

Company Registration No: SC137320

BUE Caspian Limited

Financial Statements
For the year 31 December 2013

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BUE Caspian Limited

Financial statements

For the year ended 31 December 2013

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BUE Caspian Limited

REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S R Thomas
R W V Donaldson
J K Daga

SECRETARY

HBJG Secretarial Limited

REGISTERED OFFICE

Exchange Tower
19 Canning Street
Edinburgh
Midlothian
EH3 8EH

SOLICITORS

HBJ Gateley Wareing
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

INDEPENDENT AUDITORS

Russell Phillips Limited
23 Station Road
Gerrards Cross
Buckinghamshire
SL9 8ES

BUE CASPIAN LIMITED
(Registered No. SC 137320)
ANNUAL REPORT AND ACCOUNTS – 2013

REPORT OF THE DIRECTORS

The directors present their report and the accounts for the year ended 31 December 2013.

Principal activities

The Company's principal activity continued to be management, lease and charter of maritime vessels together with related marine services.

Review of activities and future development

The directors are satisfied with the results for the year and will continue to seek appropriate trading opportunities to improve performance and the net asset position of the Company in the coming year.

Results

The loss for the year after taxation was US\$ 12,784,310 (2012: US\$ 8,351,570). The loss of US\$ 12,784,310 (2012: US\$ 8,351,570) has been transferred to reserves.

Going Concern

The Company incurred a loss of USD 12,784,310 (2012: US\$ 8,351,570) for the year ended 31 December 2013 and, as of that date, the Company had net current liabilities of USD 39,821,254 (2012: USD 26,272,795) and a deficiency of assets amounting to USD \$ 17,207,690 (2012 USD \$ 4,423,205). This indicates the existence of an uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. However, the financial statements have been prepared on a going concern basis as management believes that, in the foreseeable future, the Company will be able to generate profitable business and the shareholder has resolved to provide the necessary financial support to the Company to enable it to continue its operations and meet its obligations as and when they fall due.

Directors and Their interests

The directors who held office during the year were as follows:

S R Thomas
R W V Donaldson
J K Daga

Financial Instruments

The Company's principal financial assets are bank balances and trade debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the statement of financial position are net of provisions for doubtful debts. Its three largest customers account for 97% of outstanding trade debtors as at 31 December 2013. The credit risk of liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Company does not enter into any derivative financial instruments. The Company's financial liabilities comprise trade creditors and accruals. Trade creditors and accruals are paid on the standard terms of payment.

Employee Involvement

Within the bounds of commercial confidentiality, staff at all levels are kept fully informed of matters that affect the progress of the Company and that are of interest to them as employees.

REPORT OF THE DIRECTORS

Employment of disabled persons

Full and fair consideration is given to application for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who became disabled, to promote their career development within the organization.

Supplier payment policy

The Company's policy, which is also applied by the group, is to settle terms of payments when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade accounts payable of the Company at 31 December 2013, calculated in accordance with the requirements of the Companies Act 2006, were 60 days. This represents the ratio, expressed in days, between the amounts invoiced to the Company during the year by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

Auditors

Russell Phillips Limited are deemed to be re-appointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

Directors' Responsibilities

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 United Kingdom laws and International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

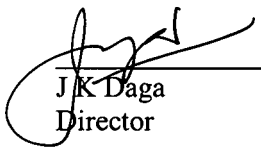
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

REPORT OF THE DIRECTORS

Disclosure of information to auditors

So far as the directors are aware there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By the order of the Board



J K Daga
Director

Date:- 15/5/2014.

BUE CASPIAN LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUE CASPIAN LIMITED

We have audited the financial statements of BUE Caspian Limited for the year ended 31 December 2013 set out on pages 7 to 29. The financial reporting framework that has been applied in their preparation is applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 pages 2 to 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 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 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.

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 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

The information given in the directors' report 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.

BUE CASPIAN LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF BUE CASPIAN LIMITED

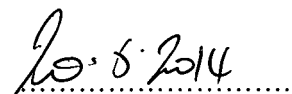
Emphasis of matter

Without qualifying our opinion we draw attention to Note 2 to the financial statements. The Company incurred a loss of USD 12,784,310 (2012: US\$ 8,351,570) during the year ended 31 December 2013 and, as of that date, the Company had net current liabilities of USD 39,821,254 (2012: USD 26,272,795) and a deficiency of assets amounting to USD \$ 17,207,690 (2012 USD \$ 4,423,205). Notwithstanding this fact, the financial statements of the Company have been prepared on a going concern basis as the shareholder has resolved to provide the necessary financial support to the Company to enable it to continue its operations and meet its obligations as they fall due.



**Jonathan Russell (Senior Statutory Auditor)
for and on behalf of Russell Phillips Limited**

**Chartered Accountants
Statutory Auditor**



20.6.2014

23 Station Road
Gerrards Cross
Buckinghamshire
SL9 8ES

BUE Caspian Limited

Statement of comprehensive income for the year ended 31 December 2013

	<i>Notes</i>	2013 USD	2012 USD
Revenue	4	177,391,319	131,898,260
Cost of sales		(167,091,643)	(122,980,056)
Gross Profit		10,299,676	8,918,204
Administrative expenses		(10,469,630)	(10,092,504)
PROFIT/(LOSS) BEFORE FINANCE COSTS		(169,954)	(1,174,300)
Other income		-	9,300
Finance costs	5	(2,114,390)	(709,822)
Profit / (loss) before income tax		(2,284,344)	(1,874,822)
Income tax expense	7	(10,499,966)	(6,476,748)
Loss for the year	6	(12,784,310)	(8,351,570)
Other comprehensive income		-	-
Total comprehensive loss for the year		(12,784,310)	(8,351,570)

The independent auditors' report is set out on pages 5 and 6.

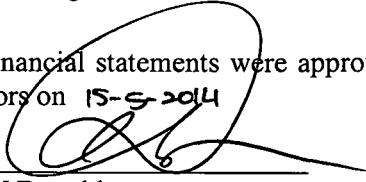
The attached notes on pages 11 to 29 form part of these financial statements.

BUE Caspian Limited

Statement of financial position as at 31 December 2013

	Notes	2013 USD	2012 USD
ASSETS			
Non-current assets			
Property, plant and equipment	8	10,495,850	3,635,611
Long Term Receivable	8.1	14,940,239	21,947,949
Deferred tax asset	9	140,592	154,592
		<u>25,576,681</u>	<u>25,738,152</u>
Current assets			
Inventories		843,438	1,247,090
Accounts receivable and prepayments	10	49,019,468	25,051,373
Due from related parties	11	169,591,640	179,748,085
Bank balances and cash	12	4,878,406	3,452,006
		<u>224,332,952</u>	<u>209,498,554</u>
TOTAL ASSETS		<u>249,909,633</u>	<u>235,236,706</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	175	175
Retained earnings		(17,207,690)	(4,423,380)
		<u>(17,207,515)</u>	<u>(4,423,205)</u>
Non-current liabilities			
Accounts payable and accruals	14	2,962,942	3,888,562
		<u>2,962,942</u>	<u>3,888,562</u>
Current liabilities			
Accounts payable and accruals	14	43,819,917	15,456,284
Due to related parties	11	216,349,022	217,477,064
Income tax payable	7	3,985,267	2,838,001
		<u>264,154,206</u>	<u>235,771,349</u>
Total liabilities		<u>267,117,148</u>	<u>239,659,911</u>
TOTAL EQUITY AND LIABILITIES		<u>249,909,633</u>	<u>235,236,706</u>

The financial statements were approved and authorized for issue in accordance with a resolution of the directors on 15-5-2014


R W V Donaldson
Director


J K Baga
Director

The independent auditors' report is set out on pages 5 and 6.

The attached notes on pages 11 to 29 form part of these financial statements.

Company Registration No: SC137320

BUE Caspian Limited

Statement of cash flows for the year ended 31 December 2013

	<i>Notes</i>	2013 USD	2012 USD
Operating activities			
Loss for the year		(12,784,310)	(8,351,570)
Adjustments for:			
Depreciation	8	3,521,718	3,389,763
Finance costs	5	2,114,390	709,822
Income tax expenses	7	10,499,966	6,476,748
Amortization		7,007,710	-
		10,359,474	2,224,763
Working capital changes:			
Inventories		403,652	332,025
Accounts receivable and prepayments		(23,968,095)	(5,205,131)
Accounts payable and accruals		27,438,013	(13,076,033)
Due from related parties		10,156,445	(35,280,409)
Due to related parties		(1,128,042)	36,516,748
Cash from operations		23,261,447	(14,488,037)
Finance costs		(2,114,390)	(709,822)
Income tax paid		(9,338,700)	(6,976,491)
Net cash generated from / (used in) operating activities:		11,808,357	(22,174,350)
Investing activities			
Purchase of property, plant and equipment	8	(10,381,957)	24,653,639
Net cash used in investing activities		(10,381,957)	24,653,639
Increase / (decrease) in cash and cash equivalents		1,426,400	2,479,289
Cash and cash equivalents at the beginning of the year		3,452,006	972,717,
Cash and cash equivalents at the end of the year		4,878,406	3,452,006

The independent auditors' report is set out on pages 5 and 6.

The attached notes on pages 11 to 29 form part of these financial statements.

BUE Caspian Limited

Statement of changes in equity for the year ended 31 December 2013

	Share Capital USD	Retained earnings USD	Total USD
Balance at 1 January 2012	175	3,928,190	3,928,365
<i>Total comprehensive loss for the year</i>			
Loss for the year	-	(8,351,570)	(8,351,570)
	<u>-</u>	<u>(8,351,570)</u>	<u>(8,351,570)</u>
Total comprehensive loss for the year	-	(8,351,570)	(8,351,570)
	<u>-</u>	<u>(8,351,570)</u>	<u>(8,351,570)</u>
Balance at 31 December 2012	175	(4,423,380)	(4,423,205)
	<u>175</u>	<u>(4,423,380)</u>	<u>(4,423,205)</u>
Balance at 1 January 2013	175	(4,423,380)	(4,423,205)
<i>Total comprehensive loss for the year</i>			
	-	(12,784,310)	(12,784,310)
	<u>-</u>	<u>(12,784,310)</u>	<u>(12,784,310)</u>
Total comprehensive loss for the year	-	(12,784,310)	(12,784,310)
	<u>-</u>	<u>(12,784,310)</u>	<u>(12,784,310)</u>
Balance at 31 December 2013	175	(17,207,690)	(17,207,515)
	<u>175</u>	<u>(17,207,690)</u>	<u>(17,207,515)</u>

The independent auditors' report is set out on pages 5 and 6.

The attached notes on pages 11 to 29 form part of these financial statements.

BUE Caspian Limited

Notes to the financial statements

1 REPORTING ENTITY

BUE Caspian Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 1985.

2 BASIS OF PREPARATION

Going concern

These financial statements have been prepared on a going concern basis notwithstanding the fact that the Company has incurred a net loss of USD 12,784,310 (2012: USD 8,351,570) for the year ended 31 December 2013, has net current liabilities of USD 39,821,254 (2012: USD 26,272,795) and a deficiency of assets amounting to USD \$ 17,207,690 (2012 USD \$ 4,423,205). The continuation of the Company's operation is dependent upon future profitable operations and the continued financial support of the shareholders. The shareholder of the Company has confirmed that it will continue to provide financial support to enable the Company to meet its obligation as they fall due and is confident that the Company will have future profitable operations.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union.

Accounting Convention

The financial statements are prepared under the historical cost convention.

Functional currency and presentation currency

The financial statements are presented in United States Dollars (USD) which is the Company's functional currency rather than in the currency of the Company's country of incorporation as a significant proportion of the transactions of the Company are undertaken in USD.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 20.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, Value added tax and other sales related taxes.

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue comprises operating lease rental from the charter of marine vessels, revenue from provision of on-board accommodation, catering services and sale of fuel and other consumables. Lease rent income is recognised on a straight line basis over the period of the lease. Revenue from provision of on-board accommodation and catering services is recognised over the period of hire of such accommodation while revenue from sale of fuel and other consumables is recognised when delivered.

Vessel mobilization is recognized in the period it is carried out.

Proceeds from sale of vessels are treated as revenue.

Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognized in the income statement as it accrues, using the effective interest rate method.

Finance expense comprises interest expense on borrowings. All borrowing costs are recognized in the income statement using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Financial instruments

Non-derivative financial assets

The Company initially recognises its non-derivative financial assets on the date that they are originated. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company's non-derivative financial assets include accounts and other receivables, cash and cash equivalents and amounts due from related parties.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise accounts and other receivables and amounts due from related parties.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Subsequent to initial recognition the financial assets are recognized at amortised cost.

Non-derivative financial liabilities

The Company initially recognises its financial liabilities on the trade date at which the Company

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Non-derivative financial liabilities (continued)

becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company's non-derivative financial liabilities include accounts and other payables, term loans and amount due to related parties. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company has only one category of non-derivative financial asset: loans and receivables.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except items that are recognized directly in equity or in other comprehensive income.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary differences reverse, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax

BUE Caspian Limited

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax (continued)

assets and unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

Property, plant and equipment

Items of property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost of marine vessels includes registration costs and major maintenance and dry-docking costs incurred at the time of acquisition and significant rebuild expenditure incurred during the life of the asset.

Capital work in progress is not depreciated. Assets in the course of construction are depreciated from the date that the related assets are ready for commercial use. Depreciation method, useful lives and residual values are reviewed at each reporting date.

Depreciation is provided on a straight-line basis at rates calculated to write off the cost or valuation, less any estimated residual value, of each asset, excluding vessels under construction, over its expected useful life as follows:

Plant and machinery	Over 5 years
Vessel mobilization	Duration of lease or charter
Computer equipment	3 years to 5 years
Leasehold property	Over the term of the lease
Motor vehicles	over 3 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Gains and losses on disposal of an item of property, plant and equipment, other than vessels, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised within other income or other expense in profit or loss.

The depreciation method, useful lives and residual value of Property, plant and equipment are reassessed at each reporting date.

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The company disposes off vessels in the normal course of business. Vessels that are held for sale are transferred to inventories at their carrying value. The sale proceeds are accounted for subsequently under revenue.

Dry docking costs

The expenditure incurred on vessel dry docking, a component of property, plant and equipment, is amortised over the period from the date of dry docking, to the date on which the management estimates that the next dry docking is due.

Vessel Refurbishment Costs

Leased assets

Costs incurred in advance of charter to refurbish vessels under long term charter agreements are capitalised within property, plant and equipment in line with the use of the refurbished vessel. Where there is an obligation to incur future restoration costs under charter agreements which would not meet the criteria for capitalisation within property, plant and equipment, the costs are accrued over the period to the next vessel re-fit to match the use of the vessel and the period over which the economic benefits of its use are realised.

Owned assets

Cost incurred to refurbish owned assets are capitalised within property, plant and equipment and then depreciated over the shorter of the estimated economic life of the related refurbishment or the remaining life of the vessel.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy.

The Company considers evidence of impairment for receivables both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

BUE Caspian Limited

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Financial assets (continued)

Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of time value of money and risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost and net realizable value after making due allowance for any obsolete or slow moving items. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the stated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Leases

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the

BUE Caspian Limited

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

lease term, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as lease rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Retirement Benefit Costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

New standards and interpretations

The company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application 1 January 2013

- IFRS 9 (2010) Financial Instruments
- Presentation of items of other comprehensive income (OCI) (Amendments to IAS 1)
- IFRS 13 Fair value Measurement
- IAS 19 Employee Benefits (2011)
- IAS 27 Separate Financial Statements (2012)
- IAS 28 Investments in Associates and Joint Ventures (2012)

The adoption of these standards and amendments to standards had no material effect on these financial statements.

4 REVENUE

	2013 USD	2012 USD
Lease rent from charter of marine vessels	165,887,753	123,237,883
Sales of services	11,503,566	8,660,377
	<u>177,391,319</u>	<u>131,898,260</u>

BUE Caspian Limited

Notes to the financial statements

5 FINANCE COSTS

	2013 USD	2012 USD
Bank overdraft interest and charges	1,943,289	487,483
Exchange loss	171,101	222,339
	<u>2,114,390</u>	<u>709,822</u>

6 LOSS FOR THE YEAR

The loss for the year is stated after charging:

	2013 USD	2012 USD
Staff costs	2,855,043	2,739,795
Rental operating leases	110,004,179	78,394,290
Depreciation of property, plant and equipment	3,521,718	3,389,763
Net foreign exchange loss	171,101	222,339
Auditors' remuneration – for all services	120,289	66,000
	<u>2,855,043</u>	<u>2,739,795</u>

STAFF COSTS

	2013 USD	2012 USD
Aggregate remuneration of employees (including executive directors)		
Wages and salaries	2,799,278	2,672,076
Social security costs	31,762	31,962
Pension costs	24,003	35,757
	<u>2,855,043</u>	<u>2,739,795</u>
Average monthly number of employees (including executive directors)		
Administration and operations	<u>61</u>	<u>63</u>

The directors received no emoluments during the year in respect of their services to the Company (2012: USD Nil). All emoluments paid to the directors in respect of their services to the Group are disclosed in the financial statements of Nico Middle East Limited.

BUE Caspian Limited

Notes to the financial statements

7 TAXATION

	2013 USD	2012 USD
<i>Current taxation</i>		
UK corporation tax		
Foreign tax	10,485,966	6,459,432
Total current tax	10,485,966	6,459,432
<i>Deferred tax</i>		
Current year	(6,101)	(6,130)
Prior year	20,101	23,446
Total deferred tax	14,000	17,316
Tax expense for the year	10,499,966	6,476,748

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the financial period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The relationship between the tax expense and the accounting profit can be explained as follows:

	2013 USD	2012 USD
Profit before tax	(2,284,344)	(1,874,822)
Tax at the UK corporation tax rate	(531,263)	(459,331)
Tax effect of expenses that are not deductible in determining taxable profit	34,875	46,379
Group relief not paid for	2,508,790	1,988,984
Prior year adjustment	20,101	23,446
Foreign tax claimed by deduction	6,666,505	4,876,871
Difference in closing DT tax rate	991	400
Foreign tax provided but not paid	1,800,000	-
Tax expense and effective tax rate for the year	10,499,966	6,476,748
Tax liabilities	3,985,267	2,838,001

BUE Caspian Limited

Notes to the financial statements

8 PROPERTY, PLANT AND EQUIPMENT

	<i>Vessel Drydocking USD</i>	<i>Capital work in progress USD</i>	<i>Plant and machinery USD</i>	<i>Motor vehicles USD</i>	<i>Computer equipment USD</i>	<i>Total USD</i>
Cost						
At 1 January 2012	11,474,512	27,613,371	42,873	89,225	446,865	39,666,846
Additions	2,908,089	21,150,112	-	30,129	21,514	24,109,844
Disposals	-	(48,763,483)	-	-	-	(48,763,483)
At 31 December 2012	14,382,601	-	42,873	119,354	468,379	15,013,207
At 1 January 2013	14,382,601	-	42,873	119,354	468,379	15,013,207
Additions	3,646,411	6,725,000	831	9,715	-	10,381,957
At 31 December 2013	18,029,012	6,725,000	43,704	129,069	468,379	25,395,164
Accumulated depreciation						
At 1 January 2012	7,443,290	-	42,873	89,225	412,445	7,987,833
Depreciation charge for the year	3,362,113	-	-	6,714	20,936	3,389,763
At 31 December 2012	10,805,403	-	42,873	95,939	433,831	11,377,596
At 1 January 2013	10,805,403	-	42,873	95,939	433,831	11,377,596
Depreciation charge for the year	3,491,213	-	30	9,758	20,717	3,521,718
At 31 December 2013	14,296,616	-	42,903	105,697	454,098	14,899,314
Net carrying amount						
At 31 December 2013	3,732,396	6,725,000	801	23,372	14,281	10,495,850
At 31 December 2012	3,577,198	-	-	23,415	34,998	3,653,611

The depreciation charge has been allocated in the income statement as follows:

	2013 USD	2012 USD
Cost of sales	3,491,213	3,362,113
Administrative expenses	30,505	27,650
	3,521,718	3,389,763

BUE Caspian Limited

Notes to the financial statements

8.1 Long Term Receivable:

This includes mobilization costs for the following vessels:

	2013	2012
	USD	USD
Caspian Endeavour	6,357,503	9,694,631
Caspian Challenger	6,305,690	9,733,177
Caspian Reliance		1,219,596
Caspian Dignity		1,291,390
Other Vessels		9,155
Topaz Triumph	619,239	
Caspian Supplier	1,644,644	
Caspian Voyager	13,163	
	<u><u>14,940,239</u></u>	<u><u>21,947,949</u></u>
Total		

BUE Caspian Limited

Notes to the financial statements

9 DEFERRED TAX ASSET

	2013 USD	2012 USD
As at 1 January	154,592	171,908
Profit and loss account credit	6,101	6,130
Prior year adjustment	(20,101)	(23,446)
As at 31 December	<u>140,592</u>	<u>154,592</u>

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 USD	2012 USD
Trade accounts receivable	46,553,151	22,687,438
Provision for doubtful receivables	-	-
	<u>46,553,151</u>	<u>22,687,438</u>
VAT recoverable	697,973	482,510
Prepayments & Advances	687,167	1,092,115
Other receivables	1,081,177	789,310
	<u>49,049,468</u>	<u>25,051,373</u>

As at 31 December 2013, trade receivables at nominal value of USD NIL (2012: USD nil) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2013 USD	2012 USD
At 1 January	-	-
Charge for the year	-	-
Unused amounts reversed	-	-
At 31 December	<u>-</u>	<u>-</u>

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Total USD	Neither past due nor impaired USD	Past due but not impaired				
			<30 days USD	30-60 days USD	60-90 days USD	90-120 days USD	>120 days USD
2013	46,553,151	38,393,913	-	2,073,048	2,310	116,795	5,962,760
2012	22,687,438	21,350,705	256,649	-	349,669	715,378	15,037

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majorities are, therefore, unsecured.

BUE Caspian Limited

Notes to the financial statements

11 RELATED PARTY TRANSACTIONS

Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the income statement are as follows:

	2013 USD	2012 USD
Other related parties – cost of sales	110,004,179	78,394,290
Other related parties – revenue	5,928,684	4,322,922
Other related parties – Fees for Management Services	4,529,000	4,289,000

a) Due from related parties

	2013 USD	2012 USD
BUE Marine Ltd	58,660,958	54,943,086
BUE Kyran Ltd	715,507	715,507
PSV	2,874,937	2,874,937
BH Bulkiers Ltd	2,630,696	2,630,696
BUE Kazakhstan Ltd	7,576,960	7,216,152
Aktau LLP	12,708,646	12,708,646
Bautino LLP	143,877	143,877
BUE Turkmenistan	3,088,009	3,250,536
BUE Bulkiers	12,142,192	12,142,192
Nico World	25,730,474	25,475,717
XT Shipping	1,980,573	1,584,458
Rivertill	375,550	375,550
caspian Gala Limited	1,303,143	1,184,675
Caspian Reliance	9,348,342	18,696,688
Caspian Dignity	17,249,167	22,998,889
TEAM XXII (Arrow)	13,062,609	12,806,479
	169,591,640	179,748,085

BUE Caspian Limited

Notes to the financial statements

11 RELATED PARTY TRANSACTIONS (continued)

b) Due to related parties

	2013 USD	2012 USD
Islay	3,141,790	3,141,790
Jura	139,209	139,209
BUE Shipping Ltd	38,987,330	54,468,362
BUE Cygnet	16,065	16,065
BUE Roosalka Ltd	13,880,400	13,880,400
Supporter	2,016,790	8,768,652
Nico International	419,388	419,388
Caspian Citadel Limited	15,067,763	14,874,396
Caspian Baki Limited	13,273,283	10,618,627
Caspian Pride Limited	38,759,025	30,761,131
CASPIAN BREEZ LTD	2,006,311	2,047,256
CASPIAN FORTRESS LTD	21,910,813	19,918,921
Caspian Server	25,734,656	19,795,889
Caspian Power	16,843,410	15,312,191
BUE Marine Limited	6,480,350	5,891,227
Caspian Protector	9,305,089	8,615,823
Provider	8,367,350	8,807,737
	<u>216,349,022</u>	<u>217,477,064</u>

Outstanding balances at the year-end arise in the normal course of business, including movement of funds for best use of Group borrowing and liquidity. For the year ended 31 December 2013, the Company has not recorded any impairment of amounts owed by related parties (2012: Nil).

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement include the following balance sheet amounts:

	2013 USD	2012 USD
Cash at bank- in current accounts	4,865,169	3,423,360
Cash in hand	13,237	28,646
	<u>4,878,406</u>	<u>3,452,006</u>

13 SHARE CAPITAL

	2013 USD	2012 USD
<i>Authorised</i>		
1000 Ordinary shares of £1 each	<u>1,750</u>	<u>1,750</u>
<i>Allotted, called up and fully paid</i>		
100 Ordinary shares of £1 each	<u>175</u>	<u>175</u>

BUE Caspian Limited

Notes to the financial statements

14 ACCOUNTS PAYABLE AND ACCRUALS

	2013 USD	2012 USD
<i>Current</i>		
Trade payables	3,792,305	6,816,357
Accruals	3,804,005	5,734,154
Payments on account – mobilisation	1,624,418	2,406,352
Other payables	34,599,189	499,421
	<u>43,819,917</u>	<u>15,456,284</u>
<i>Non current</i>		
Payments on account – mobilisation	<u>2,962,942</u>	<u>3,888,562</u>

15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	2013 USD	2012 USD
<i>Capital commitment</i>		

There are no capital commitments for the year 2013 (2012: USD Nil).

Contingent liabilities

As at 31 December 2013, the Company's assets and undertaking including bareboat charter's rights, title and interest, present and future in the bareboat charterer's assigned property are charged as security for bank facilities obtained by related parties.

BUE Caspian Limited

Notes to the financial statements

16 NON-CANCELLABLE LEASES

a) Operating leases – receivable

The Company leases its marine vessels under operating lease arrangements. The leases typically run for a period of one to ten years and are renewable for a similar period after the expiry date. The lease rental is usually reviewed to reflect market rentals. Future minimum lease rentals receivable under non-cancellable operating leases are as follows as of 31 December:

	2013 USD	2012 USD
Within one year	134,699,756	84,812,012
After one year but not more than five years	155,928,563	164,069,390
More than five years	34,019,417	56,147,804
	<u>324,647,736</u>	<u>305,029,206</u>

b) Operating leases – payable

The Company has future minimum lease payments under non-cancellable operating leases for marine vessels with payments as follows:

	2013 USD	2012 USD
Future minimum lease payments:		
Within one year	5,109,000	32,588,900
After one year but not more than five years	6,037,000	75,710,900
More than five years	1,389,000	26,854,100
	<u>12,535,000</u>	<u>135,159,900</u>
Total operating lease expenditure contracted for at the balance sheet date	<u>12,535,000</u>	<u>135,159,900</u>

17 RISK MANAGEMENT

Interest rate risk

The Company is not exposed to any significant interest rate risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Company provides vessel-chartering services to third parties in Azerbaijan. Its 3 largest customers account for 70% of outstanding accounts receivable at 31 December 2013 (2012: 3 customers account for 95%).

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Notes to the financial statements

17 RISK MANAGEMENT *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's credit terms require the amounts to be paid within 90 days from the date of invoice. Accounts payable are normally settled within 90 days of the date of purchase.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2013, based on contractual undiscounted payments.

Particulars	Carrying amount	Contractual cash flows			
		Total	Less than 12 months	1 to 5 years	more than 5 years
31 December 2013					
Accounts and payables	43,819,917	(43,819,917)	(43,819,917)	-	-
Due to related parties	216,349,022	(216,349,022)	(216,349,022)	-	-
Total	260,168,939	(260,168,939)	(260,168,939)	-	-
31 December 2012					
Accounts and payables	15,456,284	(15,456,284)	(15,456,284)	-	-
Due to related parties	217,477,064	(217,477,064)	(217,477,064)	-	-
Total	232,933,348	(232,933,348)	(232,933,348)	-	-

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not hedge its currency exposure. However, management is of the opinion that the Company's exposure to currency risk is minimal.

Trade accounts payable include an amount of USD 227,736 (2012: USD 712,172) due in foreign currencies, mainly Azeri Manat and Pound Sterling.

The table below indicates the Company's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the USD against the foreign currencies, with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities).

BUE Caspian Limited

Notes to the financial statements

17 RISK MANAGEMENT *(continued)*

Currency risk (continued)

	<i>Effect on profit before tax Increase/ (Decrease) in Respective Currency rate to the USD</i>	
2013	+5%	-5%
AED	(2,823)	2,823
EUR	(17,034)	17,034
GBP	(4,190)	4,190
MNT	(76,857)	76,857
NK	(2,983)	2,983
2012	+5%	-5%
AED	(3,625)	4,007
EUR	(11,432)	12,635
GBP	(6,779)	7,492
MNT	(27,009)	29,852
NK	(5,156)	5,699

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value.

The Company manages its capital structure and makes adjustments to it, in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2013. Capital comprises share capital, share premium, capital redemption reserve, equity reserve and retained earnings and is measured at USD (17,207,515) as at 31 December 2013 (2012: USD 4,423,205).

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of loans, obligations under finance leases and payables.

The fair values of financial instruments are not materially different from their carrying values.

19 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimation uncertainty

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

19 KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices, consumption trend and usage.

At the reporting date, gross inventories were USD 843,438 (2012: USD 1,247,090) with provisions for old and obsolete inventories of USD NIL (2012: USD Nil). Any difference between the amounts actually realized in future periods and the amounts expected will be recognized in profit or loss.

Impairment of property, plant and equipment

The Company determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were USD 46,553,151 (2012: USD 22,687,438) and the provision for doubtful debts was USD Nil (2012: USD Nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in profit or loss.

Useful lives of property, plant and equipment

The useful lives, residual values and methods of depreciation of property, plant and equipment is reviewed, and adjusted if appropriate, at each financial year end. In the review process, the Company takes guidance from recent acquisitions, as well as market and industry trends.

Provision for tax

The Company reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

20 ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is BUE Marine Limited, a Company registered in Scotland, for which consolidated financial statements are prepared. Copies of the financial statements are available from BUE Marine Limited, P.O. Box 282800, Level 58, Almas Tower, Jumairah Lakes Towers, Sheikh Zayed Road, Dubai, UAE.

The Company's ultimate parent undertaking is Renaissance Services SAOG, a Company registered in the Sultanate of Oman, for which consolidated financial statements are available from Renaissance Services SAOG, PO Box 1676, Muttrah, Postal Code 114, Sultanate of Oman.