

**Company Registration No: SC297845**

**BUE Shipping Limited**

Financial Statements  
*31 December 2013*



# **BUE Shipping Limited**

## **Financial statements**

*31 December 2013*

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# **BUE Shipping 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 SHIPPING LIMITED**  
**(Registered No. 297846)**  
**ANNUAL REPORT AND ACCOUNTS – 2013**

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**REPORT OF THE DIRECTORS**

The directors present their report and the accounts for the period 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 period and will continue to seek appropriate trading opportunities to improve performance and the net asset position of the Company in the coming year.

**Results and dividends**

The profit for the period after taxation was USD 14,070,889 (2012: USD 4,482,810). No dividend was paid during the period. The profit of USD 14,070,889 (2012: USD 4,482,810) has been transferred to reserves.

**Directors**

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

S R Thomas  
R W V Donaldson  
J K Daga

**Financial Instruments**

The Company's principal financial assets are intercompany debtors. The Company's credit risk is primarily attributable to its intercompany debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The Company does not enter into any derivative financial instruments. The Company's financial liabilities comprise bank loans and intercompany creditor. Intercompany creditor is paid on the standard terms of payment. Bank loans are subject to variable interest rates. Operations are financed by a combination of intercompany loans and bank borrowings. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Company.

**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.

**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 organisation.

## **REPORT OF THE DIRECTORS**

### **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.

### **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.

Approved by the Board of Directors  
and signed on behalf of the Board



J. K. Daga  
Director

Date: 15-5-2014

## **BUE SHIPPING LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

#### **TO THE MEMBERS OF BUE SHIPPING LIMITED**

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We have audited the financial statements of BUE Shipping Limited for the year ended 31 December 2013 set out on pages 7 to 21. 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 profit 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.

**BUE SHIPPING LIMITED**

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**TO THE MEMBERS OF BUE SHIPPING LIMITED**

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**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.



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

**Chartered Accountants**  
**Statutory Auditor**

*Ho 5.14*  
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23 Station Road  
Gerrards Cross  
Buckinghamshire  
SL9 8ES



# BUE Shipping Limited

## Statement of comprehensive income for the year ended 31 December 2013

	Notes	2013 USD	2012 USD
Revenue	4	30,244,700	11,375,554
Cost of sales		(13,939,925)	(6,249,716)
<b>GROSS PROFIT</b>		16,304,775	5,125,838
Administrative expenses		(198,816)	(297,094)
Finance costs	5	(274,105)	(1,259,299)
<b>PROFIT BEFORE INCOME TAX</b>		15,831,854	3,569,445
Income tax (expense) / credit	7	(1,823,965)	913,365
<b>PROFIT FOR THE YEAR</b>	6	14,007,889	4,482,810
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		14,007,889	4,482,810

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

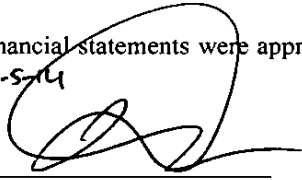
The attached notes on pages 11 to 21 form part of these financial statements.

# BUE Shipping Limited

## Statement of financial position as at 31 December 2013

	Notes	2013 USD	2012 USD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	-	14,524,302
Deferred tax asset	13	-	1,123,965
		<u>-</u>	<u>15,648,267</u>
<b>Current assets</b>			
Accounts receivable and prepayments	9	-	-
Due from related parties	10	67,352,981	45,504,948
		<u>67,352,981</u>	<u>45,504,948</u>
<b>TOTAL ASSETS</b>		<u><b>67,352,981</b></u>	<u><b>61,153,215</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	2	2
Retained earnings		36,188,416	22,180,529
		<u>36,188,418</u>	<u>22,180,531</u>
<b>Non-current liabilities</b>			
Term loans	12	-	2,335,906
Deferred tax liability	13	-	-
		<u>-</u>	<u>2,335,906</u>
<b>Current liabilities</b>			
Term loans	12	-	4,478,000
Accounts payable and accruals	14	1,556,784	1,787,755
Due to related parties	10	28,907,657	30,370,901
Income tax payable		700,122	122
		<u>31,164,563</u>	<u>36,636,778</u>
<b>Total liabilities</b>		<u><b>31,164,563</b></u>	<u><b>38,972,684</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>67,352,981</b></u>	<u><b>61,153,215</b></u>

The financial statements were approved and authorized for issue in accordance with a resolution of the directors on 15-5-14

  
R W V Donaldson  
Director

  
J/K Daga  
Director

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

The attached notes on pages 11 to 21 form part of these financial statements.

Company Registration No: SC297845

# BUE Shipping Limited

## Statement of cash flows for the year ended 31 December 2013

	<i>Notes</i>	<b>2013 USD</b>	<b>2012 USD</b>
<b>OPERATING ACTIVITIES</b>			
Profit for the year		<b>14,007,889</b>	4,482,810
Adjustments for:			
Depreciation	8	2,076,597	6,249,716
Finance costs	5	274,105	1,259,299
Profit on sale of assets		(9,308,629)	-
Income tax expenses	7	1,823,965	(913,365)
		<b>8,873,927</b>	11,078,460
Working capital changes:			
Accounts receivable and prepayments		-	84,276
Accounts payable and accruals		(230,971)	1,624,107
Due from related parties		(21,848,033)	(11,544,404)
Due to related parties		(1,463,243)	11,185,020
Cash from operations		(14,668,321)	12,427,459
Finance costs		(274,033)	(1,210,849)
Income tax refund received		-	-
Net cash generated from operating activities		<b>(14,942,354)</b>	11,216,610
<b>INVESTING ACTIVITIES</b>			
Transfer of property, plant and equipment from related party		21,756,260	-
Net cash used in investing activities		<b>21,756,260</b>	-
<b>FINANCING ACTIVITIES</b>			
Term Loans		(6,813,906)	(11,216,610)
Net cash used in investing activities		-	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>-</b>	<b>-</b>

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

The attached notes on pages 11 to 21 form part of these financial statements.

# BUE Shipping 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	2	17,697,717	17,697,719
<i>Total comprehensive income for the year</i>			
Profit for the year	-	4,482,810	4,482,810
	---	-----	-----
Total comprehensive income for the year	-	4,482,810	4,482,810
	---	-----	-----
Balance at 31 December 2012	2	22,180,527	22,180,529
	==	=====	=====
Balance at 1 January 2013	2	22,180,527	22,180,5829
<i>Total comprehensive income for the year</i>			
Profit for the year	-	14,007,889	14,007,889
	---	-----	-----
Total comprehensive income for the year	-	14,007,889	14,007,889
	---	-----	-----
<b>Balance at 31 December 2013</b>	<b>2</b>	<b>36,188,416</b>	<b>36,188,418</b>
	==	=====	=====

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

The attached notes on pages 11 to 21 form part of these financial statements.

# BUE Shipping Limited

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## Notes to the financial statements

### 1 REPORTING ENTITY

BUE Shipping Limited ("the Company") was incorporated in the United Kingdom on 27 February 2006 under the Companies Act 1985.

### 2 BASIS OF PREPARATION

#### Statement of compliance

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

#### Basis of measurement

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 19.

### 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.

Revenue comprises operating lease rental from the charter of marine vessels.

Lease rent income is recognised on a straight line basis over the period of the lease.

Proceeds of 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.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

# BUE Shipping Limited

## Notes to the financial statements

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 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 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 rates 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 except for differences arising in retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

#### 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.

# BUE Shipping Limited

## Notes to the financial statements

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income tax (continued)

##### *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 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:

Marine vessels

8 to 13 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 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.

# BUE Shipping Limited

## Notes to the financial statements

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 or issuer will enter bankruptcy. The Company considers evidence of impairment of financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets 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. 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.

##### *Provisions*

A provision is recognised if, as a result of past event, the Company 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.



# BUE Shipping Limited

## Notes to the financial statements

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Leases

##### *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.

#### Term Loans

Term loans are carried on the statement of financial position at the fair value of the consideration received less directly attributable transaction costs. Installments due within one year are shown as a current liability. Interest expense is accrued on a time-proportion basis with unpaid amounts included in accounts payable and accruals.

#### 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	8,488,440	11,375,554
Sale of marine vessels	21,756,260	-

### 5 FINANCE COSTS

	2013 USD	2012 USD
Interest Charges on term loans	274,105	1,259,299

### 6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2013 USD	2012 USD
Depreciation of property, plant and equipment	2,076,597	6,249,716
Net Book Value of assets disposed	11,863,328	-
Auditors' remuneration – for all services	6,500	7,200

#### STAFF COSTS

The Company has no employees other than directors. The directors received no emoluments from the Company during the current year (2012: 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 Shipping Limited

## Notes to the financial statements

### 7 TAXATION

	2013 USD	2012 USD
<i>Current taxation</i>		
UK corporation tax	-	-
Foreign tax	700,000	-
	<u>700,000</u>	<u>-</u>
Total current tax	700,000	-
<i>Deferred tax</i>		
Current year	1,410,547	(939,980)
Prior period	(286,582)	26,615
	<u>1,123,965</u>	<u>(913,365)</u>
Total deferred tax	1,123,965	(913,365)
	<u>1,823,965</u>	<u>(913,365)</u>
Tax expense for the year	1,823,965	(913,365)

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 income tax	15,831,854	3,569,445
Tax at the UK corporation tax rate	3,680,940	874,514
Tax effect of expenses that are not deductible in determining taxable profit	465	490
Difference in closing DT tax rate	(229,214)	61,303
Prior year adjustment	(286,582)	26,615
Foreign tax provided but not paid for	700,000	-
Deferred tax previous year	-	-
Group relief not paid for	(2,041,644)	(1,876,287)
Tax expense and effective tax rate for the year	<u>1,823,965</u>	<u>(913,365)</u>

# BUE Shipping Limited

## Notes to the financial statements

### 8 PROPERTY, PLANT AND EQUIPMENT

	<b>Marine Vessels USD</b>
Cost	
At 1 January 2012	80,376,016
Additions	-
At 31 December 2012	<u>80,376,016</u>
Depreciation:	
At 1 January 2012	59,601,998
Depreciation charge for the year	<u>6,249,716</u>
At 31 December 2012	<u>65,851,714</u>
Net Carrying Amount:	
At 31 December 2012	<u>14,524,302</u>
Cost	
At 1 January 2013	80,376,016
Disposal	(79,791,639)
Transfer	(584,377)
At 31 December 2013	<u>-</u>
Depreciation:	
At 1 January 2013	65,851,714
Depreciation charge for the year	<u>2,076,597</u>
Disposal	<u>(67,928,311)</u>
At 31 December 2013	<u>-</u>
Net Carrying Amount:	
At 31 December 2013	<u>-</u>

During the year, USD 584,377 was transferred out from asset cost and adjusted against related party balances. This was due an incorrect addition tagged to a vessel cost in the previous year.

### 9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<b>2013 USD</b>	<b>2012 USD</b>
Prepayments	<u>-</u>	<u>-</u>

### 10 RELATED PARTY TRANSACTIONS

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

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

	<b>2013 USD</b>	<b>2012 USD</b>
Other related parties – Revenue	<u>8,488,440</u>	<u>11,375,554</u>
Other related parties – Fees charged for Management Services	<u>175,000</u>	<u>-</u>

# BUE Shipping Limited

## Notes to the financial statements

### 10 RELATED PARTY TRANSACTIONS (continued)

#### b) Due from related parties

	2013 USD	2012 USD
BUE Caspian Limited	65,377,373	43,621,506
BH Islay Limited	14,641	14,641
BH Jura Limited	24,419	24,249
BUE Cygnet Limited	621	621
BUE Roosalka Limited	1,935,501	1,843,335
BUE Bulker Limited	426	426
	<u>67,352,981</u>	<u>45,504,948</u>

#### c) Due to related parties

	2013 USD	2012 USD
BUE Marine Limited	22,856,874	24,320,118
BH PSV Limited	821,361	821,361
BUE Kazakhstan Limited	3,184,021	3,184,021
BUE Standby	2,045,401	2,045,401
	<u>28,907,657</u>	<u>30,370,901</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).

### 11 SHARE CAPITAL

	2013 USD	2012 USD
<b>Authorised</b>		
1000 Ordinary shares of £1 each	<u>1,750</u>	<u>1,750</u>
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1 each	<u>2</u>	<u>2</u>

### 12 TERM LOANS

	2013 USD	2012 USD
Term loan, at 4.38% average rate of interest plus 1.50% margin repayable by March 2015	<u>-</u>	<u>6,813,906</u>

During the year, the entire term loan was prepaid by the company.

Certain related parties availed three term loans from a bank in the UK to finance the purchase of marine vessels. The first loan was drawn in August 2002 and is repayable in 48 equal quarterly installments of USD 369,565, with a final payment in August 2014. The two other loans were drawn in March 2003, each repayable in 48 equal quarterly installments of USD 559,782, with a final payment in March 2015.

# BUE Shipping Limited

## Notes to the financial statements

### 12 TERM LOANS (continued)

The term loans are secured by:

- First preferred security mortgage over the vessel;
- Collateral deed of covenants guarantee and indemnity of guarantor;
- Vessels' existing charter rights and assignment in respect of insurances, marine vessel charter lease income and requisition compensation;
- Parent company guarantee by the shareholder in favour of the bank;
- Pledge over the entire issued share capital of the borrower;
- Bond and floating charge over the whole assets of the Company;

The term loans are repayable as follows:

	2013 USD	2012 USD
Amounts falling due (all by installments):		
Due within one year	-	4,478,000
Due between one to five years	-	2,335,906
Due after five years	-	-
	-----	-----
	-	6,813,906
Current portion	-	(2,335,906)
	-----	-----
Non current portion	-	4,478,000
	=====	=====

### 13 DEFERRED TAX (ASSET) / LIABILITY

	2013 USD	2012 USD
As at 1 January	1,123,965	(210,600)
Profit and loss account (credit) / debit	(1,410,547)	(939,980)
Prior Period adjustment	286,582	26,615
	-----	-----
As at 31 December	-	1,123,965
	=====	=====

### 14 ACCOUNTS PAYABLE AND ACCRUALS

	2013 USD	2012 USD
Other payables and accruals	25,022	15,733
Interest payable	72	48,450
Sundry creditors	1,531,690	1,723,572
	-----	-----
	1,556,784	1,787,755
	=====	=====

### 15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

#### *Capital commitment*

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 Shipping Limited

## Notes to the financial statements

### 16 NON-CANCELLABLE LEASES

#### a) Operating leases - receivable

The Group 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	-	7,215,936
After one year but not more than five years	-	-
	<u>-</u>	<u>7,215,936</u>

### 17 RISK MANAGEMENT

#### Interest rate risk

The Company is not exposed to interest rate risk on its term loans, as these loans carry fixed rate of interest.

#### 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 charters marine vessels to related parties only.

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.

#### 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 and funding from related parties are available. The Company's credit terms require the amounts to be paid within 30 days from the date of invoice.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2009, based on contractual undiscounted payments.

Particulars	Carrying amount	Total	Contractual cash flows		
			Less than 12 months	1 to 5 years	more than 5 years
31 December 2013					
Accounts and other payables	1,566,784	(1,566,784)	(1,566,784)	-	-
Due to related parties	28,907,657	(28,907,657)	(28,907,657)	-	-
Term Loans	-	-	-	-	-
<b>Total</b>	<b>30,474,441</b>	<b>(30,474,441)</b>	<b>(30,474,441)</b>	<b>-</b>	<b>-</b>
31 December 2012					
Accounts and other payables	1,787,726	(1,787,726)	(1,787,726)	-	-
Due to related parties	30,370,901	(30,370,901)	(30,370,901)	-	-
Term Loans	8,406,693	(8,406,693)	(5,222,666)	(3,184,027)	-
<b>Total</b>	<b>40,565,320</b>	<b>(40,565,320)</b>	<b>(37,381,293)</b>	<b>(3,184,027)</b>	<b>-</b>

# BUE Shipping Limited

## Notes to the financial statements

### 17 RISK MANAGEMENT (continued)

#### Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company is not exposed to any significant currency risk during the year.

#### 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 shareholder 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 2013 and 31 December 2012. Capital comprises share capital, and retained earnings and is measured at USD 36,188,418 as at 31 December 2013 (2012: USD 22,180,531).

### 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:

#### 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. The carrying value of the vessels as at 31 December 2013 was USD Nil (2012: USD 14,524,302).

#### 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 Post Code 114, Sultanate of Oman.