)</b>

F-21

**Table of Contents****Ardmore Shipping Corporation**

## Notes to Consolidated Financial Statements

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

The deferred tax (expense) / benefit was calculated as follows:

	Dec 31, 2013	For the year ended Dec 31, 2012	Dec 31, 2011
Non tonnage tax trade net loss			126,873
Tax at 12.5%			15,859
Other			240
Change in valuation allowance		(24,341)	
<b>Deferred tax (expense) / benefit</b>		<b>(24,341)</b>	<b>16,099</b>

All domestic tax arises under the Irish tax jurisdiction. There is no direct relationship between the provision for income taxes and income or loss before income taxes for companies availing of the tonnage tax election in Ireland because Ireland operates a tonnage taxation regime which computes Irish corporation tax by reference to the weight of the ships rather than accounting profits. Accordingly, a reconciliation between the income tax expense and the income tax calculated based on net income at the Irish statutory rate, has not been presented herein as it would not provide additional useful information to users of the consolidated financial statements. All current elections are valid until a minimum of December 31, 2023. All tax years are open to audit by tax authorities.

Reconciliation of deferred tax asset:

	Dec 31, 2013	For the year ended Dec 31, 2012	Dec 31, 2011
Cumulative non tonnage tax trade net loss		189,531	189,531
Deferred tax at 12.5%		23,691	23,691
Other		650	650
<b>Total deferred tax assets</b>		<b>24,341</b>	<b>24,341</b>
Valuation allowance		(24,341)	
<b>Net deferred tax asset</b>			<b>24,341</b>

In the year ended December 31, 2012 Ardmore established a valuation allowance against deferred tax assets because Ardmore believed it was more likely than not that the full amount of the deferred tax assets generated primarily by non-tonnage trading losses would not be realized through the generation of taxable income in future periods.

**16. Loss per share**

Basic loss per share is calculated by dividing the net loss available to common shareholders by the average number of common shares of Ardmore outstanding during the periods. Diluted earnings per share is calculated by adjusting the net loss available to common shareholders and the weighted average number of common shares used for calculating basic earnings per share for the effects of all potentially dilutive shares. Such dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

Edgar Filing: Ardmore Shipping Corp - Form F-1

	For the year ended		
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
<b>Numerator:</b>			
Net loss available to common shareholders	(3,842,603)	(4,539,093)	(2,975,270)
<b>Denominator:</b>			
Weighted average number of shares	12,241,599	8,049,500	8,049,500
<b>Loss per share, basic and diluted</b>	<b>(0.31)</b>	<b>(0.56)</b>	<b>(0.37)</b>

F-22

---

**Table of Contents**

**Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

**17. Related-Party Transactions**

In 2013, during the period prior to our IPO, Ardmore paid \$175,000 (2012: \$350,000; 2011:\$175,000) to Greenbriar Equity Group LLC in respect of consulting services provided to Ardmore. Greenbriar Equity Group LLC manages funds with an investment in GA Holdings LLC, a significant shareholder in Ardmore Shipping Corporation. This amount is included in general and administrative expenses (Note 12).

An amount of \$600,000 at December 31, 2012, which related to a cash advance from GA Holdings LLC, was repaid prior to our IPO.

There were no other relationships with officers, employees or affiliated companies that require disclosure during the year.

**18. Share based compensation**

**Stock appreciation rights ( SARs )**

SAR s were granted to certain employees and officers in August 2013. The SARs vest on a graded time-based schedule (20% on each anniversary of the grant date). Vesting in the first three years is subject to certain market conditions being met. On the third anniversary of the award the vesting reverts to being solely dependent on service. The exercise price is \$14 per share, Ardmore s IPO price.

The total number of units awarded was 1,078,125 with a contractual term of 7 years. The grant date fair value was calculated by applying a model based on Monte Carlo simulation. The model inputs were the grant price, based on the IPO price, a dividend yield of 2.87% based on the initial intended dividend set out at the IPO date, a risk free rate of return equal to the zero coupon US Treasury bill commensurate with the contractual terms of the units of 2.15% and expected volatility of 54.89%, based on the average of most recent historical volatilities in an Ardmore peer group. The weighted average fair value of the units is \$4.28 per unit and the average expected exercise life ranges from 4.9 to 6 years. Ardmore has determined that none of the units will be forfeited prior to the requisite services being provided.

The cost of each tranche is being recognized by Ardmore, on a straight line basis. The recognition of share based compensation costs related to the 20% tranches that vest in one and two years will be accelerated if the market condition is met and the requisite service period has been completed. The total cost charged to the consolidated statement of operations for the year ended December 31, 2013, was \$560,071 and is included in general and administrative expenses. The remaining unrecognized share-based compensation cost at December 31, 2013 is \$4,056,460. It is expected that unrecognized compensation cost related to each tranche will be recognized over the respective service period through the fifth anniversary of the grant (i.e., August 1, 2018). Ardmore s policy for issuing shares, if exercised, is to register and issue new common shares to the beneficiary.

**Management Incentive Units**

During the period ended December 31, 2010 the parent of ASCs Predecessor Company, ASLLC, implemented a Management Incentive Unit award scheme whereby certain employees are awarded units in ASLLC s parent. The date of grant of the units was July 5, 2010. The units vest on that date but are subject to forfeiture whereby the units are returned by the recipient if certain time (five years service) and performance criteria are not met. If all of the performance criteria are met, the units will no longer be subject to forfeiture on the fifth anniversary of the date of grant.

**Table of Contents****Ardmore Shipping Corporation**

## Notes to Consolidated Financial Statements

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

The total number of units awarded in the parent, in respect of services to be performed to Ardmore, was 6,250. The estimated fair value of each Management Incentive Unit granted in Management Incentive Unit award scheme is \$9 per unit. The intrinsic value of Management Incentive Units at the date of grant is nil. The fair value was calculated by applying a model based on Monte Carlo simulation whereby a range of probable outcomes of return were identified based on the performance criteria attached to the units. The model inputs were the market value of the ordinary units at grant date, expected returns over a five year period, with a cost of equity of 25%. The market value of the ordinary units was par at the date of the investment. Discounts were applied to the units, in arriving at fair value, for a lack of voting rights, control and marketability. The probability of various returns was based on analysis of the historical performance of charter rates and ship values, taking account of volatility, over a ten year period.

Ardmore's units have been valued using level three inputs of the fair value hierarchy. The cost of the unit award is recognized by Ardmore, on a straight line basis, as the services are received. The total cost charged to the consolidated statement of operations of Ardmore, for the year ended December 31, 2013 was \$11,250 (2012: \$11,250 and 2011: \$16,674) and the cost is included as part of staff salaries. The remaining unrecognized share-based compensation cost at December 31, 2013 is \$17,076.

**19. Commitments and contingencies**

As at December 31, 2013 Ardmore has the following commitments due within the next five years:

	2014	2015	2016
Vessels under construction	120,592,620	192,069,410	
Vessels (acquired) deliveries	16,480,000		
Loan commitment fees	34,313		
Office space	101,607	101,607	42,336
	<b>137,208,540</b>	<b>192,171,017</b>	<b>42,336</b>

Loan commitment fees are based on management's best estimates of future drawdown dates as of December 31, 2013.

**20. Subsequent events**

On January 7, 2014 Ardmore took delivery of a 45,726 Dwt MR product tanker built in October 2006 at Minami Nippon Shipbuilding Co., Ltd., Japan, and renamed the vessel the *Ardmore Seamariner*. The vessel was converted to Eco-Mod on delivery and was employed on a three month time charter.

On January 15, 2014 Ardmore announced that its Board of Directors has declared a cash dividend of \$0.10 per share for the quarter ended December 31, 2013. The cash dividend will be paid on February 14, 2014 to all shareholders of record on January 31, 2014.

On January 17, 2014 Ardmore took delivery of the *Ardmore Seavantage* (SPP Hull S-5118) from SPP shipbuilding Co., Ltd in Korea. The *Ardmore Seavantage* is an IMO 3 product and chemical tanker and was employed on a one year time charter following delivery. Total debt drawn down under the DVB Bank loan facility was \$22.5 million, in respect of this vessel.

On January 23, 2014 Ardmore agreed terms for a senior debt facility with ABN AMRO Bank N.V., Nordea Bank Finland Plc and Skandinaviska Enskilda Banken AB (SEB). This facility is in the amount of \$172 million and is expected to be used to finance eight vessels under construction. Drawdowns will be made in line with deliveries of each vessel. Interest is payable on each tranche at LIBOR plus 3.15%.





**Table of Contents****Ardmore Shipping Corporation**

Notes to Consolidated Financial Statements

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

On February 11, 2014 Ardmore drew down the remaining \$22.5 million of our DVB debt facility in order to finance the delivery of the *Ardmore Seavanguard* (Hull S-5119) from SPP, which is expected to deliver on February 14, 2014.

**21. Subsidiaries**

The following is a list of ASC's direct and indirect subsidiaries:

Name of Company	Country of Incorporation	Principal Activities	Ownership (%)
ArdmoreShipping LLC	Marshall Islands	Holding company	100%
Ardmore Shipholding Limited	Ireland	Holding company	100%
Ardmore Shipping Limited	Ireland	Commercial management, transaction support	100%
Fastnet Shipco LLC	Marshall Islands	Ship ownership and operations	100%
Rockall Shipco LLC	Marshall Islands	Ship ownership and operations	100%
Shannon Shipco LLC	Marshall Islands	Ship ownership and operations	100%
Malin Shipco LLC	Marshall Islands	Ship ownership and operations	100%
TyneShipco LLC	Marshall Islands	Ship ownership and operations	100%
Forties Shipco LLC	Marshall Islands	Ship ownership and operations	100%
Fitzroy Shipco LLC	Marshall Islands	Ship ownership and operations	100%
Bailey Shipco LLC	Marshall Islands	Ship ownership and operations	100%
ForthShipco LLC	Marshall Islands	Ship ownership and operations	100%
Viking Shipco LLC	Marshall Islands	Ship ownership and operations	100%
ArdmoreChartering LLC	Marshall Islands	Ship chartering and operations	100%
Cromarty Shipco LLC	Marshall Islands	Ship ownership and operations	100%
Dogger Shipco LLC	Marshall Islands	Ship ownership and operations	100%
Fisher Shipco LLC	Marshall Islands	Ship ownership and operations	100%
HumberShipco LLC	Marshall Islands	Ship ownership and operations	100%
Wight Shipco LLC	Marshall Islands	Ship ownership and operations	100%
Lundy Shipco LLC	Marshall Islands	Ship ownership and operations	100%
ThamesShipco LLC	Marshall Islands	Ship ownership and operations	100%
Valentia Shipholding LLC	Marshall Islands	Ship ownership and operations	100%
Fair IsleShipco LLC	Marshall Islands	Ship ownership and operations	100%
Faroe Shipco LLC	Marshall Islands	Ship ownership and operations	100%
PlymouthShipco LLC	Marshall Islands	Ship ownership and operations	100%
PortlandShipco LLC	Marshall Islands	Ship ownership and operations	100%
Trafalgar Shipco LLC	Marshall Islands	Ship ownership and operations	100%
HebridesShipco LLC	Marshall Islands	Ship ownership and operations	100%
Sole Shipco LLC	Marshall Islands	Ship ownership and operations	100%
Biscay Shipco LLC	Marshall Islands	Ship ownership and operations	100%
DoverShipco LLC	Marshall Islands	Ship ownership and operations	100%

**Table of Contents**

---

**Table of Contents**

**PART II: INFORMATION NOT REQUIRED IN THE PROSPECTUS**

**Item 6. Indemnification of Directors and Officers**

The bylaws of the Registrant provide that every director and officer of the Registrant shall be indemnified out of the funds of the Registrant against:

- (1) all civil liabilities, loss, damage or expense (including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him as such director or officer acting in the reasonable belief that he has been so appointed or elected notwithstanding any defect in such appointment or election, provided always that such indemnity shall not extend to any matter which would render it void pursuant to any Marshall Islands statute from time to time in force concerning companies insofar as the same applies to the Registrant; and
- (2) all liabilities incurred by him as such director or officer in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted, or in connection with any application under any Marshall Islands statute from time to time in force concerning companies in which relief from liability is granted to him by the court.

The BCA authorizes corporations to limit or eliminate the personal liability of directors and officers to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. Our Amended and Restated Articles of Incorporation and Bylaws include a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent permitted by law.

Our Bylaws provide that we must indemnify our directors and officers to the fullest extent authorized by law. We are also expressly authorized to advance certain expenses (including attorney's fees and disbursements and court costs) to our directors and officers and carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our Amended and Restated Articles of Incorporation and Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Section 60 of the BCA provides as follows:

Indemnification of directors and officers:

- (1) *Actions not by or in right of the corporation.* A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the

**Table of Contents**

best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of no contest, or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceedings, had reasonable cause to believe that his conduct was unlawful.

- (2) *Actions by or in right of the corporation.* A corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not, opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claims, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.
- (3) *When director or officer successful.* To the extent that a director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (1) or (2) of this section, or in the defense of a claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.
- (4) *Payment of expenses in advance.* Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid in advance of the final disposition of such action, suit or proceeding as authorized by the board of directors in the specific case upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this section.
- (5) *Indemnification pursuant to other rights.* The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.
- (6) *Continuation of indemnification.* The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.
- (7) *Insurance.* A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director or officer against any liability asserted against him and incurred by him in such capacity whether or not the corporation would have the power to indemnify him against such liability under the provisions of this section.

**Table of Contents****Item 7. Recent Sales of Unregistered Securities.**

The following table sets forth all private sales of our shares of our common stock since our formation:

Securities Sold	Date Sold	Consideration Per Share	Total Consideration	Registration Exemption	Purchasers
		\$	\$		

**Item 8. Exhibits and Financial Statement Schedules****Exhibit**

Number	Description
*1.1	Form of Underwriting Agreement
**3.1	Amended and Restated Articles of Incorporation of the Company
**3.2	Amended and Restated Bylaws of the Company
**4.1	Form of Stock Certificate
5.1	Form Opinion of Seward & Kissel LLP, Marshall Islands counsel to the Company, as to the validity of the common stock
8.1	Form of Tax Opinion of Seward & Kissel LLP
**10.1	Newbuilding Agreement for Hull S-5118
**10.2	Newbuilding Agreement for Hull S-5119
**10.3	Purchase and Option Agreement with respect to SPP Hull TBA #1, SPP Hull TBA #2, MR NB#1 and MR NB#2
**10.4	Equity Incentive Plan
21	Subsidiaries of the Company
23.1	Consent of Seward & Kissel LLP
23.2	Consent of Ernst & Young, independent registered public accounting firm
23.3	Consent of Drewry Maritime Research
24.1	Powers of Attorney (included on the signature page hereto)

\* To be filed in an amendment to this registration statement

\*\* Incorporated by reference to Ardmore Shipping Corporation's Registration Statement on Form F-1/A (Registration Number 333-189714), filed with the Securities and Exchange Commission on July 22, 2013.

**Item 9. Undertakings**

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter

## Edgar Filing: Ardmore Shipping Corp - Form F-1

has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

II-3

**Table of Contents**

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
  
- (2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.



**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cork and Country of Ireland, on the 12<sup>th</sup> day of February, 2014.

**ARDMORE SHIPPING CORPORATION**

By: /s/ Anthony Gurnee  
 Name: Anthony Gurnee  
 Title: Chief Executive Officer, President and  
 Director

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert E. Lustrin and Gary J. Wolfe, or either of them, with full power to act alone, his or her true lawful attorneys-in-fact and agents, with full powers of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments or supplements to this registration statement, whether pre-effective or post-effective, including any subsequent registration statement for the same offering which may be filed under Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing necessary to be done, as fully for all intents and purposes as he or she might or could do in person hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute, may lawfully do or cause to be done by virtue hereof.

In accordance with the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons on February 12, 2014 in the capacities indicated.

<b>Signature</b>	<b>Title</b>
/s/ Anthony Gurnee  Anthony Gurnee	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ Paul Tivnan  Paul Tivnan	Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer and Principal Accounting Officer)
/s/ Reginald Jones Reginald Jones	Chairman and Director
/s/ Brian Dunne Brian Dunne	Director
/s/ Niall McComiskey Niall McComiskey	Director
/s/ Peter Swift Peter Swift	Director
/s/ Alan Robert McIlwraith	Director

Edgar Filing: Ardmore Shipping Corp - Form F-1

Alan Robert McIlwraith

/s/ Albert Enste  
Albert Enste

Director

II-5

**Table of Contents**

**SIGNATURE OF AUTHORIZED REPRESENTATIVE OF THE REGISTRANT**

Pursuant to the Securities Act of 1933, as amended, the undersigned, a duly authorized representative of Ardmore Shipping Corporation in the United States, has signed this Registration Statement on Form F-1 in the City of Newark, State of Delaware, on the 12<sup>th</sup> day of February, 2014.

**AUTHORIZED REPRESENTATIVE**

By: /s/ Puglisi & Associates  
Name: Puglisi & Associates  
Title: Authorized Representative

II-6