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AVRA UK LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD FROM 15 SEPTEMBER 2011 TO 31 DECEMBER 2012

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Directors	Mark Peter Ambrose (appointed 19 October 2011, resigned 19 April 2013) Simon Nicholas Ian Harrison (appointed 15 September 2011) Esben Sofren Poulsson (appointed 15 September 2011)
Company secretary	Cornhill Secretaries Limited 8 Baden Place Crosby Road London SE1 1YW
Legal advisors	Watson Farley & Williams LLP 15 Appold Street London EC2A 2HB
Registered office	150 Aldersgate Street London EC1A 4AB
Registered number	07775895
Independent auditors	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB

AVRA UK LIMITED
DIRECTORS' REPORT
FOR THE PERIOD FROM 15 SEPTEMBER 2011 TO 31 DECEMBER 2012

The directors present their report and financial statements of Avra UK Limited ("the Company") for the period from incorporation on 15 September 2011 to 31 December 2012

PRINCIPAL ACTIVITY
The principal activity of the company is that of proprietary trading and providing advisory and brokerage services

In April 2013, the Company has ceased its trading activity It is intended that the company will remain dormant until such time as it is deemed beneficial to re-commence its activity The directors consider the Company is not a going concern, and the accounts have accordingly been prepared on a break-up basis

REVIEW OF THE BUSINESS
The Company was incorporated on 15 September 2011, and commenced trading activity in November 2011 The length of the accounting period was extended to 31 December 2012, in order to bring this in line with its parent company

The Company has made a loss for the period of US$478,307 The directors do not recommend the payment of a dividend

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's risk management relating to financial risk objectives and policies is disclosed in Note 10 to the financial statements

DIRECTORS
The directors who have held office during the year are listed on page 2

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
The directors confirm at the time when this report is approved

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

- each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS
Moore Stephens LLP was appointed by the directors during the period

ON BEHALF OF THE BOARD:

Director Simon Nicholas Ian Harrison

Date 16 September 2013

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company, such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVRA UK LIMITED

We have audited the financial statements of Avra UK Limited for the period from 15 September 2011 to 31 December 2012 which are set out on pages 7 to 18 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVRA UK LIMITED (CONTINUED)

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the Company's loss for the period from 15 September 2011 to 31 December 2012,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 1 and 2(h) to the financial statements concerning the Company's going concern status The directors consider that the Company is not a going concern and the financial statements have been prepared on a break-up basis

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Michael Simms

Michael Simms, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

23 September 2013

AVRA UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 15 SEPTEMBER 2011 TO 31 DECEMBER 2012

	Notes	Period ended 31 December 2012 US$
REVENUE		
Changes in fair value of financial assets and liabilities at fair value through profit or loss	2(d)	117,868
Commission income		10,595
		128,463
EXPENSES		
Administrative expenses		(606,770)
LOSS BEFORE TAX	3	**(478,307)**
Income tax expense	5	-
LOSS FOR THE PERIOD		**(478,307)**
Other comprehensive income		-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(478,307)**

The notes on pages 11 to 18 form part of these financial statements

AVRA UK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	31 December 2012 US$
ASSETS		
CURRENT ASSETS		
Financial assets at fair value through profit or loss	6	745,530
Amount due from related companies	9	257,010
Other receivables		1,597
Prepayments		2,399
TOTAL ASSETS		**1,006,536**
EQUITY AND LIABILITIES		
SHAREHOLDER'S EQUITY		
Share capital	7	1
Accumulated losses		(478,307)
TOTAL SHAREHOLDER'S EQUITY		**(478,306)**
LIABILITIES		
CURRENT LIABILITIES		
Financial liabilities at fair value through profit or loss	6	847,230
Amount due to related companies	9	182,286
Amount due to parent company	9	421,437
Other payables	8	33,889
TOTAL LIABILITIES		**1,484,842**
TOTAL EQUITY AND LIABILITIES		**1,006,536**

Approved by the Board and authorised for issue on 16 September 2013, and signed on its behalf by

Simon Nicholas Ian Harrison
Director

The notes on pages 11 to 18 form part of these financial statements

AVRA UK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 15 SEPTEMBER 2011 TO 31 DECEMBER 2012

	Share capital US$	Accumulated losses US$	Total equity US$
At 15 September 2011	-	-	-
Issue of ordinary share (note 7)	1	-	1
Total comprehensive loss for the period	-	(478,307)	(478,307)
At 31 December 2012	**1**	**(478,307)**	**(478,306)**

The notes on pages 11 to 18 form part of these financial statements

AVRA UK LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 15 SEPTEMBER 2011 TO 31 DECEMBER 2012

	Period ended 31 December 2012 US$
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(478,307)
Adjustments for	
Fair value losses on derivative financial instruments	101,700
Cash flows used in operations before working capital changes	**(376,607)**
Changes in working capital	
Increase in accounts receivable	(261,006)
Increase in accounts payable	493,247
CASH OUTFLOW FROM OPERATING ACTIVITIES	**(144,366)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	1
Loan issued by parent company	266,793
Repayment of loan issued by parent company	(122,428)
CASH INFLOW FROM FINANCING ACTIVITIES	**144,366**
CHANGES IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF PERIOD	-
CASH AND CASH EQUIVALENTS AS AT END OF PERIOD	-

The Company does not hold a bank account, and therefore no cash flows directly through the company The cash flows shown above reflect the substance of the Company's activity during the period

Gains and losses of the Company are settled through balances with the parent company and fellow subsidiaries

The notes on pages 11 to 18 form part of these financial statements

1. AUTHORISATION OF FINANCIAL STATEMENTS, BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements for the period from incorporation on 15 September 2011 to 31 December 2012 were authorised for issue on 16 September 2013 and the statement of financial position signed on the board's behalf by Simon Nicholas Ian Harrison Avra UK Limited is a limited company incorporated and domiciled in England & Wales The registered office of the Company is 150 Aldersgate Street, London, EC1A 4AB

The Company is wholly owned by Avra International Pte Limited (formerly known as Avra Asia Pte Limited), a company incorporated in Singapore The ultimate holding company is Efenea Limited, a company incorporated in Cayman Islands

The Company has extended its financial reporting date to 31 December, in order to align the reporting date with that of its parent company

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 The principal accounting policies adopted by the Company are set out in note 2

The preparation of financial statements in conformity with IFRS, as adopted by the European Union requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Company The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in these accounting policies under the heading 'Critical accounting policies and the use of judgement' Use of available information and application of judgement are inherent in the formation of estimates Actual outcomes in the future could differ from such estimates

The financial statements have been prepared on a historical cost basis, which are measured on the bases described in the related accounting policies, with the exception of derivative financial instruments which are stated at their fair value with movements recognised in profit or loss The financial statements are presented in United States Dollars

Management do not consider the Company to be a going concern (note 2h) and the financial statements have been prepared on a break-up basis No adjustments were required to the assets and liabilities of the Company to present them on this basis

2 SIGNIFICANT ACCOUNTING POLICIES

a) Accounting standards issued not yet effective
At the reporting date, the Company had not yet adopted certain new standards amendments to existing standards and interpretations, which have been issues by the International Accounting Standards Board ("IASB") and adopted by the European Union, but are not yet effective

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the figures included in the financial statements in the period of initial application other than the following

IFRS 13 Fair value measurement

The standard provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement The standard is effective from 1 January 2013 Management do not believe this will result in a significant change to its existing fair value procedures, though it may impact the level of disclosure in the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Employee benefits
Wages, salaries, social security costs and contributions to pension schemes are accrued in the period in which the associated services are rendered by the employees of the Company

c) Income tax
The Company's liability for current tax is based on taxable profit for the year, and is calculated using tax rates that have been enacted or substantively enacted at the financial reporting date

Deferred tax assets and liabilities are recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit Temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for

d) Financial assets and liabilities
Financial assets and liabilities at amortised cost are initially recognised at fair value plus any directly attributable transaction costs Financial assets and liabilities at fair value through profit and loss are recognised at fair value and any transaction costs are recorded in profit or loss At each financial reporting date, the Company assesses whether there is any objective evidence that any financial asset is impaired Financial assets and liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the financial asset or liability Financial assets are derecognised from the statement of financial position when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset Financial liabilities are derecognised from the Company's statement of financial position when the obligation specified in the contract is discharged, cancelled or expired

i Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on in active market Loans and receivables (including trade and other receivables) are initially recognised at fair value and subsequently recognised at amortised cost using the effective interest method, less appropriate allowances for credit losses

ii Financial assets and liabilities at fair value through profit or loss
The Company classifies its investments in forward freight agreements ("FFAs") as financial assets and liabilities at fair value through profit or loss, in the category 'financial assets and liabilities held for trading' A financial asset or liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term

Regular purchases and sales of financial instruments are recognised on the trade date – the date on which the Company commits to purchase or sell the instruments Financial instruments are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred Subsequent to initial recognition, financial instruments are measured at fair value Gains and losses arising from changes in their fair values are presented through profit or loss within 'Changes in fair value of financial assets and liabilities at fair value through profit or loss'

iii Other financial liabilities
Other financial liabilities are non-derivative financial liabilities and are measured at amortised cost using the effective interest method Other financial liabilities (including trade and other payables) with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial

iv Offsetting
Financial assets and liabilities are offset and the net amount reported in the statement of financial position only where there is a legally enforceable right to offset the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Prepayments
Prepayments are recognised in the financial statements at cost less provision for impairment

f) Foreign currency translation
The Company has determined the United States Dollar as its functional currency, as this is the currency of the economic environment in which the Company predominantly operates Trading activities denominated in foreign currencies are recorded in United States Dollars at the rate ruling for the date of the transaction

Foreign currency transactions are recorded at the rates of exchange prevailing at the time the transactions are made Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency monetary assets and liabilities denominated in foreign currencies at reporting reported are recognised in profit or loss in the statement of comprehensive income

g) Share capital
Ordinary shares are classified as equity There are no other types of share capital

h) Critical accounting policies and the use of judgement
The Company makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the actual results The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are set out below

Fair value of derivative financial instruments
Where the fair value of financial instruments recorded on the statement of financial position cannot be derived from active markets (for example forward freight agreements), they are determined based on information from observable markets where possible – including the Baltic Exchange The Company trades with a single counterparty BNP Paribas Commodity Futures Limited The Company has policies in place that limit the level of exposure relating to daily open positions on financial derivatives and ensures that limits are not breached If the Company considers there to be an increased credit risk regarding the counterparty, a specific risk provision will be estimated and applied against derivative financial assets Changes in assumptions about these factors could affect the reported fair value of financial instruments

Going concern
The company has incurred a net loss of US$478,307 for the period, and at 31 December 2012 the value of the Company's liabilities exceeded those of its assets by US$478,306

In April 2013, the Company ceased its trading activity Management plan that the Company will remain dormant until such time as it is deemed beneficial to re-commence trading operations As such, it is considered that the company is not a going concern, and the financial statements have been prepared on a break-up basis

The liabilities of the Company continue to be settled by an intermediate holding company

3. LOSS BEFORE TAX

Loss before tax is stated after charging the following

	Period ended 31 December 2012 US$
Administration expenses	
Auditors' remuneration – statutory audit	18,000
– taxation services	2,838
Key management compensation (note 4)	362,760
Bank commission and fees	93,390
Brokerage commission	53,980
Rental of trading facilities	16,804
Subscription fee	29,806
Travelling expenses	14,839
Other costs	14,353
	606,770

4. EMPLOYEE BENEFITS AND KEY MANAGEMENT COMPENSATION

	Period ended 31 December 2012 US$
Wages and salaries	308,970
Social security costs	40,722
Medical insurance	13,068
	362,760

There was one employee during the period, who is also a director The remaining two directors do not receive any remuneration from the Company

5. INCOME TAX EXPENSE

The reconciliation of the tax expense with the accounting loss multiplied by the tax rate is as follows

	Period ended 31 December 2012 US$
Loss on ordinary activities before tax	(478,307)
At statutory tax rate of 20%	-
Effective income tax rate (0%)	-
Income tax charge as reported in the statement of comprehensive income	-

Due to tax losses sustained in the year, no tax liability arises on the Company Under current legislation, tax losses may be carried forward and be set off against taxable income of the following years As at 31 December 2012, the balance of tax losses which is available for offset against future taxable profits of the Company amounts to US$477,603 for which no deferred tax asset is recognised in the statement of financial position, due to uncertainty over whether the losses can be utilised

6. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities at fair value through profit or loss consist of forward freight agreements ("FFAs") and coal futures These are derivative financial instruments that are held for trading As of 31 December 2012, the following derivative financial instruments representing open trades were included in the statement of financial position at fair value through profit or loss

	Fair value	
	Assets US$	**Liabilities US$**
FFAs	686,280	(765,480)
Coal futures	59,250	(81,750)
At 31 December 2012	745,530	(847,230)
Split as		
Current	745,530	(847,230)
Non-current	-	-
At 31 December 2012	745,530	(847,230)

The Company categorises its financial instruments measured subsequent to initial measurement at fair value based on the level of judgement with inputs used to measure the fair value The Company uses a fair value hierarchy as follows

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company considers observable data to be that market data that is readily available, readily distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market As of 31 December 2012, all the financial assets and liabilities at fair value through profit or loss were classified as Level 2

Changes in fair value of financial assets and liabilities through profit or loss

	Period ended 31 December 2012 US$
At 15 September 2011	-
Realised gains on derivatives (net)	219,568
Receipts	(219,568)
Unrealised losses on derivatives (net)	(101,700)
At 31 December 2012	(101,700)

7 SHARE CAPITAL

The company has 1 ordinary share in issue of par value US$1 The share was issued during the period for cash

8 OTHER PAYABLES

	31 December 2012 US$
Social security costs	10,232
Other payables	600
Accruals	23,057
	33,889

9. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions

During the period, the Company received brokerage commission income from Avra Shipping Pte Limited, a fellow subsidiary of US$10,595

At 31 December 2012, the Company owed US$277,072 to its parent company, Avra International Pte Limited (formerly known as Avra Asia Pte Limited) These amounts are trade related, being payment of directors' salary and employment taxes, are unsecured and repayable on demand

The Company had also received a loan from its parent company, with the balance at 31 December 2012 being US$144,365 The loan is unsecured, interest free and repayable on demand

Balances of US$257,010 were receivable from the Company's fellow subsidiary Avra Shipping Pte Limited These amounts are trade related, being results on derivative trading, unsecured and payable on demand

US$182,286 was payable to the Company's fellow subsidiary Avra Commodities Pte Limited These amounts are trade related, being results on derivative trading, unsecured and repayable on demand

The Company does not hold a bank account All income and expenses are recognised through balances with the parent company and fellow subsidiaries (page 10)

During the period, administrative and support services were provided to the Company by Avra International Pte Limited (formerly known as Avra Asia Pte Limited) for no charge

Director's remuneration is disclosed in note 4

10 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks credit risk, liquidity risk, market risk (including freight price risk), interest rate risk and foreign currency risk

All investments present a risk of loss of capital The Company's investment policy moderates this risk through a careful selection of freight and shipping contracts and other financial instruments The Company's investment policy may, however, utilise such investment techniques as option transactions, margin transactions, short sales and futures and forward contracts which practices can, in certain circumstances, cause losses to be greater than they may otherwise have been

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

a) Financial instruments by category

The derivative financial assets and liabilities of the company are stated at fair value through profit or loss (note 6) Other assets comprise loans and receivables Other financial liabilities are stated at amortised cost

b) Credit risk

The Company trades with a single counterparty BNP Paribas Commodity Futures Limited The Company has policies in place that limit the level of exposure relating to daily open positions on financial derivatives and ensures that limits are not breached The Company's only significant non-derivative assets are balances with fellow subsidiaries

c) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match An unmatched position potentially enhances profitability, but can also increase the risk of losses The Company has procedures with the object of minimising such losses as maintaining highly liquid current assets and financial support of its shareholder to enable to be settled when due

The following tables detail the Company's remaining contractual maturity of financial liabilities The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay

	Carrying amount US$	Contractual liability US$	Less than 1 year US$	More than 1 year US$
Amount due to related companies	182,286	182,286	182,286	-
Amount due to parent company	421,437	421,437	421,437	-
Other payables	33,889	33,889	33,889	-
Total	**637,612**	**637,612**	**637,612**	-

d) Market risk

Market risk is the risk that changes in market prices will affect the positions held by the Company Many of the profitable trades in the market arise from products with mismatched timing and the irrational pricing of hedging instruments As such, the Company may be either net long or short of several exposures, including overall market level, geographical spread, positional spread and pricing spread Exposure to these risks is necessary for profitability and is managed and limited in the following ways

- Transaction duration
- Net portfolio long/ short by time
- Value at risk
- Market shock/ stress analysis

Freight price risk

The use of forward freight agreements ("FFAs") is a highly specialised activity which involves investment techniques and risks different from those associated with ordinary securities transactions Whether the Company's use of FFAs will be successful will depend on the ability of management to properly value and trade FFAs in the light of freight market rates and other applicable factors Even if management are correct, there is the risk that an FFA position may correlate imperfectly with the price of the asset or liability being hedged Moreover, the Company bears the risk of loss of the amount expected to be received under a freight forward agreement in the event of the default of or bankruptcy of a FFA counterparty Accordingly, the Company enters transactions only with counterparties deemed credit worthy by management and in line with the credit policy set out in the credit risk section

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

e) Interest rate risk
The Company is not subject to interest rate risk The Company's financial assets and liabilities, are non-interest bearing and as a result the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates

f) Foreign currency risk
The Company transacts the majority of its business in United States Dollars Transactions in currencies other than US Dollars are minimal and hence the Company is not subject to significant foreign currency risk

g) Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders Management monitors capital with reference to a net debt to equity ratio The net debt to equity ratio is calculated as net debt (equivalent to total liabilities) divided by total equity During the current period, the Company has made losses and continues to be supported by funding provided by its parent company The ratio has accordingly not been calculated for this reporting period

11 FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

Management believe the carrying amount of amount due to related companies, amount due to parent company and other payables approximates fair value due to their short maturity

12 EVENTS AFTER THE FINANCIAL REPORTING PERIOD

In April 2013, the Company ceased its trading activity The directors plan to retain the Company as a dormant entity until such time as it is considered beneficial to re-commence trading activity

The directors have considered that as a result of this, the Company is not a going concern, and accordingly the financial statements have been prepared on a break-up basis