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# 2013

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GOLDENPORT

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# ANNUAL REPORT

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Goldenport Holdings Inc.

## 2013 Highlights



### Income statement (U.S.\$'000)

Revenue:.....62,945  
 EBITDA: .....20,980  
 Loss from vessels disposal:.....3,867

### Balance sheet (U.S.\$'000)

Vessels: ..... 345,530  
 Cash (incl. restricted cash): .....18,111  
 Long-term debt  
 (incl. current portion):..... 184,021

### Vessels

Second hand vessels acquired:..... 1  
 Second hand vessels sold:.....4  
 Total vessels in the fleet:..... 17

All the U.S.\$ amounts  
 in this Annual Report are presented in  
 and rounded to the nearest thousand  
 (U.S.\$ '000) except per share, per day data



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## Our Vision



**To become  
a leading provider  
of shipping services  
specializing in the  
transportation  
of dry bulk cargoes  
whilst providing  
the highest quality  
operational and  
safety standards  
to our customers  
and maximising value  
for Stakeholders.**

## Chairman's Statement



Goldenport enters 2014 with a younger fleet, with all of its vessels employed and with the search for new market opportunities making satisfactory progress. Two years ago, we described our task as “navigating safely through turbulent times”. For our dry bulk fleet, we are reaching calmer waters and a more positive outlook. For our container ship fleet, we are still in challenging times.

As in the past few years of the global recession, it has been a tough year for the shipping industry and for Goldenport. We see a continued worldwide over-supply of vessels and only patchy improvement in world economies. As a consequence, our goals remain unchanged: conserving cash, ensuring our assets are employed and preparing for the eventual industry upturn.

The bulk carrier fleet consists of 9 vessels with an average age less than 5 years. At IPO in 2006, the fleet included 9 vessels with an average age of 20 years. The container fleet now has 8 vessels with an average age of 16 years, compared to a fleet of 8 container vessels with an average age of 26 years at IPO.

As in the past, we will continue to operate in both the container and dry bulk sectors, but over time we will increase our emphasis towards expansion of the dry bulk fleet and a reduction of the container fleet.

The Board has decided not to pay a 2013 final dividend. As no interim dividend was paid, no dividends have been declared for the 2013 year.

This is not an easy environment within which to operate a shipping business. Our staff and our ship managers strive to search for commercial opportunities, whilst maximising operating efficiencies. They do this whilst delivering a safe, efficient and cost effective service to our charterers. On behalf of the Board, I thank them.

Goldenport will continue to capitalise on its strengths: we have a strong management team led by Mr John Dragnis; we have a younger, efficient and well managed fleet, we have strong counter-party relationships; and we have the ability to capitalise on opportunities as they arise.

**Chris Walton**  
**Chairman**



## Chief Executive Officer Statement



For the year ended 31 December 2013, the Company reported a 19.6% decline in revenues, reflecting a decrease in the average number of vessels from 24 to 19 that was partly offset by an improvement in fleet utilisation. The Company reported a 13.6% drop in EBITDA to U.S.\$ 20,980 and a net loss of U.S.\$ 12,177 or U.S.\$ 0.13 per share (net loss of U.S.\$ 8,310 or U.S.\$ 0.09 per share excluding losses from the disposal of vessels). It is worth highlighting that in the fourth quarter of the year, our dry bulk vessels benefited from a recovery in this sector and traded profitably at the bottom line.

Confidence in the business, political and financial environment is improving, but the economic recovery is not yet established. Notwithstanding, asset prices and rates appear to have bottomed out in the dry bulk sector with the value of a 5-year old Supramax increasing by more than 25% during 2013 and the BSI (Baltic Supramax Index) increasing by 10% on average compared to 2012. The trading recovery was first seen in the performance of the largest dry cargo vessels and fed through to the medium-sized ones that are more versatile and have been solid performers with reduced earnings volatility. The container market remained under pressure for a fifth year with earnings remaining at levels close to all time lows. The new-building overhang in both the dry bulk and container sectors remains significant, but is mitigated by non deliveries and accelerated scrapping.

In anticipation of a recovery, we are currently employing our fleet on a short term basis under 3-6 month time charters, but we are witnessing increased appetite for 6-12 month time charters which we may choose to selectively enter into at profitable levels. On the whole, we expect that 2014 will allow us to employ our dry cargo vessels on better terms than 2013 and this is supported by the Supramax FFA (Forward Freight Agreement) for the remainder of 2014 which is currently trading at U.S.\$ 12,500 per day compared to an average BSI TC rate of U.S.\$ 10,328 for 2013.

During 2013, we took advantage of high scrap prices to continue our strategy of fleet renewal by disposing of older tonnage and utilized part of the cash proceeds to acquire a younger vessel and to further reduce our debt. We made loan repayments of U.S.\$ 28,870, which represent a 13% decrease in bank debt since the beginning of the year or 34% since the beginning of 2012.

Looking forward into 2014 we believe that the dry bulk sector is going to recover before the containership sector and offers a more attractive risk-return profile so we are planning to further increase our exposure to small- and medium-sized dry bulk carriers and reduce our exposure to older containerships, while maintaining a competitive operating cost base.

**John Dragnis**  
Chief Executive Officer

## Our Company

**G**oldenport Holding Inc. was incorporated on March 21, 2005 in the Republic of the Marshall Islands as the holding company of our Group for the purpose of consolidating the ownership interests of Captain Paris Dragnis in a fleet of nine dry bulk carriers and eight container vessels. Our shares were admitted to the Official List and to trading on the Main Market of the London Stock Exchange on April 5, 2006 with ticker GPRT. On January 7, 2014, we transferred our listing of shares from premium to standard listing. The listing transfer was effected following a special resolution to that effect of our shareholders at a general meeting held on December 3, 2013.

Since our Initial Admission on the London Stock Exchange, we have taken advantage of prevailing market conditions to renew our fleet and optimize its size and composition through selective vessel acquisitions and disposals. This has allowed us to reduce the average age of our containerships from 26 years to 16 years and our dry bulk vessels from 16 years to 5 years as of 31 December 2013.

## Our Strengths

**W**e believe that we possess a number of competitive strengths in our industry, including:

**We own a modern, high-quality fleet of dry bulk carriers.** We believe that owning a modern, high-quality fleet is more attractive to charterers, reduces operating costs and fuel consumption and allows our fleet to be more operationally reliable, which improves utilization.

**Our fleet includes three groups of sister ships.** We believe that maintaining a fleet that includes sister ships, which are vessels of virtually identical sizes and specifications, enhances the revenue generating potential of our fleet by providing us with operational and scheduling flexibility. The uniform nature of sister ships also improves our operating efficiency by allowing our fleet Managers to apply the technical knowledge of one vessel to all vessels of the same series and creates economies of scale that enable us to realize cost savings when maintaining, supplying and crewing our vessels.

We are a holding company with ownership of 15 intermediate holding companies, each of which in turn wholly owns a vessel-owning company, save for one intermediate holding company, which owns an 80% interest in the relevant vessel-owning company. We intend to continue to structure future fleet acquisitions primarily in this manner, such that each vessel is held by a single vessel-owning company, which in turn will be owned by an intermediate holding company that is ultimately owned by Goldenport Holdings. We also own a 50% interest in a joint venture company, entered into with a subsidiary of Glencore International AG (or Glencore) in March 2007, which (through its wholly-owned vessel-owning companies) owns and operates two dry bulk carriers, the Ermis and the Alpine-Trader.

Our wholly-owned subsidiary Goldenport Marine Services, or GMS, provides our Group with a wide range of support services, including finance and accounting, legal, quality and safety, information technology (including software licenses) and other administrative services.

**We have an experienced management team.** Our management team consists of executives who each have, on average, more than 15 years of operating experience in the shipping and financial industry and has demonstrated ability in managing the commercial, technical and financial areas of our business. Our Chief Executive Officer, Mr. John Dragnis, has been a key member of the management team of the Company since its incorporation in 2005, and the Dragnis Family has more than 35 years of experience in the shipping industry, having managed more than 200 vessels over these years. Our Management team is backed up by a Board which includes Independent Directors who have extensive experience in the financial and maritime sectors.

**We benefit from strong relationships with members of the shipping and financial industries.** We have developed strong relationships with major international charterers, insurance underwriters, protection and indemnity associations and financial institutions that we believe are the result of the quality of our operations, the strength of our management team and our reputation for dependability.

## Our Strategy

Our primary objectives are to focus on the dry bulk carrier industry, to strengthen cash flows through a balanced mix of short- and medium-term time charters and spot employment depending upon where we are in the market cycle and to profitably grow our business through timely and selective acquisitions, while maintaining a strong balance sheet and high-quality fleet. In order to accomplish these objectives, the key elements of our strategy are:

**Rebalance our fleet in favor of small- to medium-sized dry bulk carriers.** We intend to phase out our containership fleet over time, due to the more attractive medium-term market outlook for the dry bulk sector relative to the containership sector. We expect to achieve this through selective acquisitions of newbuilding and second-hand dry bulk carriers and through the sale or scrapping of our older containerships. Smaller dry bulk carriers, such as Supramax and Handysize vessels, have historically experienced greater charter rate stability than larger dry bulk carriers, such as Capesize and Panamax vessels, primarily because they do not rely exclusively on the more volatile iron ore and coal trades. Apart from being better-suited to transport these commodities to regional ports that have draft restrictions and lack loading/unloading infrastructure for larger vessels, smaller dry bulk carriers also benefit from more versatile and diversified employment opportunities, as they can also transport a wide range of minor bulk commodities that are shipped in smaller parcels.

**Pursue an appropriate balance of short- and medium-term time charters.** Dry bulk carriers operating in the spot market may generate increased or decreased profit margins during periods of improvement or deterioration in freight (or charter) rates. Dry bulk carriers operating on fixed employment contracts, which can last up to several years, provide more predictable cash flows. Historically, we have employed our vessels primarily under one- and two-year time charters that we believe provide a stable cash flow base and high utilization rates, while limiting exposure to charter rate volatility. We believe factors presently governing the supply and demand dynamics of the dry bulk market may cause charter rates for dry bulk carriers to strengthen in the near term. We therefore currently employ our vessels primarily on short-term time charters, lasting for periods of one to six months. This strategy allows us to pursue attractive employment opportunities and take advantage of strengthening in the dry bulk market by extending our existing time charters or by entering into new, longer-term charters at desirable rates.

**Grow through timely and selective acquisitions of vessels.** We intend to further grow our fleet through timely and selective acquisitions of newbuildings and second-hand dry bulk carriers. We believe new developments in vessel design and construction, creating “Eco Design” vessels, and historically low newbuilding and second-hand prices, present opportunities for timely and selective growth. When evaluating acquisitions, we consider and analyze, among other things, our expectation of fundamental developments in the dry bulk shipping sector, the level of liquidity in the resale and charter market, the cash flow earned by the vessel in relation to its value, its condition and technical specifications with particular regard to fuel consumption, expected remaining useful life, the credit quality of the charterer and duration and terms of charter contracts for vessels acquired with charters attached, as well as the overall diversification of our fleet and customers.

**Continue to operate a modern, high-quality fleet.** We intend to maintain a modern, high-quality fleet that meets or exceeds stringent industry standards and complies with charterer requirements through our technical managers’ comprehensive maintenance program. In addition, we have recently initiated a fuel efficiency upgrade program for certain of our dry bulk carriers, which consists of the installation at their next scheduled dry-docking (which takes place five years after construction and every five years thereafter) of propulsion efficiency mechanisms, main engine upgrades and trim optimization software, that we believe will enhance fuel savings, reduce emissions and increase the future earnings potential of these vessels. Finally, our technical managers maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea.

**Maintain a strong balance sheet through moderate use of leverage.** We intend to maintain a strong balance sheet by limiting the amount of indebtedness that we have outstanding at any time to relatively moderate levels. We expect to enter into additional commercial bank loans, if necessary, and use cash generated from operating activities, to finance future vessel acquisitions. As at December 31, 2013 our leverage, measured as net debt to book capitalization was 48%.

“The only pure shipping Company listed in the global Capital of Shipping Services”



## Our Board

### Mr. Chris Walton

Age - 56, Non-Executive Chairman



Chris has served as our Non Executive Chairman since our Initial Admission. Prior to joining, Mr. Walton was Finance Director & CFO of EasyJet Plc from 1999 to 2005, where he successfully directed its IPO in 2000. Prior to that, he held senior posts at

Qantas Airways, Air New Zealand, Australia Post and Australian Airlines. He has also worked for BP Australia, the Australian Senate, RTZ Hamersley Iron and the Western Australian Government. He was a member of the Bank of England's Regional Economic Advisory Panel (South East England & Anglia) from 2002 to 2005. Mr. Walton is currently the Chairman of Lothian Buses Plc, the Senior Independent Director and Audit Chair of Rockhopper Exploration Plc., Audit Chair of KTZ (Kazakhstan State Railways) and a member of the Audit and Risk Committee of the Department for Culture, Media and Sport. Also, Mr. Walton undertakes consulting related to venture capital investments and has undertaken projects in central Europe, central Asia and India.

### Captain Paris Dragnis

Age - 69, President



Captain Paris is our President and has over 35 years' experience in shipping. He started his career as an officer and a Master on oceangoing vessels and he holds a master mariner degree from the Greek Merchant Marine Academy and a degree from the Maritime College in London. Since 1978, he

has been involved in ship owning activities through companies that he owned, and in 1992 he established GSL, which has served as our fleet manager. Over the years, Captain Paris has been involved in the acquisition and management of more than 250 vessels. Captain Paris is the President and Founder of the Company.

### Mr. Konstantinos Kabanaros

Age - 60, Chief Accounting Officer



Konstantinos has served as our Chief Accounting Officer since 1 November 2005. Prior to that, Mr Kabanaros served 22 years within the Dragnis Group, being employed most recently as the Chief Accounting Officer of Goldenport Shipmanagement Ltd. In

total he has over 30 years of shipping expertise, focused on ship financing and accounting. Mr Kabanaros holds a degree in economics from the University of Piraeus, Greece.

### Mr. John Dragnis

Age - 36, Chief Executive Officer



John was appointed as Chief Executive Officer on April 4, 2012. Before that he was appointed as Commercial director on our Initial Admission on April 5, 2006 and as an Executive Director on October 4, 2010. Since his first appointment,

Mr. Dragnis has spent considerable amount of his time developing the business and identifying opportunities for fleet expansion through the acquisition of new building or second-hand vessels. During the last seven years since our IPO, Mr. Dragnis has maintained existing relationships and established new ones with charterers and shipyards, especially in the Far East. Prior to the Initial Admission, in addition to his normal duties, Mr. Dragnis was also involved in setting up and managing a super yachts management and chartering business. Mr. Dragnis holds a degree in Business Administration and a Master's degree in Shipping, Trade and Finance from CASS Business School, London.

### Mr. Robert Crawley

Age - 59, Non-Executive Director,  
Senior Independent Director



Bob was appointed as a Non executive Director on our Initial Admission. Since August 2002, Mr. Crawley has been providing financial advisory services to banks and companies in the shipping industry through his company,

IOW Marine Consultants Ltd. Prior to that he worked for 28 years for JP Morgan Chase and predecessor banks. He served in various administrative and European portfolio management roles before joining the Shipping Division as a relationship manager in 1984. He became Head of Hellenic Shipping in 1996 and Co Head of European shipping in 2000. In total he has nearly 40 years of banking experience, both commercial and investment banking and 30 years of experience in the maritime sector.

**Mr. Barry Martin**

Age - 66, Non Executive Director



Barry is a banker with almost 45 years of experience, of which more than 42 years have been with the RBS Group where he has worked in, managed, and led a variety of businesses. Mr. Martin started his banking career in 1965

and joined RBS in 1968. He trained in many aspects of banking including credit functions and corporate finance in his early career. Between 1974 and 1994 he held senior managerial appointments in the RBS Group in London financing major corporate clients. During the period between 1986 and 1994 he was also appointed General Manager of RBS AG in Zurich. In 1994 Mr. Martin was appointed General Manager of the Piraeus office in Greece providing finance and banking services to the Greek shipping community. In 1998 he moved to the position of Head of Greek Shipping based in London. Barry retired from RBS in April 2009 and is now working as a consultant.

**Ms. Vassiliki Papaspyrou**

Company Secretary



Vassiliki assumed the responsibilities of Company Secretary on 1 February 2012. She has been working since October 2011 in Goldenport Holdings as a Financial Analyst reporting to the Group Controller and the Chief Financial

Officer. Prior to Goldenport she was a Senior Auditor with Ernst & Young in Greece, specialising in the maritime sector. Vassiliki holds a degree in Banking and Financial Management from the University of Piraeus, Greece and is in the process of obtaining the qualification of the Association of Chartered Certified Accountants.

## Our Management Team

**Mr. Alexis Stephanou**

Age - 38, Chief Financial Officer



Alexis joined as Chief Investment Officer and Head of Investor Relations in August 2013 and was appointed CFO in February 2014. He was a Managing Director in the investment banking department of UBS AG based in London, where

he led the origination, structuring and execution of a number of capital market and M&A transactions across a wide swath of industries with a particular focus on financial institutions and shipping. Mr. Stephanou holds a BSc in Monetary and Financial Economics from the University of Geneva, Switzerland and an MSc in Banking and Finance from HEC Lausanne, Switzerland.

**Mr. Iosif Efstathopoulos**

Age - 37, Group Controller



Iosif has joined the Company in 2007 as a Financial reporting Manager. In January 2011 he was promoted to Group Controller a role that he holds as of today. Prior Goldenport, Iosif was Financial Reporting Supervisor with

Lafarge Group (a major cement producer) in Greece. Before this role he was a Senior auditor with KPMG. He has started his career in the accounts department of a major Greek tanker company. Iosif holds a degree in Banking and Financial Management from the University of Piraeus, a Masters In Accounting & Finance from Athens University of Economics & Business, a Diploma in IFRS and he is in the process of obtaining the qualification of the Association of Chartered Certified Accountants.

**“Well balanced Board and Management with over 250 years total shipping experience”**



## Risk Factors

# Risk Factors

### Risks Related to Our Business and Industry

**Our earnings may be adversely affected if we do not successfully find employment for our vessels in either the spot market or short- to medium-term time charter market.**

The spot market for charter rates is volatile and holds the potential for significant increases or decreases in shipping rates over time. Upward movements in spot rates have the potential to increase our revenues, and in order to take advantage of potential market upswings, we pursue short- to medium-term charters and do not lock our vessels into long-term, fixed-rate time charters. However, our revenues may decline in line with potential declines in the spot market, and we will not benefit from the stabilizing effect of fixed-rate time charters. The spot market may be affected by the performance of the global economy, particularly with respect to economies such as China and India, which have been the primary drivers of dry bulk trade in recent years. Furthermore, while global economic conditions represent one factor influencing demand, supply of dry bulk carrier capacity is also an important factor affecting spot market rates. An undersupply of dry bulk carrier capacity could lead to higher spot market rates even in weak economic conditions, while an oversupply of dry bulk carrier capacity could lead to lower spot market rates despite improving economic conditions, as is the case in the current market.

Historically, including in the last three years, we have chartered some of our vessels on a longer term basis. We currently employ our vessels primarily on time charters with durations between one and six months. We are considering chartering certain of our dry bulk carriers on a longer-term basis of up to two years due to improving charter rates, which reflect market expectations for recovering charter hire rates in the mid- to long-term. We may not at all times be able to enter into new time charters on favorable terms, and we cannot be certain that future charter hire rates will enable us to operate our vessels profitably. Our earnings could be adversely affected, if we are required to enter into charters when charter hire rates are low, or we are unable to take advantage of short term opportunities in the charter market. In addition, our earnings could also be adversely affected, if we enter into longer-term charters, and charter hire rates, subsequently, improve to levels higher than those agreed in such charters. Our failure to successfully employ our vessels at profitable rates or take advantage of short term opportunities in the charter market could

have a material adverse effect on our business, financial condition and results of operations.

**We depend upon a few significant customers for a large part of our revenues, and the loss or financial distress of one or more of these customers could adversely affect our financial performance.**

Although we contract with a number of charter counterparties for our dry bulk carriers, the containership market is more consolidated and MSC, a leading shipping line engaged in worldwide container transport, is the charter counterparty for substantially all our containerships. In 2013, revenues generated by our relationship with MSC represented approximately 40% of our total gross revenues for that financial year. If MSC decides not to continue to charter our vessels, or is unable to perform under one or more charters with us and we are not able to find a replacement charterer on suitable terms, we could suffer a loss of revenues that could have a material adverse effect on our business, financial condition and results of operations.

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

Each of our charters gives the charterer the right to terminate the charter on the occurrence of stated events or the existence of specified conditions, such as, among other things, a total loss or constructive total loss of the related vessel or its requisition for hire, or the failure of the vessel to meet specified performance criteria. In addition, although we strive to collect and assess information on the credit worthiness and financial condition of our charter counterparties, particularly in the case of longer charters, the ability of each of our charterers to honor its obligations under a charter will depend on a number of factors that are beyond our control. These factors may include general economic conditions, the condition of a specific shipping market sector, the charter rates received for specific types of vessels and various operating expenses. In addition, MSC is our primary charter counterparty for substantially all our container business, and a potential default of MSC would have a material impact on our container business due to concentration of counterparty risk. The costs and delays associated with loss of business or default of a charterer of a vessel may be considerable, especially if we are not in a position to timely re-charter the affected vessels on similarly favorable terms or at all, and could have a material adverse effect on our business, financial condition and results of operations.

## Risk Factors

**In the highly competitive international shipping industry, we may not be able to compete for charters with new entrants or established companies with greater resources.**

We employ our vessels in a highly competitive market that is capital intensive and highly fragmented, particularly with respect to our dry bulk business. Competition arises primarily from other vessel owners, some of whom have greater resources than we do. Competition for the transportation of cargo by sea is intense and depends on price, location, size, age, condition, efficiency and fitness for purpose of the vessel and its operators to the charterers. New entrants into the shipping industry or established operators with greater resources than ours could invest in newer vessels, which may be more technologically advanced and more fuel efficient than older vessels, which could have a significant impact on competition for charter contracts, as fuel costs are borne by the charter counterparty. Due in part to the highly fragmented market, competitors with greater resources could be created as a result of consolidations or acquisitions and may be able to offer lower charter rates and higher quality vessels than we are able to offer.

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

We regularly evaluate the book value of our vessels to determine if events have occurred that would require an impairment of their carrying amounts in our accounts. The recoverable amount of vessels is reviewed based on events and changes in circumstances that indicate that the carrying amount of the vessels in our accounts might not be fully recovered. The review for potential im-

pairment also includes a projection of future cash flows related to the particular vessels, discounted at an appropriate rate. Statistics used for the purposes of projecting future cash flows have been historically volatile.

We evaluate the recoverable amount as the higher of fair value less costs to sell and value in use. If the recoverable amount is less than the carrying amount of the vessel, the vessel is deemed impaired. In 2012, we recorded an impairment loss of U.S.\$ 47.6 million related to the write-down of the carrying amounts of certain vessels to their estimated recoverable amount, while we identified no impairment loss in 2013. The carrying values of our vessels may not represent their fair market value at any point in time, because the prices of second-hand vessels fluctuate with changes in charter rates and the cost of newbuildings. Impairment charges incurred as a result of declines in charter rates could have a material adverse effect on our business, financial conditions and results of operations.

**We may incur losses when we sell vessels, which may adversely affect our earnings.**

The fair market values of our vessels may fluctuate significantly. If we sell vessels at a time when vessel prices have fallen, the sale may be at less than the vessel's carrying amount on our financial statements, resulting in a loss and a reduction in earnings.

The fair market value of our vessels may continue to fluctuate depending on a number of factors, including the types, sizes and ages of vessels, prevailing level of charter rates, the general economic and market conditions affecting the shipping industry, shipyards, cost of newbuildings, the need to upgrade second-hand





## Risk Factors

and previously owned vessels as a result of charterer requirements and technological advances in vessel design or equipment.

Conversely, if vessel values are elevated at a time when we wish to acquire additional vessels, the cost of acquisition may increase and this could adversely affect our business, results of operations, cash flow and financial condition.

**Adverse global economic conditions and economic developments in certain countries could materially affect our business and results of operations.**

From 2008 through 2013 we witnessed unprecedented volatility and challenges in the global financial and shipping markets. The global economic outlook remains uncertain, and it is very hard to predict future levels of demand for vessel capacity. In particular, negative changes in the economic conditions in countries where our vessels make a significant number of port calls, particularly China and India, or any further slowdown in the economies of China, India, the United States, the European Union or certain Asian countries may adversely affect our business, financial condition and results of operations, as well as our prospects. Moreover, the continuation of the European sovereign crisis and the austerity measures taken by certain countries, especially in Southern Europe, may also affect global trade or consumption and subsequently adversely affect our business, financial condition and results of operations.

**Changes in the economic and political environment in China and policies adopted by the Chinese government to regulate its economy may have a material adverse effect on our business, financial condition and results of operations.**

The Chinese economy differs from the economies of most other countries that belong to the Organization for Economic Cooperation and Development in matters such as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a planned economy. Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Although state owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through State Plans and other measures. There have been increasing levels of economic freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a "market economy". Limited price reforms were undertaken with the



result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such measures.

We cannot be certain that the Chinese government will continue to pursue a policy of economic reform. The level of imports to and exports from China, which has historically had a significant impact on shipping demand, could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions, all of which could adversely affect our business, financial condition and results of operations.

**The highly cyclical nature of the shipping industry may lead to volatility in our charter hire rates and vessel values, which may adversely affect our earnings.**

The dry bulk and container sectors of the shipping industry tend to be cyclical, with attendant volatility in charter hire rates and vessel profitability. The factors that affect the supply and demand for vessels are unpredictable and outside of our control. The nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

- supply of and demand for energy resources, commodities and industrial products, and containerized cargoes;

## Risk Factors

- global and regional political and economic conditions, including armed conflicts and terrorist activities, embargoes and strikes;
- changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;
- steaming speed;
- with respect to container shipping, the growth in demand in the “dominant leg”, or the part of the shipping route with the higher demand for shipping capacity;
- environmental and other regulatory developments; and
- transportation cost.

The factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- port and canal congestion;
- the rate of scrapping of older vessels;
- vessel casualties;
- the number of vessels that are out of service, namely those that are laid-up, dry-docked, awaiting repairs, or otherwise not available for hire; and
- port productivity.

We anticipate that future demand for our dry bulk carriers and containerships will depend upon continued economic growth in the world’s major economies with increasing emphasis upon economies such as China and India. Demand will also be affected by changes in the capacity of the global dry bulk carrier and container vessel fleets and the sources and supply of dry bulk and containerized cargo to be transported by sea. The capacity of the global dry bulk carrier and container vessel fleets seems likely to increase, and there can be no assurance that economic growth will be able to match this increase in capacity. Adverse developments affecting the capacity, production, demand and supply of vessels in the global shipping market can result in significant volatility in charter rates and vessel values, which could have a material adverse effect on our business, financial condition and results of operations.

**The growing supply of dry bulk carrier and container vessel capacity may exceed the future growth in demand, which may adversely affect our earnings and the values of our vessels.**

The growing supply of dry bulk carrier and container vessel capacity, after accounting for the scrapping of older

vessels, may exceed future demand in the respective markets. If the supply of vessel capacity increases, but relevant demand does not increase at an equivalent or greater rate, charter rates and vessel values could decline, which could have a material adverse effect on our business, financial condition and results of operations. In addition, we expect the ongoing trend of the conversion of traditional dry bulk cargoes into cargoes transported in containerized form to influence future demand for container vessel capacity. Demand for dry bulk carrier, and also for container, capacity, is currently increasing, but there can be no assurance that this trend will continue.

**Delays in deliveries of vessels on order, or our inability to otherwise complete the acquisitions of additional vessels for our fleet, could harm our operating results.**

Our business strategy is based in part upon fleet expansion through the selective acquisition of newbuilding and second-hand dry bulk carriers. As a result, we may be required to make substantial capital expenditures to acquire vessels for our fleet, which will be dependent on additional financing.

Shipyards have in the past experienced requests by shipowners to cancel or renegotiate the terms of newbuilding contracts (for example deferring payment installments or delivery dates) for reasons including changing market conditions, material declines in values of second-hand vessels or defaults by shipowners. As a result of these and other factors, shipyards may delay performance or default on other newbuilding contracts. While shipowners typically insist on the provision of refund guarantees from banks to cover the costs of any installments already paid, refund guarantees will not typically cover all losses that a shipowner may suffer as a result of such shipyard default.

In addition, the delivery of newbuildings by shipyards could be delayed due to a number of factors, including but not limited to the following:

- work stoppages or other labor disturbances or other events that disrupt the operations of the shipyard building the vessels;
- quality or other engineering problems;
- changes in governmental regulations or maritime self-regulatory organization standards;
- bankruptcy or other financial difficulty of the shipyard building the vessels;
- our inability to obtain requisite financing or make timely payments;
- a backlog of orders at the shipyard building the vessels;



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- hostilities or political or economic disturbances in the countries or regions where the vessels are being built;
- weather interference or a catastrophic event, such as a major earthquake or fire;
- our requests for changes to the original vessel specifications;
- shortages or delays in the receipt of necessary construction materials, such as steel or other raw materials;
- our inability to obtain requisite permits or approvals; or
- a dispute with the shipyard building the vessels.

If the delivery of any vessel is materially delayed or cancelled, especially if we have committed the vessel to a charter, we could become responsible for substantial damages to the customer as a result of the delay or cancellation. In this event, we would seek to claim damages from the shipyard in question. However, we cannot be certain that we would be successful in such claims, or whether the value ultimately recovered would adequately compensate us.

Delays or cancellations in deliveries of newbuildings or second-hand vessels, or difficulty in negotiating the terms of newbuilding contracts with shipyards, could have a material adverse effect on our business, financial condition and results of operations could be adversely affected.

### **The operation of dry bulk carriers and container-ships has certain unique operational risks.**

The operation of certain types of vessels, such as dry bulk carriers and container-ships has unique risks. With a dry bulk carrier, the cargo itself and its interaction with the ship can pose risks. By their nature, dry bulk cargoes are often heavy, dense, easily shifted, and may react badly to water exposure. In addition, dry bulk carriers are often subjected to battering during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold), and small bulldozers. This may cause damage to the vessels. Vessels damaged during unloading procedures may be more susceptible to breach to the sea. Hull breaches in dry bulk carriers may lead to the flooding of the vessel's holds. If a dry bulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads, leading to the loss of a vessel.

Container-ships have similar risks linked to their loading. If the weight of the containers is not distributed evenly, this may cause damage and/or

unnecessary movement to the vessel, which may result in the vessel breaching to the sea. The loss overboard of containers and their cargo due to incorrect stacking or extreme weather or sea conditions also poses considerable risks to the vessel. In addition, outside of container manifests, there is no way of knowing the contents of each container. If the goods in the containers are dangerous and/or flammable and these have not been declared properly or correctly to the charterer, this can result in significant damage to the vessel, or, in extreme situations, vessel loss.

Any of these circumstances or events could negatively impact our business, financial condition and results of operations. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator which would also negatively impact our business, financial condition and results of operations.

### **Rising oil prices could have an adverse impact on charter rates and the world economy generally, negatively affecting our profitability.**

We transfer a significant part of the specific risk of fluctuating oil prices to the charterers of our vessels, as they are employed on time charters, with certain voyage costs, including fuel, being borne by the charterer. However, oil price volatility, and particularly increases in oil prices, may have an impact on the rates charterers are generally willing to pay. There is therefore the risk that increased oil prices may result in us not being able to obtain the same rates when negotiating new charter contracts, which could impact our business, financial condition and results of operations. In addition, when we reposition our vessels between charters, we usually bear the cost of fuel for our vessels for navigating to the next loading port.

The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by Organization of the Petroleum Exporting Countries (or OPEC) and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Rising oil prices are also likely to have a significant impact on the global or regional economies and economic downturns in the Asia Pacific region, the United States or the European Union are likely to have a material adverse effect on our business, financial condition and results of operations.

### **The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings.**

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In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As at March 31, 2014, the average age of our entire fleet was 8.9 years, comprising average ages of 5.3 years for our dry bulk carriers and 16.3 years for our containerships. Although we believe that our fleet is relatively young, as our fleet ages, we expect to incur increasing operating and maintenance costs, as older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels, also due to improvements in engine technology. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment, to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

**The shipping industry has inherent operational risks that may not be adequately covered by our insurance and could negatively impact our results of operations.**

Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. All these hazards can result in death or injury to persons, loss of cargo, revenues and property, environmental damage, higher insurance rates, damage to our reputation, delay or rerouting. If our vessels suffer damage, they may need to be repaired at a dry docking facility. The costs of dry dock repairs are unpredictable and can be substantial.

While we procure insurance for our fleet for hull and machinery, war risks, protection and indemnity (which includes environmental damage, pollution and other liabilities), we will have to pay the part of any claim represented by the deductible or “excess”. The loss of earnings while our vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings. In addition, space at dry docking facilities is sometimes limited and not all dry-docking facilities are available at the relevant time or conveniently located, so we may be unable to find space at a suitable dry-docking facility or our vessels may be forced to travel to a dry-docking facility that is not conveniently located based on our vessels’ positions. The loss of earnings while these vessels are forced to wait for dry-dock space or to travel to more distant dry-docking facilities may adversely affect our business, financial condition and results of operations.

If one of our vessels were to be involved in an accident causing environmental contamination, this could have a material adverse effect on our business, financial condition and results of operations. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator, and this could have a material adverse effect on our business and profitability.

**Our ship management capabilities and the provision of certain other operational services that are necessary to run our business currently rely on our relationship with our Managers.**

For the commercial and technical management of our vessels, we currently rely on either GSL or GMC, both of which are owned by Captain Paris Dragnis, our major shareholder. We have entered into various long term vessel management agreements with GSL and GMC covering our entire fleet. The Management Agreements are terminable by either party on one month’s prior written notice. If the Managers cease to provide these management services for any reason, or if the management services do not continue to reach the standards we expect, this may prevent or hinder us from carrying on our business in the manner we have done so to date, until we find another appropriate ship manager with which to contract and could have a material adverse effect on our business, financial conditions and results of operations.

**There are risks associated with our relationship with the Dragnis Family.**

On March 30, 2010 an agreement which regulated the relationship between us and the Dragnis Family, including prohibiting the Dragnis Family from becoming concerned in the ownership of containerships and dry bulk carriers and therefore competing with us, expired. Since then, the Dragnis Family has owned containerships and dry bulk carriers other than through us and accordingly has competed and is still competing with our business.

**We may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively impact the effectiveness of our management and results of operations.**

Our success depends to a significant extent upon the abilities and efforts of our management team, and in particular on their experience, abilities and efforts. We have entered into service agreements in relation to the services of our Chief Executive Officer, John Dragnis, our President, Captain Paris Dragnis, and our Chief Financial Officer, Alexis Stephanou. Our success will also depend upon our ability to hire and retain key members



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of the management team and to hire new members as may be necessary. We do not maintain “key man” life insurance on any of our officers. The loss of any of these individuals, in particular John Dragnis, or significant difficulty in hiring and retaining replacement personnel could have a material adverse effect on our business, financial condition and results of operations.

**The current state of political instability in Ukraine, where we procure substantially all of our crew, may require us to source crew from other regions, which could increase the cost of such operations.**

The crew recruitment services function of GSL, one of our two Managers, is based in Odessa, Ukraine, and substantially all of the crews they procure are sourced from that region. Ukraine, and in particular this region, has recently experienced political instability and unrest and continues to face increased political risk. There can be no assurance as to political and social conditions and developments in that region and the implications these may have on the crew recruitment operations of GSL. Unrest and other adverse developments in that region may require our Managers to seek alternative sources of crew for our vessels, which could increase the cost of such operations and as a result have a material adverse effect on our business, financial condition and results of operations.

**Labor interruptions could disrupt our business.**

Our vessels are manned by the masters, officers and crews employed by our Managers. Industrial action or other labor unrest, if not resolved in a timely and cost effective manner, could prevent or hinder our operations from being carried out normally and could have a material adverse effect on our business, financial conditions and results of operations.

The majority of our seagoing staff are members of labor unions, and we may face disruptions that could interfere with our operations and have a material negative effect on our business, financial condition and results of operations. We are subject to the risk of labor disputes and adverse employee relations, and these disputes and adverse relations could disrupt our business operations and adversely affect our business, financial condition and results of operations. The majority of our seagoing staff are represented by labor unions under collective bargaining agreements in their home countries. Although we have not had any material problems in the past with the labor unions, we can give no assurances that there will not be labor disputes and/or adverse employee relations in the future. The Maritime Labor Convention, 2006, or MLC, is an international labor convention adopted by the International Labor Organization, or ILO, which applies to our seagoing staff. The MLC is widely

known as the “seafarers’ bill of rights”, and was adopted by governments, employers and worker representatives in February 2006. The MLC aims both to achieve decent work for seafarers and to secure economic interests through fair competition for quality vessel owners. We believe we are in compliance with the MLC, but given the recency and uncertainty around interpretation of the MLC and the local legislation that enacts it in various countries, there are risks associated with ensuring that we are in proper compliance with the MLC.

**Certain of our vessels are operated through affiliates and ventures with shared control.**

Certain of our vessels are owned through a joint venture structure and the operations of these vessels and the management of the subsidiaries holding these vessels are subject to shared control with our joint venture partners. We may enter into similar arrangements in the future. We have shared control of Ermis and Alpine-Trader with Topley Corporation, a subsidiary of Glencore International AG through a joint venture arrangement, under which we and Glencore (through Topley Corporation) each own 50% of Sentinel Holdings Inc., the shareholder of the companies holding Ermis and Alpine-Trader. Accordingly, our ability to exercise control over these companies and the operations of these vessels is limited, and the success of this joint venture and other similar future arrangements with affiliates, ventures or subsidiaries may depend in part on co-operation between us and Glencore and the satisfactory performance by Glencore of its obligations. While we consider our current relationship with Glencore to be successful, there can be no assurance that this will continue to be the case. There can be no assurance that we will be able to maintain our current relationships or establish new relationships with partners in the future. Any disputes, deadlocks or litigation with Glencore or other strategic partners or other failure to establish or maintain successful relationships with such partners could in turn have a material adverse effect on our business, financial condition and results of operations.

**Maritime claimants could arrest one or more of our vessels.**

Crew members, suppliers of goods and services to a vessel, owners of cargo, charterers and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a claimant may seek to obtain security for its claim by arresting a vessel. The arrest or attachment of one or more of our vessels could have a material adverse impact on our revenues and profitability and result in a requirement that we pay material sums of money to have the arrest or attachment lifted. In addi-

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tion, in some jurisdictions, such as South Africa, under the “sister ship” theory of liability, a claimant may arrest both the vessel which is subject to the claimant’s maritime lien and any “associated” vessel, which is any vessel owned or controlled by the same owner. Claimants may attempt to assert “sister ship” liability against one or more vessels in our fleet for claims relating to another of our vessels. Although it is no longer possible to attach Electronic Fund Transfers of US Dollars through New York clearing systems, it is still possible to attach vessels under local arrest procedures to obtain security for a claim. In exceptional circumstances it is also possible for a claimant to attach a vessel in the same or associated ownership, in effect piercing the corporate veil. Actions taken by maritime claimants, including arrests or attachments of our vessels could have a material adverse effect on our business, financial condition and results of operations.

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

Our corporate affairs are governed by our Articles and By-Laws and by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the



rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in the United Kingdom or in certain United States jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in the United Kingdom or in a United States jurisdiction.

Furthermore, the Republic of the Marshall Islands does not have a bankruptcy law. As such, in the case of our bankruptcy, there may be delay in bringing any bankruptcy proceedings, and the ability of shareholders and creditors to receive recovery as a result of bankruptcy proceedings may be delayed or otherwise impaired.

**We may not have adequate insurance to be compensated or to compensate third parties for losses and damages derived from the operation of its vessels**

There are a number of risks associated with the operation of ocean-going vessels, including mechanical failure, collision, human error, war, terrorism, piracy, property loss, cargo loss or damage and business interruption, due to political circumstances in foreign countries, hostilities and labor strikes. Any of these events may result in loss of revenues, increased costs and decreased cash flows. In addition, the operation of any vessel is subject to the inherent possibility of marine disaster, including oil spills and other environmental incidents and the liabilities arising from owning and operating vessels in international markets.

We are insured against the majority of potential tort claims and certain contractual claims (including claims related to pollution) through memberships in protection and indemnity associations or clubs, or P&I Associations. As a result of such membership, the P&I Associations will provide us coverage for such tort and contractual claims. We also carry hull and machinery insurance and war risk insurance for our fleet. We insure our vessels for third party liability claims subject to and in accordance with the rules of the P&I Associations in which the vessels are entered. We also maintain insurance against loss of hire, which covers business interruptions that result in the loss of use of a vessel in areas with heightened risk of war.

We can give no assurance that we will be fully insured against all risks. We may not be able to obtain adequate insurance coverage for our fleet in the future. In addition, our insurance policies contain deductibles for



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which we will be responsible and limitations and exclusions, the operation of which may prevent us from recovering loss. Furthermore, we can give no assurance that we will be able to renew our insurance policies on the same or commercially reasonable terms, or at all, in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage, pollution or piracy. Any uninsured or underinsured loss could harm our business, financial condition and results of operations and our ability to pay dividends. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our ships failing to maintain certification with applicable maritime self regulatory organizations. Furthermore, we can give no assurance that disputes over insurance claims will not arise with our insurers. In addition, we may face the risk of a mutual protection and indemnity association requiring additional liquidity issuing supplementary calls for funding. Our failure to carry adequate insurance or rapidly increasing insurance costs could have a material adverse effect on our business, financial conditions and results of operations.

### Interest rate fluctuations could materially impact our borrowing costs.

The international dry bulk and containership industries are capital intensive industries, requiring significant amounts of investment. We derive most of the funds required for this investment from long-term debt. Our debt usually contains interest rates that fluctuate with the London Inter Bank Offered Rate, or LIBOR. Our loans are U.S. Dollar denominated and bear interest at LIBOR



plus a margin which ranges between 1.6% and 4.5%. As of December 31, 2013, our outstanding loans and borrowings were U.S.\$ 184.0 million (including U.S.\$ 18.8 million in current loans and borrowings). Increases in interest rates could adversely impact our future earnings. In order to mitigate this specific market risk we enter into interest rate swap agreements from time to time.

As an indication of the extent of our sensitivity to interest rate changes based upon our debt level and interest rate swap agreements, a 50 basis points increase in interest rates would have resulted in a net increase in interest expense (including interest rate swap agreements) of approximately US \$1.0 million and US \$1.2 million for the years ended December 31, 2013 and 2012, respectively. Significant fluctuations in U.S. dollar interest rates could materially impact our borrowing costs and financial expenses and could have a material adverse effect on our business, financial conditions and results of operations.

### Our loan agreements contain various restrictions and covenants which have to be complied with or existing debt arrangements could be adversely impacted.

Most of our bank loan agreements contain restrictive covenants relating to the operation and maintenance of our vessels. They also sometimes contain certain financial covenants covering matters such as maximum leverage and interest coverage, as well as the value of the vessels provided to the banks as security for the loans. To a large extent the issues that affect our profitability (which directly impacts leverage and interest coverage) are outside of our control and are subject to uncertainties of cyclical shipping markets.

In the event we breach any covenants of our existing debt facilities, we will request from the relevant lenders waivers for the whole or part of the relevant debt covenant breach. If the lenders do not agree to provide such a waiver, they may require us to restructure the loan, including providing them with additional security or collateral. The provision of such security or collateral would reduce our ability to raise subsequent debt financing, which in turn could have a material adverse effect on our ability to expand our business. In addition, enforcement of such security could also result in loss of the asset which is the subject of such security. The willingness of a lender to amend or waive financial covenant breaches at times of market downturn depends not only upon the relationship a borrower has established with its lender, but also on a number of other factors unrelated to the borrower, including the pressures the lender itself may be under to reduce the size of its loan portfolio. In the event of a breach of our

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financial covenants if our lenders do not wish to amend such financial covenants or waive such breaches, this could adversely impact existing debt arrangements, which could have a material adverse effect on our business, financial conditions and results of operations.

### The market values of our vessels may decrease, impacting our existing debt obligations.

The market values of our vessels have generally been volatile, linked to the inherent cyclical nature of the shipping industry. The market values of our vessels fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charter hire rates, competition from other shipping companies and other modes of transportation, the types, sizes and ages of our vessels, applicable governmental regulations, the value of scrap metal and the cost of newbuildings. If the market values of our vessels further decline, it may result in us breaching covenants of existing debt facilities.

### Acts of piracy on oceangoing vessels could adversely affect our business

Acts of piracy have historically affected oceangoing vessels trading in certain regions of the world. While we have not yet had an act of piracy against any of our vessels, in response to the increase in piracy incidents over the last four years, particularly in the Gulf of Aden and the Indian Ocean, and following consultation with regulatory authorities, we employ a number of measures to guard against such attacks for our vessels, including onboard armed security guards and safe areas on our vessels when they operate in areas affected by piracy. However, we cannot give any assurance that such measures will be sufficient to avert a piracy attempt. While the costs of these measures and increased related insurance costs are borne by the charter counterparty, any resulting increase in charter costs could have an impact on our ability to enter into charter agreements relating to these areas on favorable terms. In addition, the availability of appropriate levels of insurance, the risk of having a vessel detained by pirates for an uncertain period and the overall disruption to seagoing trade in the affected areas could have a material adverse impact on our business, financial condition and results of operations.

Furthermore, while our use of guards is intended to deter the risk of hijacking, it could also potentially increase our risk of liability for death or injury to persons or damage to personal property, and a risk of adverse effect on our reputation, which in turn could have an adverse effect on our business, financial condition and results of operations.

### The impact of the global economic downturn/adverse economic developments may affect the availability of debt and other facilities which have traditionally been important to the shipping industry.

The appetite and ability of many traditional lenders to the shipping industry to provide debt funding in line with normal historical levels declined significantly after 2009. This has affected the shipping industry as well as many other sectors of the economy. We may not be able to raise additional debt funding at economic rates, or at all, in the near- to medium-term to fund future fleet expansion, which may require additional equity being used to fund vessel acquisitions and could impact on our ability to successfully implement our vessel acquisition strategy.

In addition, we have historically sought a portion of debt finance from Greek banks and such banks have been facing liquidity problems, as a result of the Greek sovereign debt crisis. This crisis triggered a squeeze on lending to Greek banks in the international money markets and the loss of approximately one-third of their deposit base, resulting in a material increase on their reliance on the European Central Bank (ECB) refinancing operations. The Greek banks are currently in the process of deleveraging their balance sheet, in order to reduce their reliance on ECB refinancing operations, so the availability of debt funding, including to the shipping industry, is severely constrained.

Furthermore, international trade relies heavily on the provision of certain financial instruments by banks including letters of credit. If banks are increasingly reluctant to make these instruments available, it is likely to have an adverse effect on the level of seaborne trade, which could have a consequent adverse impact on our business, financial condition and results of operations.

### Our industry is subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, a number of laws and regulations (which may be amended from time to time), including the International US Oil Pollution Act 1990, or OPA, International Convention for the Safety of Life at Sea 1974, International Convention on Load Lines, 1966, International Convention for the Prevention of Pollution from Ships 1973, Protocol 1978, International Convention on Civil



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Liability for Bunker Oil Pollution Damage, or the Bunker Convention, 2001, International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea 1996, International Convention on Civil Liability for Oil Pollution Damage 1969, International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage 1971, Marine Transportation Security Act 2002, and requirements under two new regulations enacted by the International Maritime Organization's, or IMO's Marine Environment Protection Committee to address greenhouse gas emissions from ships.

Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions, the management of ballast water, maintenance and inspection, elimination of tin based paint, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. With regard to ballast water treatment, the US Coast Guard published a final rule to establish a federal ballast water treatment standard for vessels operating in US waters. The rule adopts the standard contained in the IMO's International Convention for Control and Management of Ballast Water and Sediments, or BWM, and requires the installation of approved treatment technologies meeting the standard for new vessels constructed after December 1, 2013 and to existing vessels as of their first dry-docking after January 1, 2016. The costs implicated by this and other regulations could have a material adverse effect on our business, financial condition and results of operations and our ability to pay dividends.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention. Consistent with these regulations a vessel must undergo annual surveys, intermediate surveys and special surveys. Dry bulk carriers less than ten years of age and containerships are required to be dry-docked every five years. If any of our vessels does not maintain class or fails any survey, it will be unable to trade and will therefore be unemployable, which will have an adverse effect on that vessel's and our business, financial condition and results of operations.



The operation of our vessels is affected by the requirements set forth in the ISM Code. The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. Where we fail to comply with the ISM Code we may be subject to increased liability, our existing insurance may be invalidated or our available insurance coverage may be decreased for the affected vessels and this may result in a denial of access to, or detention in, certain ports which in turn would have a material adverse impact on our business, financial condition and results of operation. As of the date of this document, each of our vessels is ISM Code certified.

A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. We believe we have taken the necessary steps to comply with these regulations. In particular, we have developed a Safety Management System, based on the requirements of the International Safety Management Code, or the ISM Code, a quality system based on the requirements of the ISO 9001/2008 standard, a security system based on the requirements of the ISPS code and an Environmental Management System based on the standards of the ISO 14001/2004. These systems provide the interface with the national and local regulations, enabling us to ensure compliance at any time.

For example, environmental laws often impose strict liability for remediation of spills and releases of oil and

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hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200 mile exclusive economic zone around the United States. An oil spill could result in significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third party damages. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to entirely cover all such risks, or that any claims will not adversely impact on our business, financial condition and results of operations.

**Capital expenditures and other costs necessary to operate and maintain our vessels may increase due to changes in governmental regulations, safety or other equipment standards and customer requirements.**

Changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self regulatory organizations, customer requirements and competition, may require us to incur additional capital expenditure. In order to satisfy these requirements, we may from time to time be required to take our vessels out of service for extended periods of time, with corresponding losses of revenues. In the future, market conditions may not justify these expenditures or enable us to operate some or all of our vessels profitably thereby shortening their economic lives.

**Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and disrupt our container shipping business.**

International container shipping is subject to security and customs inspection and related procedures in countries of origin, destination and transshipment points. These security procedures can result in cargo seizures, delays in the loading, offloading, transshipment or delivery of containers and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, carriers.

It is unclear what further changes, if any, to existing security procedures may be proposed or implemented, or how any such changes will affect the container shipping industry. These changes may potentially impose additional financial and legal obligations on carriers and, in

certain cases, to render the shipment of certain types of goods by container uneconomical or impractical. These additional costs could reduce the volume of goods shipped in containers and result in decreased demand for containerships. In addition, it is unclear what financial costs any new security procedures might create for container vessel owners, or whether carrier companies may seek to pass on certain of the costs associated with new security procedures to vessel owners. Any additional costs or a decrease in container volumes could have an adverse impact on our business, financial condition and results of operations.

**We may have to pay tax on United States source shipping income, which would reduce our earnings.**

Under the Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a corporation that owns or charters vessels, as we and our subsidiaries do, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States may be subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable US treasury regulations promulgated thereunder.

We and our subsidiaries believe that we qualify for exemption under Section 883 of the Code for US federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to US federal income tax on our US source shipping income. For example, we would no longer qualify for exemption under Section 883 of the Code for a particular taxable year, if certain "non-qualified" shareholders with a 5% or greater interest in our common shares owned, in the aggregate, 50% or more of our outstanding common shares for more than half the days during the taxable year. Due to the factual nature of the issues involved, there can be no assurances on that we or any of our subsidiaries will qualify for exemption under Section 883 of the Code.

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



## Business review

# Our Markets

The maritime shipping industry is fundamental to international trade as the only practicable and cost effective means of transporting large volumes of many essential commodities and finished goods. Shipping is a global industry and its prospects are closely tied to the level of economic activity in the world. The four largest segments in the shipping industry are tankers; bulk carriers; containerships; and gas tankers. It is estimated that around 90% of all global trade is transported by sea. Shipping markets are highly competitive with charter rates sensitive to changes in demand for and supply of capacity, and are consequently cyclical and volatile.

The Dry market is the most diversified sector and is split into the Dry Bulk and Container sectors:

### A. The Dry Bulk Market:

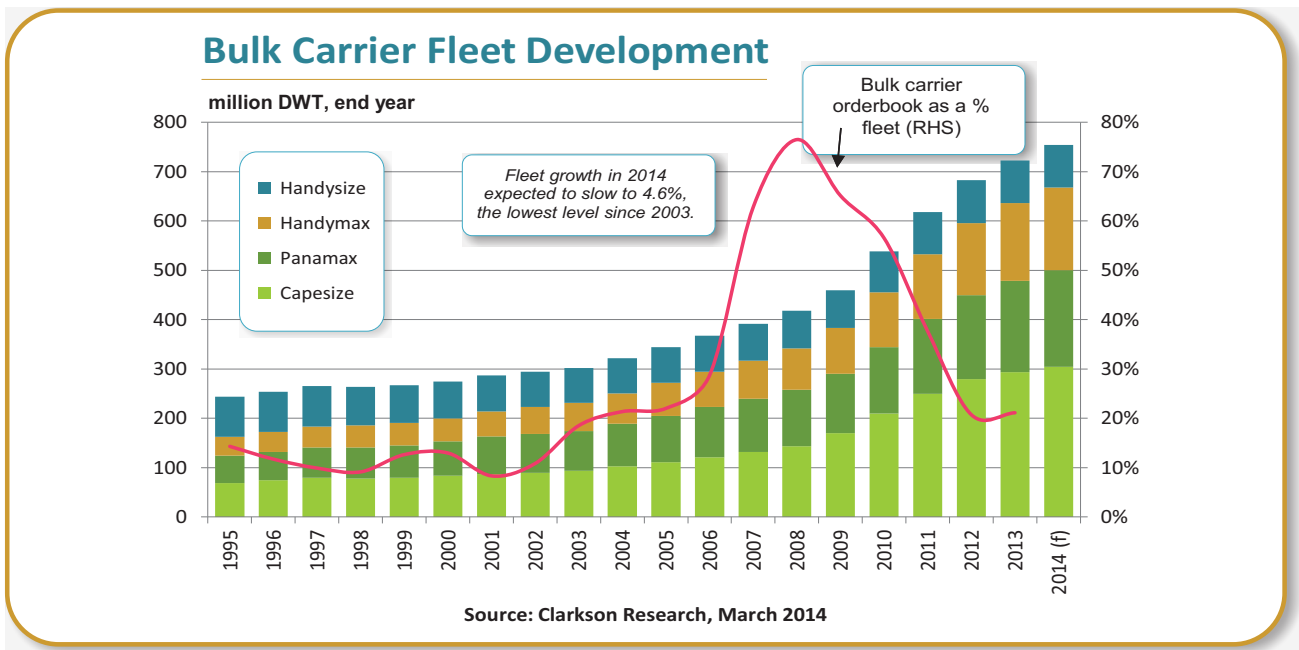
#### i) Overview

The dry bulk shipping industry provides transportation for a wide range of cargoes, notably iron ore, steam and coking coal, grain and a range of other commodities, collectively known as “minor bulks”. As of March 2014, the dry bulk fleet consists of 10,046 ships with a combined capacity of 729.8 million deadweight tonnes (DWT). The smallest vessels, Handysize, are sized between 10-39,999 DWT and transport the widest range of cargoes, often on short haul routes.

#### i) Supply

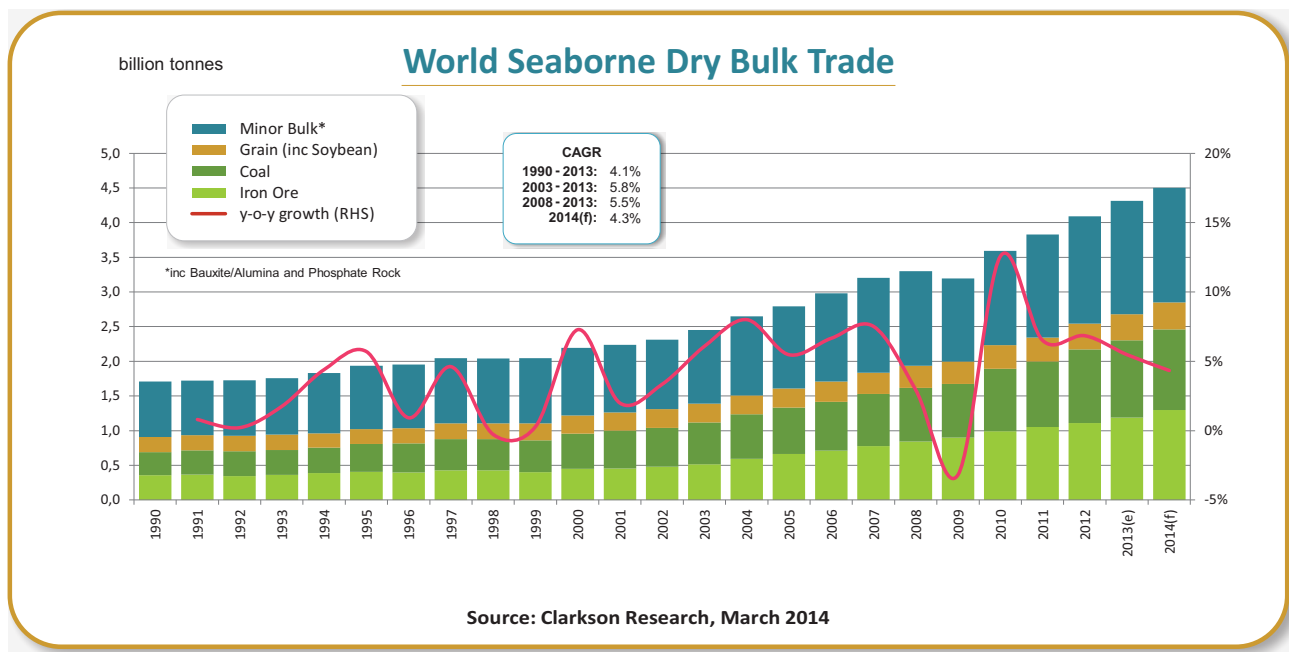
Bulk carrier supply is a function of the existing fleet as measured by cargo carrying capacity, and is influenced by the rate of deliveries of newbuildings (including conversions), scrapping and the operating efficiency of the fleet. The carrying capacity of the international bulk carrier fleet is a critical determinant in pricing the transportation services it provides. The fleet is generally divided into four major vessel categories. Capesize vessels (100,000+ DWT) largely transport iron ore and coal for use in the steel industry and at power stations. Panamax (65-99,999 DWT) typically carry coal and grains as well as industrial metals such as bauxite/alumina. The smaller bulk carriers, Handymax (40-64,999 DWT) and Handysizes (10-39,999 DWT), ship a wide range of cargoes including coal, grain, nickel ore, steel and forest products, cement, fertilizer, sugar and minerals. Handysizes in particular are predominantly employed on short haul trades.

The world bulk carrier fleet expanded from 5,164 vessels of 243.8 million DWT at the beginning of 1996 to 9,962 vessels of 722.6 million DWT at the start of 2014, constituting a 196% expansion over 18 years at a CAGR of 6.2%. As of March 2014, the bulk carrier fleet consisted of 10,046 vessels of a combined 729.8 million DWT.



\* The shipping industry information contained in pages 22-25 has been provided by Clarkson Research, who advise that: (i) some information is derived from estimates; (ii) the information may differ from that of other maritime data providers; and (iii) data compilation is subject to limited validation procedures and may contain errors. No liability can be accepted for any loss incurred from reliance on the information provided

## Business review



### ii) Demand

Demand for dry bulk commodities is affected by world and regional economic conditions, but is increasingly tied to industrial production trends in Asia, particularly China. Other factors that influence demand include changes to seaborne transportation patterns and regional raw material price variations. Generally, demand for larger vessels is affected by the demand for a small number of commodities and by the trade patterns of a few key routes. Demand for smaller dry bulk vessels is more diversified and is determined by trade in a larger number of commodities. Seaborne dry bulk trade grew from 1.7 billion tonnes in 1990 to an estimated 4.3 billion tonnes in 2013, at a CAGR of 4.1%. Between 2003 and 2013, this rate was 5.8%, driven largely by the accelerated development of the Chinese economy in general and steel industry in particular. Seaborne dry bulk trade is projected to grow a further 4.3% in 2014, reaching 4.5 billion tonnes.

### iii) The Charter Market

The earnings environment has been better during the last six months, particularly for Capesizes, and the outlook for the coming twelve months is more positive than at this time last year, though oversupply remains a major problem for the sector.

Since they are less reliant on a small number of key trading routes than the larger vessel sizes, Supramax and Handysize earnings exhibit less volatility than those of the Panamax and Capesize sectors. Though the benefits accrued during the boom market were

less spectacular for the smaller vessel sizes than for the Capesizes, many Supramax and Handysize owners have coped rather better than their Capesize counterparts during the recent market downturn, aided partly by lower requirement for expensive bunker fuel. During the first two months of 2014, Supramax tripcharter earnings have averaged \$10,420/day. This compares to a ten year average of \$23,958/day and a market high of \$73,125/day in November 2007. Tripcharter earnings in October 2013 averaged \$11,816/day, the first time the monthly average had surpassed \$10,000/day since the summer of 2012. Meanwhile, Handysize six-month timecharter earnings have averaged \$10,069/day, compared to the ten year average of \$16,669/day, and a market high of \$49,500/day, reached in December 2007. The rate averaged \$10,188/day in December 2013, the first time the \$10,000/day threshold had been surpassed since October 2011.

## B. The Container Market:

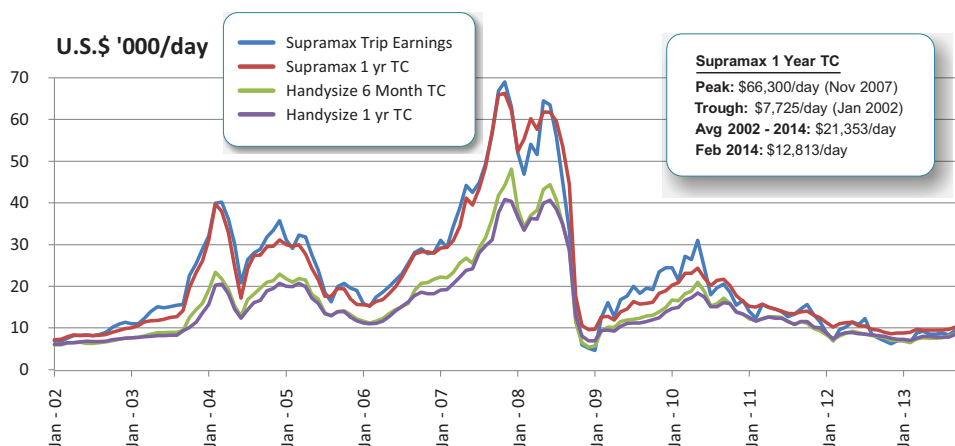
### Overview

Container shipping is responsible for the movement of a wide range of goods between different parts of the world in a unitized form and, since its beginnings in the 1950s, containerization has become an integral part of the global economy. The use of containers in global trade has resulted in considerable production and efficiency gains and has become important to the process of globalization. A wide range of cargoes are transported by container but most notably container transportation is responsible for the shipment of a di-



## Business review

### Supramax and Handysize TC Rates and Tripcharter Earnings



Source: Clarkson Research, March 2014

verse selection of manufactured and consumer goods. These cargoes are transported by container to end users in all regions of the world, and in particular from key producing and manufacturing regions to end users in the world's largest consumer economies. Participants in the container shipping industry include "liner" shipping companies, who operate container shipping services and in many instances own containerships, containership owners, often known as "charter owners", who own containerships and charter them out to liner companies, and shippers who require the seaborne movement of containerized goods.

#### i) Supply

The largest portion of the global container capable fleet is comprised of fully cellular containerships which as of March 1, 2014 totalled 5,087 vessels with an aggregate capacity of 17.2 million TEU. The remainder of the fleet is made up of a range of non-fully cellular vessel types, including multi-purpose vessels, or MPPs, capable of carrying container and breakbulk cargo, roll-on roll-off cargo vessels, or Ro-Ros, and general cargo vessels, which often have container carrying capacity. Unless noted otherwise, the remainder of this discussion focuses on fully cellular containerships. As of March 1, 2014, liner companies accounted for the ownership of 52% of containership fleet capacity, and charter owners, who own containerships and charter them out for operation by liner companies, accounted for 48% of total fleet capacity. Overall containership slot capacity expanded at a compound annual growth rate of 10.5% in the period between the start of 1985 and end of 2009. Fully cellular fleet capacity is estimated to have expanded by 9.6% in 2010, 7.9% in 2011, 5.9% in 2012 and 5.5% in 2013. Cur-

rent projections suggest that fully cellular containership capacity will grow by 5.4% in 2014.

#### ii) Demand

The expansion of global container trade is heavily influenced by global economic growth, increases in economic consumption at a global and regional level, and the process of globalization. In 2008, global container trade peaked at 135 million TEU, having increased at a compound annual growth rate of 9.5% in the period 1998 to 2008. During this period rapid growth in exports from China drove a significant part of the increase in container trade, along with growth in container trade volumes in and out of Russia and the Baltic, and to and from other emerging markets such as Brazil. Intra-Asian container trade volumes also grew rapidly during this period. In 2009, global container trade was an estimated 122 million TEU following a significant contraction of 9.2% due to the worldwide recession. Global trade subsequently rebounded by 13.1% to 138 million TEU in 2010. Global trade grew by a further 7.2% in 2011 to stand at 148 million TEU, and reached 153 million TEU in 2012, representing growth of 3.1%. The rate of global trade growth is currently estimated to have accelerated to 4.9% in 2013, with trade totalling 160 million TEU. Current projections suggest that growth will reach 6.0% in 2014, although this projection is subject to a wide range of risks from the global economy.

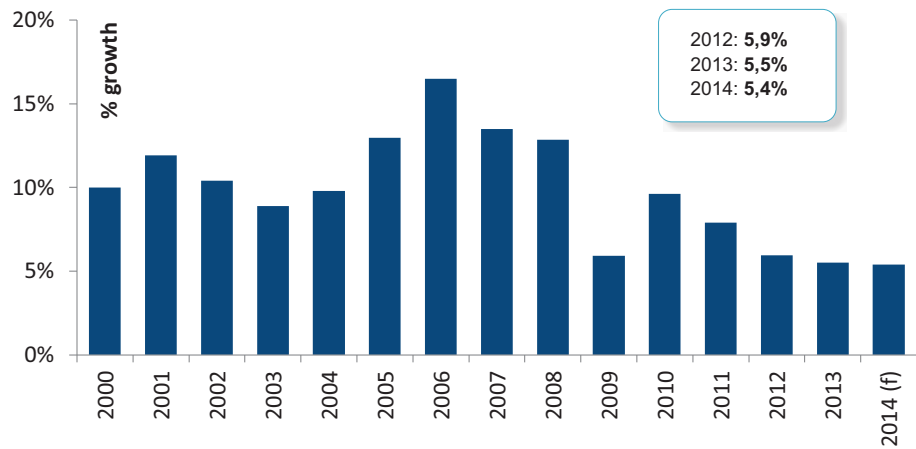
#### iii) The Charter Market

Pricing of containership transportation services occurs against a background of a competitive global containership charter market. There is a trend towards consolidation among the liner companies responsible

## Business review

### Containership Fleet Capacity Growth

Note: The full year 2014 forecast is as of the start of March 2014. These figures are subject to change as a result of actual delivery delay and cancellation, re-negotiation of contracts and levels of scrapping. Due to technical and contractual issues, there is currently considerable uncertainty surrounding the delivery of the orderbook.



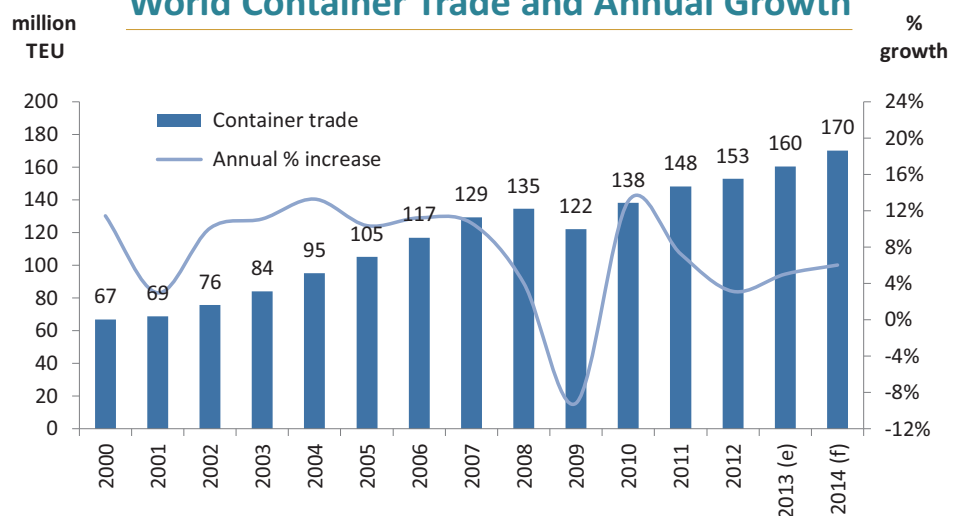
Source: Clarkson Research, March 2014

for chartering containerships. In 2004, 56% of TEU capacity controlled by the top 100 liner companies was controlled by the top 10 operators; by March 2014 this had risen to 67%. Containership charter rates depend on the supply of, and demand for, containership capacity, and can vary significantly from year to year. Containership economies of scale mean that the daily timecharter rate per TEU for a larger containership is less than for a ship with lower TEU capacity. The onset of the global economic downturn and the resulting slowdown in container trade growth created a relative oversupply of capacity, leading to a rapid decrease in containership earnings in the latter half of 2008, which

continued in the first half of 2009, with earnings remaining depressed during the rest of the year. In 2010, containership charter rates registered an upward trend over the year as a whole and made further gains in early 2011 before decreasing sharply in the second half of 2011 and remaining depressed through 2012 and 2013. The estimated one year timecharter rate for a 2500 TEU geared containership at the end of December 2010 was \$10,500 per day. At the end of December 2011, the rate had declined to \$7,000 per day. By the end of February 2014, the benchmark timecharter rate had increased marginally to \$7,600 per day. This compares to a ten year historical average of \$17,006 per day.

### World Container Trade and Annual Growth

Note: The full year 2013 estimate and 2014 forecast are as of the start of March 2014 and subject to change. Complete trade and economic data for 2013 is not yet available, estimates are subjective and there is no guarantee that current trends will continue.



Source: Clarkson Research, March 2014



## Business review

# Our Operational Fleet

	Vessel	Type	Year Built	Year Acquired	Capacity	Vessel Characteristics <sup>(1)(2)</sup>
	<b>Dry Bulk</b>				<b>DWT</b>	
1	<b>D Skalkeas</b>	Post Panamax	2011	2007	93,000	
2	<b>Eleni D</b>	Supramax	2010	2009	59,000	G
3	<b>Milos</b>	Supramax	2010	2007	57,000	B, G
4	<b>Pisti</b>	Supramax	2011	2007	57,000	B, G
5	<b>Sifnos</b>	Supramax	2010	2007	57,000	B, G
6	<b>Sofia</b>	Supramax	2011	2007	57,000	B, G
7	<b>Ermis (ex. Marie-Paule)<sup>(3)</sup></b>	Supramax	2009	2007	53,800	C, G
8	<b>Alpine-Trader<sup>(3)</sup></b>	Supramax	2009	2007	53,800	C, G
9	<b>Golden-Trader</b>	Handymax	1994	2010	48,170	G
	<b>Containers</b>				<b>TEU</b>	
1	<b>MSC Fortunate</b>	Post Panamax	1996	2006	5,551	
2	<b>MSC Socotra</b>	Post Panamax	1995	2009	4,953	
3	<b>Erato</b>	Sub Panamax	2011	2007	2,500	G
4	<b>Thasos</b>	Sub Panamax	1998	2013	2,452	G
5	<b>Thira</b>	Sub Panamax	1997	2012	2,100	G
6	<b>Paris Jr</b>	Handy	1996	2011	1,129	G
7	<b>Gitte</b>	Handy	1992	2007	976	A, G
8	<b>Brilliant</b>	Handy	1992	2007	976	A, G

<sup>(1)</sup> Each vessel with the same letter is a sister ship to each other vessel that has the same letter (A, B, C)

<sup>(2)</sup> Each vessel with the letter G is a geared vessel

<sup>(3)</sup> 50% ownership through a joint venture with Glencore International AG

“Diversified & Self-sustained Fleet”

## Business review

# Our Renewal Program: Vessels Sold

	Vessel	Type	Capacity	Built	Year Acquired	Year Sold	Net Sale Proceeds (U.S.\$ '000)	Profit/ (Loss) (U.S.\$ '000)
	<b>Dry Bulk</b>		<b>DWT</b>					
1	Vana	Supramax	53,522	1977	1999	2007	5,280	3,692
2	Ios	Panamax	69,737	1981	2002	2008	16,464	12,895
3	Samos	Capesize	136,638	1982	2002	2008	24,500	20,331
4	Athos	Panamax	67,515	1977	2002	2009	3,708	357
5	Gianni D	Panamax	69,100	1998	2002	2009	19,798	11,244
6	Alex D	Supramax	52,315	1989	1999	2012	6,486	3,397
7	Limnos	Supramax	52,266	1992	2004	2012	5,507	(2,663)
8	Lindos	Supramax	52,266	1990	2003	2012	5,259	1,502
9	Tilos	Supramax	52,266	1991	2004	2012	5,704	(2,183)
10	Vasos	Capesize	152,065	1990	2006	2013	7,330	118
	<b>Containers</b>		<b>TEU</b>					
11	Tuas Express	Feeder	485	1978	1998	2008	900	344
12	Achim	Handy	930	1978	2001	2008	1,290	268
13	Glory D	Handy	946	1978	1997	2008	4,004	2,652
14	MSC Socotra	Sub Panamax	2,258	1980	2002	2009	3,381	252
15	Howrah Bridge	Sub Panamax	2,257	1985	2003	2009	3,673	440
16	MSC Himalaya	Sub Panamax	2,108	1978	1999	2009	2,959	825
17	MSC Emirates	Handy	934	1979	2001	2009	1,238	422
18	MSC Mekong	Handy	962	1978	2001	2010	1,929	868
19	Grand Vision	Sub Panamax	2,986	1991	2010	2011	6,168	349
20	MSC Finland	Sub Panamax	3,032	1986	2007	2012	7,010	4,223
21	Pos Yantian	Sub Panamax	3,720	1988	2010	2012	7,619	938
22	Bosporus Bridge	Sub Panamax	3,720	1993	2007	2012	7,271	(3,803)
23	MSC Scotland	Sub Panamax	3,007	1992	2006	2013	6,155	(2,034)
24	MSC Accra	Sub Panamax	1,889	1985	2007	2013	3,490	1,955
25	MSC Anafi	Sub Panamax	2,420	1994	2007	2013	5,910	(3,906)

“A continuous fleet renewal program in order to provide a versatile fleet”



## Business review

### Our Charterers

A key competitive advantage of the Company is the amount of time and energy that has been invested in long term relationships with worldwide clients always ensuring excellent employment opportunities for our fleet. This usually results in profitable medium and long term employment in firm markets and full employment of the fleet, albeit on a shorter term basis in weaker market conditions.

Goldenport has performed transportation contracts over the past eight years including, but not limited to, the following first class Charterers:

Dry bulk Fleet	Container Fleet
Cargill	Hapag Lloyd
Glencore	K-Line
Hyundai Merchant Marine	MOL
Noble	Mediterranean Shipping Company
Norden	Zim
Oldendorff	
SK Shipping	
Transgrain	
U-Ming	
Western Bulk Carriers	

### Operational Fleet Forward Coverage

The percentage of available days of the fleet already fixed under contracts as of 31 January 2014 assuming the earliest charter expiration is as follows:

	2014 <sup>(1)</sup>
<b>Total Fleet</b>	26% (9%)
<b>Containers</b>	33% (16%)
<b>Bulk Carriers</b>	19% (2%)

<sup>(1)</sup> Percentage of available days of the fleet fixed under contract as reported on 19 November 2013, being the date of the previous trading update, is given in brackets





## Business review

# Fleet Employment Profile

Table below sets out our fleet employment status as at 3 February 2014, being the date of the release of our full year results.

		Dry-bulk	Type	Capacity (DWT)	Year Built	Rate (U.S.\$) per day	Earliest Expiration
Bulk Carriers	1	<b>D Skalkeas</b>	Post Panamax	93,000	2011	<b>16,500</b>	Jan-14
						<b>Repositioning</b>	
	2	<b>Eleni D</b>	Supramax	59,000	2010	<b>12,450</b>	Apr-14
	3	<b>Milos</b>	Supramax	57,000	2010	<b>15,000</b>	Jan-14
						<b>6,100 +\$55,000 Ballast Bonus</b>	Feb-14
	4	<b>Sifnos</b>	Supramax	57,000	2010	<b>10,000</b>	Mar-14
	5	<b>Pisti</b>	Supramax	57,000	2011	<b>11,000</b>	April-14
						<b>14,000</b>	Jul-14
	6	<b>Sofia</b>	Supramax	57,000	2011	<b>6,800</b>	Feb-14
	7	<b>Ermis (ex. Marie-Paule)</b>	Supramax	53,800	2009	<b>5,500</b>	Jan-14
						<b>Ballast for Dry-docking</b>	
8	<b>Alpine-Trader</b>	Supramax	53,800	2009	<b>13,000</b>	Mar-14	
					<b>10,500</b>	Jan-14	
9	<b>Golden-Trader</b>	Handymax	48,170	1994	<b>Ballast for Dry-docking</b>		
		Containers	Type	Capacity (TEU)	Year Built	Rate (U.S.\$) per day	Earliest Expiration
Containers	1	<b>MSC Fortunate</b>	Post Panamax	5,551	1996	<b>12,500</b>	Sep-14
	2	<b>MSC Socotra</b>	Post Panamax	4,953	1995	<b>6,500</b>	Mar-14
	3	<b>Erato</b>	Sub Panamax	2,500	2011	<b>7,200</b>	Mar-14
	4	<b>Paris Jr</b>	Handy	1,129	1996	<b>6,000</b>	Mar-14
	5	<b>Gitte</b>	Handy	976	1992	<b>6,150</b>	Mar-14
	6	<b>Brilliant</b>	Handy	976	1992	<b>6,150</b>	Mar-14
	7	<b>Thira</b>	Sub Panamax	2,100	1997	<b>6,750</b>	Mar-14
	8	<b>Thasos</b>	Sub Panamax	2,452	1998	<b>6,975</b>	May-14







## Quality & Safety

# Our Fleet Managers

The technical and day-to-day commercial management of our fleet is currently the responsibility of Goldenport Shipmanagement Ltd ('GSL') and Goldenport Marine Cyprus ('GMC'), together the Managers. GSL and GMC have BIMCO standard ship management agreements in place with each of the vessel-owning companies. Under the various ship management agreements the Managers provide the following to our fleet:

- commercial management of day-to-day vessel operations;
- performance of general vessel maintenance;
- ensuring regulatory and classification society compliance;
- sourcing and training of our qualified officers and crew;
- arrangement and supervision of special surveys, dry-dockings, vessel reconditioning and repair work;
- arrangement of insurance for vessels;
- purchasing of stores, supplies, spares and new equipment for vessels;
- appointment of supervisors and technical consultants;
- providing chartering services in accordance with our instructions (including assistance with seeking and negotiating employment for our fleet and managing certain relationships with charterers);
- freight collection;
- providing voyage estimates and calculation of hire, freights, demurrages;

The Managers, GSL and GMC have maintained high vessel deployment standards with an average of 97% fleet utilisation. Fleet utilisation is a critical benchmark of both charterers and cargo owners on the Company's technical and operational performance.

Employing in excess of 1,500 qualified officers and ratings on a rotating basis, a recruitment office in Odessa, Ukraine was established by GSL in 1997 for sourcing, training and handling of the personal affairs of all sea-going personnel.

The contribution of this effort has been significant in raising the quality of our seafarers and maintaining a significant workforce pool readily available throughout the year.


In order to satisfy regulatory requirements of the International Safety Management Code ('ISM') and International Ship and Port Facility Security Code ('ISPS'), the Managers have established a safety and quality management system that includes extensive instructions, guidelines and training programs in accordance with international requirements and standards. Managers' in house Quality Assurance Department, comprised of experienced personnel, has developed a proactive role beginning with its affiliated crew recruitment centers in the Ukraine and Greece.

Each Goldenport vessel is attended periodically throughout the year by the Managers' Safety Officer, who in coordination with Masters and Officers completes full audits to ensure compliance with planned maintenance and safety arrangements and standards.



## Quality & Safety

### Quality & Safety

 SL and GMC have ISM accreditation, which covers compliance with national and international regulations in order to provide safe practices to the marine industry and environment. All personnel ashore and onboard are committed to support this effort on a continuous basis.

Over the years GSL has built and strengthened long-standing business relationships based on first class transportation services. The company emphasises both flexibility and reliability in its service while being committed to environmentally sound corporate policies.

GSL and GMC are owned by the Dragnis Family and under the agreements that it holds with the vessel owning companies, charges a set fee per month for technical management services and 2% on the total time and voyage revenues for the provision of brokerage management services.

Under the management agreements between the Managers and the vessel owning companies, Goldenport may terminate them without incurring further termination costs.


The terms of these arrangements are comparable to the terms which would be negotiated with similar third party providers of such ship management services.

The Managers have the right to increase the management fee by 5% annually. Since the 2006 IPO it has waived this right on four occasions.

On 24 January 2014 the Board of Directors of the Company gave the Audit Committee the authority to negotiate with GSL and GMC in relation to the 2014 management fee. Following those negotiations the Audit Committee agreed an increase in monthly management fee from U.S.\$15.6 to U.S.\$16 per vessel. The increase is effective from 1 January 2014.

A monthly rental of EUR 18.5 (2012, EUR 18.2) is agreed to be charged by the owner of the building to Goldenport Marine Services for the rental of the head offices.

The Senior Independent Director, Mr. Robert Crawley is charged with monitoring the relationship between the Company and GSL and regularly reports on the relationship to the Board.

 SL and GMC have identified safety and the environment as two key areas in its sphere of operations that are of paramount importance and need to be effectively controlled to prevent unnecessary injuries, loss of life, damage to health, property, degradation of the environment and to minimize emissions.

To meet this requirement the Managers have embraced the IMO's International Safety Management Code. The Safety Management System under the ISM Code is designed to ensure the Company's activities are sufficiently controlled to protect personnel, property and the environment from all risks and hazards that can be reasonably expected. Compliance with all National and International rules is the corner stone of the success and effectiveness of our operating systems.

Management is committed to making all personnel whether onshore or onboard more safety conscious through continuous training and encourages all to become actively involved in identifying possible hazards, implementing corrective action and constantly monitoring all facets of their working environment to ensure Health & Safety and Environmental Protection conditions are always foremost in our activities.

Any incident is indicative of a failure in the operating system and the Company is committed to fully investigating all accidents or incidents that could have resulted in an accident. The results of such investigations and any necessary corrective action are brought to the attention of all concerned in order to avoid re-occurrence.

GSL and GMC are certified, by Bureau Veritas, according to the provisions of the International Safety Management System and has obtained a full term Document of Compliance (DOC) and Safety Management Certificate (SMC) for each of its Managed Ships.

GSL and GMC are committed to manage and mitigate its identifiable impact upon the environment and to comply with all National and International rules and regulations associated with company's activities.

**"24 Hours-a-Day 365 Days-a-Year"**



## Quality & Safety

### GOLDENPORT ENVIRONMENTAL POLICY OBJECTIVES

As managers of a worldwide trading fleet, GSL and GMC consider it a matter of great importance to focus on the preservation of the global environment. They recognize that emissions and waste created by consumption of power generating resources can result in damage to the environment. They also recognize the importance of prevention of marine pollution caused by marine accidents. With the Company's younger fleet now in operation, this serves to improve efficiency and reduce emissions.

All Managers' personnel, are committed to take all necessary measures and observe all environment related National and International Rules and Regulations, in order to minimize or eliminate any adverse impact upon the environment in which it operates.

#### Objectives

GSL and GMC focus on the safety of navigation and cargo operations procedures as indicated in their Safety Management System, in order to prevent the spillage of fuel oil and/or any other hazardous substances from ships during operation or at the time of any marine accident.

- They properly manage exhaust and waste residuals from ship's operations by following proper maintenance schemes and will wherever possible recycle such items.



- By upgrading their ship operations and working performance, they encourage maximum conservation of energy and resources.
- They refrain from using ship hull paints containing harmful substances hazardous to marine life and also using any ozone-depleting components
- We will elevate awareness and understanding of all prevailing Environmental issues among each company in the Goldenport Group.

In order to contribute to society, prevent pollution and take all available measures to protect the environment, all Managers' personnel, are committed to take all necessary measures and observe all related Environment National and International Regulations, in order to minimize or eliminate any adverse environmental impact arising from the Company's activities.

### ENVIRONMENTAL POLICY

GSL and GMC are committed to manage and mitigate, to the extent possible, any identifiable adverse environmental impacts from its operations and to comply with all national and international rules and regulations governing the trading and operation of the Company's fleet.

An Environmental Management System has been developed in order to identify all operational processes and to ensure achievement of objectives and targets set, by monitoring and constantly reviewing these procedures.

It is the Company's and the Managers' commitment to operate its ships whilst safeguarding the environment following these principles:

- To comply with all national and international rules and regulations, such as MARPOL, Flag State, Port State, in all operational activities related to environmental protection.
- To continuously improve and commit to these objectives.
- To minimize the risk from all shipboard operations and activities such as: bunkering operations, garbage disposal, engine room liquid waste, by following all applicable regulations and procedures set for these activities.
- To minimize air pollution by following maintenance instructions and to provide at all times adequate

## Quality & Safety



resources and personnel to keep all equipment in good working order.

- Provide appropriate maintenance in order to minimize leakages and residues from wear and tear.
- To provide a system, set of instructions, and to assign responsibilities for the implementation and operation of a Garbage Management Plan aboard the ships, for the prevention of pollution.
- To identify areas of our operations that involve potential environmental issues and evaluate their impact together with the required control procedures.
- To monitor and evaluate all set key performance indicators on environmental issues.
- To provide continuous training to both onshore and on board personnel, in order to keep them familiar with all described procedures, as well as all national and international rules and regulations in order to comply with all legal requirements.
- To ensure all personnel develop a recycling culture for all the Company's and the Managers' activities where appropriate.
- The Company has established procedures to report its activities to the public when required.

- To ensure Managers' Environmental Policies are known to all personnel who are involved in its activities.
- To ensure Managers' Environmental Policy is reviewed at least on an annual basis in order to ensure continuous compliance with existing and new requirements.
- To minimize paper consumption by using electronic methods of reporting and filing where applicable.
- Old electronic and office equipment/materials/paper to be given to recycling reception facilities or to be donated for further use where they are needed.

### Environmental Management

Policy objectives are controlled by the dedicated Environmental Manager who has direct support from both the Executive and the Management of the Company.

A reporting procedure is in place for all Environmental issues with all of the Executive and Management being fully engaged in this process. The dedicated Environmental Manager reports directly to Senior



## Quality & Safety

Management. An Environmental Committee meets regularly to review procedures and performance. An Emergency Response Organisation is also in place.

### Control of the environmental issues

The Managers have identified at least 31 Environmental Issues from ship operations which may give rise to environmental concerns either, actual or potential, and has developed procedures for identification, control, evaluation and to provide solutions should they occur.

In addition, a formal control system exists to manage any incident or potential incident. Key objectives are established and these are monitored and controlled with progress regularly reported.

The Board of the Company has not nominated a Director to be responsible for environmental issues, as it considers that these issues are important enough to require that they be considered by the Board in full.

Managers' Environmental Management System is reviewed at least annually and results are presented to Senior Management.

GSL is certified with ISO 14001/2004 with Bureau Veritas.

### QUALITY POLICY

The policy of the Managers is to supply its customers with services which consistently meet their needs and requirements to the highest possible standard.

They are committed to achieving the highest management standards and aims to remain a leading ship management company by continuous improvement and innovation. This involves the active participation, endeavor and ideas of all shore and seagoing personnel.

High standards of service and safety are achieved by operating a Quality System which meets the requirements of the International Standard ISO 9001/2008.

Compliance with this policy, the quality procedures and shipboard instructions is essential and binding upon all shore and sea personnel. Quality is the responsibility of everyone working for and on behalf of the Managers and the Company.

GSL is certified with ISO 9001/2008 by Bureau Veritas.





## Quality & Safety

### CREWING

The availability of experienced well trained crew is a major factor in ensuring long-term success. GSL and GMC are committed to the growth of our crew sourcing and training and to developing capabilities to service expansion in the Goldenport managed fleet.

Goldenport Odessa Ltd was established in the Ukraine as a wholly owned subsidiary of GSL in 1997 for the purposes of recruiting, evaluating and training new and existing crew for its managed vessels.

Ukraine was identified by Goldenport as one of the major hubs for manning purposes of commercial vessels. Odessa is the main southern port for all ex-Eastern Bloc countries and provides many opportunities to source good quality crew for our vessels. At the time of establishment, Goldenport Odessa was one of the very few major manning offices in the area which allowed the company to get a strong foothold in this competitive market.

In 2007 Goldenport Odessa Ltd, established a branch in Mariapole, Ukraine in order to expand further the recruitment base for crew.

Specific developments are being made to target and improve crew retention (currently at 83%), such as a programme of crew seminars, career management initiatives, the refinement of terms and conditions of employment contracts, the introduction of minimum employment standards and family welfare programmes. Senior officers are being encouraged to take up shore-based management positions so that the Managers benefit from the experience gained during a shipboard career.

The Managers' crew management network is well placed to meet the growth demands of the managed fleet. The size and diversity of the managed fleet allows them to provide training, development and career progression for crew. As the industry continues to face an ever increasing shortage of qualified crew, our ability to recruit, train and retain the best seafarers is one of our most important core competencies.

During 2008, GSL opened a new crewing agency in Philippines in order to provide lower ranks of crew to vessels operating in Asia, thereby controlling travelling costs.

### TECHNICAL MANAGEMENT

A major part of the GSL and GMC technical team philosophy is the rigorous practice of preventive maintenance. It is our belief that this approach is very successful and is essential to the quality of our services through improved technical condition of our managed fleet. The Managers and the Company feel it is better to spend a little to improve minor engine or steel parts than to wait for a small problem to become a major one, which will inevitably lead to expensive repairs and loss of revenue. This falls under the continuous maintenance program that they apply to all the vessels in the Company's fleet.

Technical expertise is provided through experienced multi-functional teams consisting of qualified key personnel and support staff. The main functions that cover the needs of our fleet through the Technical Department are:

- Drydock - Conversions - Repairs
- Regulations - Flag - Class
- Budget planning & control
- Planned Maintenance System

GSL and GMC are in constant contact with the senior officers onboard the vessels regarding all matters relating to the technical condition of its managed ships. Ships are inspected at regular intervals of three months by technical superintendents to ensure a close follow-up of shipboard activities. The attending technical superintendents then file comprehensive reports regarding the technical condition of our fleet in order to facilitate improved decision making processes regarding our fleet maintenance and constantly updated budgeting controls for the technical expenditure required to maintain our ships.

More recently, GSL established Goldenport Shanghai, to act as a representative office for the technical department of the company. The continuous presence of a large part of the fleet in Far Eastern ports, coupled with the significant ship repairing and building facilities in China, are the two main reasons behind the decision of setting up an office in the area.

## Quality & Safety

# Our Fleet Manager Key Personnel

### Goldenport Shipmanagement Ltd. & Goldenport Marine Cyprus

#### **Captain George Karavas**

**Age - 55, Managing Director**



Captain George Karavas is the Managing Director of Goldenport Shipmanagement since September 1999. He graduated from Greek Public Merchant Marine Academy in 1978 and started his career as Cadet and Officer on Ocean-

going Passengers and RoRo vessels and latter as Officer and Master on Oceangoing Bulkcarriers with 10 years sea service. He holds a Master Mariner degree from Greek Public Merchant Marine Academy and has attended various seminars and courses on Shipping Law, Chartering, ISM and ISO. Captain Karavas since April 1991 has started his career ashore as Port Captain, Operator, Operations Manager and in Administration in various shipping companies. He joined Goldenport Shipmanagement on May 1996 as Manager in Operations Department and since September 1999 he became Managing Director of the company. He has a total experience of 33 years-on board and ashore-in Shipping Business.

#### **Captain Alexandros Dragnis**

**Age - 63, Manager Supply Department**



Captain Alexandros Dragnis is the Supply Department Manager since 1995. He graduated from the Greek Merchant Marine Academy in 1973 and started his career as Cadet and Officer on oceangoing vessels, with 8 years of sea service. Captain

Alexandros Dragnis holds a Chief Officer Degree from Greek Marine Academy and he started successfully his career ashore in 1981, as Managing Director in "Renewal Shipping Agency" and continued as Technical Director in a company providing technical equipment for ships. He joined Goldenport Shipmanagement in 1995 and until now he holds the position of Manager Supply Department. He has a total experience of 38 years on-board and ashore in shipping business.

#### **Georgios Kalamakis**

**Age - 46, Technical Fleet Manager**



Georgios Joined Goldenport Ship management as Technical Fleet Manager in July 2012. Before joining Goldenport he was a Technical Manager for a period of more than 6 years in a shipping company with a Swiss owner, Maritime

Management Synergy - Swiss carries. From 2000 to 2006 he was Supt. engineer / Senior Supt Engineer / Fleet manager with US stock exchange shipping company General Maritime (Genmar) in their Greek office. Georgios is holder of Merchant Marine Engineer Class A diploma and serve on board all type of vessels from 1986 to 2000 with 12 years of Sea Going Service all in a US based Shipping company, Groton Pacific Carriers. He has also ISM internal / external auditor, CAP, CAS, and other certificates and he is a FIMAREST (Fellow Institute of Marine Engineering Science and Technology) member since 2007.

#### **Anastasios Proakis**

**Age - 46, New Building Department Manager and Technical Fleet Manager**



Anastasios joined Goldenport Shipmanagement as a Superintendent Engineer in 2005. In 2008 he became the Manager of the New Buildings department supervising the new building projects of Goldenport in four yards. Between 1987

and 1996 he served as an engineer on ocean going vessels and between 1996 and 2004 in a premium cruises company as Staff Chief Engineer. Before joining Goldenport he also spent one year in Piraeus based Ferry Company on high speed vessels with the rank of Chief Engineer. Anastasios holds a Merchant Marine Engineer Class A diploma and he is a student of a distance learning M.Sc. in marine and Offshore Engineering in Liverpool John Moores University.

## Quality & Safety

### Constantinos Constantinidis

Age - 43, Operations Manager



Konstantinos became Operations Manager of Goldenport Shipmanagement in 2009 after working for eight years with the Company between 1999 and 2007. Before assuming the role of Operations Manager he spent two years working

in a Containers operator. Overall he has more than 18 years of total shipping experience including two years of service as an officer on oceangoing vessels. He holds a Master C class diploma and he graduated from Merchant Marine Academy of Aspropyrgos, Greece. He has attended numerous seminars in ISO, SOLAS and other shipping related subjects.

### Mr. Yannis Kioleoglou

Age - 43, Commercial Manager



Yannis has joined the Company in 1997. As Commercial Manager, Yannis is responsible for chartering and post-fixture activities of the fleet. Vital for the Chartering part of his role is the maintenance of existing relationships with Charterers

and marketing to expand its clientele base. He holds 2 Master degrees; (1) in Naval Architecture & Marine engineering from the National Technical University of Athens and (2) in Shipping Trade & Finance from City University Business School. Mr. Kioleoglou started his career as Assistant Shiprepair Manager in Elefsis Shipyard Greece and served for two years at sea as an NCO/Engineer in the Greek Navy.

## Goldenport Marine Services

### Mr. Alexander Papagiannopoulos

Age - 44, Quality & Safety Manager



Alexander started his career on 1992, after graduating the Merchant Marine Academy of Aspropyrgos and obtaining his Master C class diploma. He has served as deck officer in several cargo ships and thereafter transited to a shipping company where he has

been appointed as a Port Captain, dealing with ship repairs and class surveys. Alexander joined Goldenport as Designated Person Ashore since July 1997 and has been appointed as Quality and Safety Manager since 2005, being responsible for the monitoring of the safety, quality and environmental aspects of the Managed fleet. He has total experience of 22 years in shipping industry. As part of his responsibilities for the continuous monitoring and implementation of the new rules and regulations, Alexander is attending continuous training in maritime field. He is certified lead auditor in ISO 9001/2008 and 14001/2004. He is also attending the undergraduate course in Business Administration at School of Social Science of the Hellenic Open University.

### Theoni Kousi (Ms)

Legal Manager



Theoni started her career in 1992 in one of the leading Piraeus shipping law firms, charter member of the Hellenic Society of Maritime Lawyers, where she became part of the litigation team, dealing with dispute resolution in a wide range of shipping matters

and shipping litigation. Thereafter she acted for four years as an in-house lawyer of a tanker management company in Athens, where she obtained an experience in non-contentious shipping matters. Since joining Goldenport in April 2006, Theoni has been working on a number of non-contentious shipping matters ranging from ship finance and ship sale and purchase, to newbuilding projects and related corporate transactions. She holds a degree in Law from the University of Athens, Greece and an LL.M from the University of Manchester.

“Key personnel with over 200 years total shipping experience”



## Report of Directors

# Report of Directors

The Directors present their report and the Group Financial Statements of Goldenport Holdings Inc. for the financial year ended 31 December 2013.

### Principal group activities

Goldenport is an international shipping company that owns and operates a fleet of container and dry bulk vessels that transport cargo worldwide. As of today the fleet consists of 17 vessels, of which 8 are containers and 9 are dry-bulk carriers.

### Summary of Selected Financial and Operating Data

Income Statement Data (in U.S.\$ thousand):	Year ended	
	31-Dec-13	31-Dec-12
Revenue	62,945	78,271
EBITDA	20,980	24,285
EBIT	(5,531)	(59,198)
Net Loss	(12,177)	(65,339)
Adjusted Net Loss	(11,876)	(16,826)
Weighted average number of shares	93,191,758	92,306,453
Loss per Share, basic and diluted	(0.13)	(0.71)
Adjusted Loss per Share, basic and diluted	(0.13)	(0.18)
<b>FLEET DATA:</b>		
Average number of vessels	19	24
Number of vessels at end of period	17	20
-Operating	17	19
- Non-operating	-	1
Ownership days	7,096	8,782
Available days	6,960	8,264
Operating days	6,751	7,372
Fleet utilisation	97%	89%
<b>AVERAGE DAILY RESULTS (in U.S.\$)</b>		
Time Charter Equivalent (TCE) rate	8,154	8,278
Average daily vessel operating expenses	4,206	4,177

## Report of Directors

### Notes on Summary of Selected Financial and Operating Data:

- (1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.
- (2) Ownership days are the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.
- (3) Available days are the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.
- (4) Operating days are the number of available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.
- (5) We calculate fleet utilisation by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilisation to measure a company's efficiency in finding suitable employment for its vessels and minimising the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.
- (6) Daily vessel operating expenses, which include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, are calculated by dividing vessel operating expenses by ownership days for the relevant period.



- (7) TCE rates are defined as our time and voyage charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel oil and diesel oil) expenses, canal charges and commissions. TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters are generally expressed in such amounts.
- (8) Net debt to book capitalisation is defined as total debt minus cash over the carrying amount of vessels.
- (9) Adjusted Net Loss is defined as the Net loss for the period decreased by the one-off non-cash impairment loss and the provision for doubtful trade receivables for the same year.

## Report of Directors

### Financial review (amounts in U.S.\$ '000)

#### Time and Voyage Charter Revenues:

Revenues decreased by U.S.\$ 15,326 or 19.6% to U.S.\$ 62,945 for 2013 (2012: U.S.\$ 78,271). The main reason for this was the decrease in the average number of vessels in the fleet as compared to the previous year.

#### Voyage expenses total:

Voyage expenses decreased by U.S.\$ 3,667 or 37.2% to U.S.\$ 6,192 for 2013 (2012: U.S.\$ 9,859) mainly due to i) decreased cost of bunkers consumed as a result of the reduction in idle or ballast days and ii) due to the decreased average number of vessels resulting in lower port and other voyage expenses.

#### Vessel operating expenses:

Vessel operating expenses decreased by U.S.\$ 6,834 or 18.6% to U.S.\$ 29,845 for 2013 (2012: U.S.\$ 36,679). The decrease is mainly attributed to the disposal of older tonnage reducing the total ownership days of the fleet.

#### General and administrative expenses:

General and administrative expenses decreased by U.S.\$ 747 or 23.9% to U.S.\$ 2,380 (2012: U.S.\$ 3,127). The decrease is mainly attributed to the de-recognition of the provisional amount relating to the "one-off" awards granted to certain Directors in 2010 which lapsed due to the fact that the performance targets were not met due to the depressed state of both the world economy and the shipping markets. Further reductions were achieved through the control of general remuneration levels.

#### Depreciation:

Vessels' depreciation charge decreased by U.S.\$ 11,964 or 36.4% to U.S.\$ 20,880 for 2013 (2012: U.S.\$ 32,844). The decrease is attributed to the following: i) decrease of total ownership days due to the reduction in the average number of vessels in the fleet and ii) due to the adjustment of the estimated scrap rate used to calculate a vessel residual value from U.S.\$180 to U.S.\$250 per lightweight ton.

#### Depreciation of dry-docking costs:

Depreciation of dry-docking costs decreased by U.S.\$ 2,165 or 60.4% to U.S.\$ 1,417 for 2013 (2012: U.S.\$ 3,582) mainly due to the decreased number of vessels which were dry-docked compared to the previous year.

#### Loss from vessel disposals:

In 2013 the Company disposed of four vessels, MSC Scotland, Vasos, MSC Accra and MSC Anafi realizing a net loss of U.S.\$ 3,867, while in 2012 the Company disposed of seven vessels, Alex D, MSC Finland, Lindos, Tilos, Pos Yantian, Limnos and Bosphorus Bridge, realizing a net gain of U.S.\$ 1,411.

#### Financing costs:

Interest expense decreased by U.S.\$1,200 or 16.1% to U.S.\$ 6,249 for 2013 (2012: U.S.\$ 7,449). This is mainly due to the decreased average amount of debt as compared to the previous year.

#### Cash and cash equivalents:

As of 31 December 2013, the Company had U.S.\$ 15,469 of unrestricted cash and cash equivalents (2012: U.S.\$ 16,775). The decrease of cash is a result of the average time charter rates in 2013 being lower than the cash flow break-even level.

#### Restricted Cash:

The Company as of 31 December 2013 had U.S.\$ 2,642 of restricted cash (2012: U.S.\$ 6,014) relating to cash restricted in use by the financing bank subject to fulfilment of certain terms and conditions, as provided in the loan agreements.





## Report of Directors

### Fleet Developments (amounts in U.S.\$ '000):

#### Vessels disposals

On 24 April 2013, the Company agreed the sale of the 3,007 TEU, 1992 built vessel "MSC Scotland", to an unaffiliated third party. The sale was concluded at a net consideration of U.S.\$ 6,155 cash and the vessel was delivered to the new owners on 14 May 2013. The loss resulting from the sale of the vessel was U.S.\$ 2,034.

On 2 August 2013, the Company agreed the sale of the 152,065 DWT, 1990 built vessel "Vasos", to an unaffiliated third party. The sale was concluded at a net consideration of U.S.\$ 7,330 cash and the vessel was delivered to the new owners on 20 August 2013. The gain resulting from the sale of the vessel was U.S.\$ 118.

On 10 September 2013, the Company agreed the sale of the 1,889 TEU, 1985 built vessel "MSC Accra", to an unaffiliated third party. The sale was concluded at a net consideration of U.S.\$ 3,490 cash and the vessel was delivered to the new owners on 20 September 2013. The gain resulting from the sale of the vessel was U.S.\$ 1,955.

On 6 December 2013, the Company agreed the sale of the 2,420 TEU, 1994 built vessel "MSC Anafi", to an unaffiliated third party. The sale was concluded at a net consideration of U.S.\$ 5,910 cash and the vessel was delivered to the new owners on 31 December 2013. The loss resulting from the sale of the vessel was U.S.\$ 3,906.

#### Vessel acquisition

On 12 April 2013, the Company took delivery of M/V Thasos, a 1998 built container of 2,452 TEU, which was acquired for U.S.\$ 5,971, including bunkers and lubricants remaining on board at the delivery of the vessel.

#### Impairment:

No impairment loss was recognised for the year ended 31 December 2013 (U.S.\$47,600 impairment loss was recognised for the year ended 31 December 2012).

#### Final dividend:

The Board of Directors recommends to the Annual General Meeting for approval, the non-payment of a dividend for 2013.

### Share capital, share premium and non-controlling interest:

#### Share Capital:

Share capital consisted of the following at 31 December:

	2013 U.S.\$'000	2012 U.S.\$'000
<b>Authorised</b>		
200,000,000 Shares of \$0.01 each	2,000	2,000
<b>Issued and paid</b>		
93,191,758 Shares of \$0.01 each	932	932
<b>Total issued share capital</b>	<b>932</b>	<b>932</b>

#### Annual Incentive Plan (AIP):

At its meeting on 13 December 2013 the Remuneration Committee did not recommend and the Board of Directors approved no Base Award to Executive Directors under AIP for the current year.

#### Share Premium:

The analysis of the share premium is as follows:

	U.S. \$'000
Balance 31 December 2011	145,419
Scrip dividend shares	2,888
Balance 31 December 2012	148,307
Balance 31 December 2013	148,307

#### Non-Controlling Interest:

Amount of U.S.\$1,001 (U.S.\$ 955 as at 31 December 2012) in the accompanying statement of financial position concerns the net consideration received for the disposal of 20% of the voting shares of Tuzon Maritime Co., the vessel owning company of Paris JR, increased by the 20% portion of the profit attributable to Tuzon Maritime Co., which for the year ended 31 December 2013, amounted to U.S.\$46.

#### Directors' interests in shares

The Interests of the Directors, the Senior Management and their respective immediate families in the share capital of the Company (all of which are beneficial unless otherwise stated), were as at 31 December 2013 as follows:

## Report of Directors

Name	Number of shares as at 31 December 2012	Acquisition of shares 16 September 2013	Number of shares as at 31 December 2013	Percentage of shares as at 31 December 2013
Dragnis family	53,287,939	1,500,000	54,787,939	58.79%
Chris Walton	19,704	-	19,704	0.02%
Konstantinos Kabanaros	120,754	-	120,754	0.13%

### Related party transactions (amounts in U.S.\$'000):

Transactions with related parties consisted of the following for the years ended 31 December:

#### Goldenport Shipmanagement Ltd. ("GSL") and Goldenport Marine Cyprus ("GMC"):

All vessel operating companies included in the consolidated financial statements have a management agreement with either GSL or GMC, corporations directly controlled by the Dragnis family, to provide, in the normal course of business, a wide range of shipping managerial and administrative services, such as commercial operations, chartering, technical support and maintenance, engagement and provision of crew, for a monthly management fee of U.S. \$15.6 per vessel (U.S. \$15.2 in 2012). GSL is a Liberian corporation and has a branch office registered in Greece under the provisions of Law 89/1967. GMC is a Cypriot corporation and has a branch office registered in Cyprus under the relevant Cypriot companies' laws and provisions. On

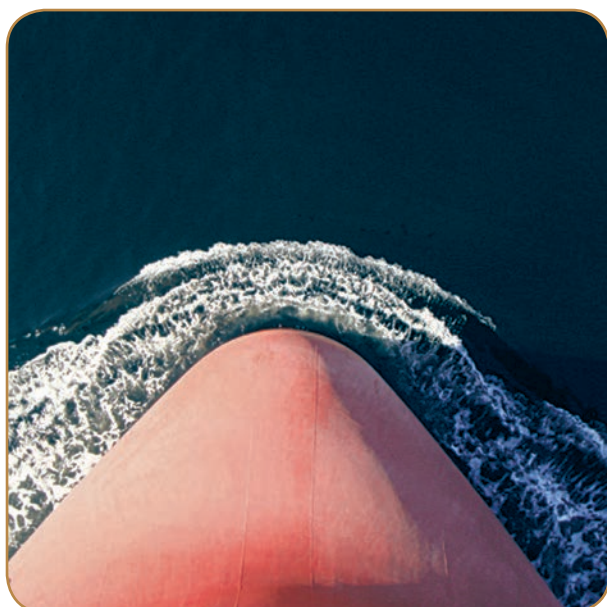
24 January 2014 the Board of Directors of the Company gave the Audit Committee the authority to negotiate with GSL and GMC in relation to the 2014 management fee. Following those negotiations the Audit committee agreed an increase in monthly management fee from U.S.\$15.6 to U.S.\$16 per vessel. The increase is effective from 1 January 2014. In addition to the monthly fee GSL and GMC charge a commission equal to 2% of time and voyage revenues relating to charters they organise.

	2013 U.S.\$'000	2012 U.S.\$'000
Voyage expenses - related parties (GSL & GMC)	1,153	1,504
Management fees - related parties (GSL & GMC)	3,548	4,321
<b>Total</b>	<b>4,701</b>	<b>5,825</b>

	2013 U.S.\$'000	2012 U.S.\$'000
Due from related parties -Current (GSL)	5,627	4,560
<b>Total</b>	<b>5,627</b>	<b>4,560</b>

	2013 U.S.\$'000	2012 U.S.\$'000
Due to related parties -Current (GMC)	974	-
<b>Total</b>	<b>974</b>	<b>-</b>

Commission charged for the year ended 31 December 2013 by both GSL and GMC amounted to U.S.\$1,153 (2012: U.S.\$1,504, by GSL) and is included in "Voyage expenses".



## Report of Directors



The amounts receivable from related parties, shown in the table above, represent the vessel operating companies' cash surplus handled by GSL. The amounts payable to related parties represent commissions and management fees payable to GMC for the 12 month period ended 31 December 2013.

### Rental of office space:

A monthly rental of EUR18.5 (EUR 18.2 in 2012) was agreed to be charged by the owner of the building (a related party under common control) to Goldenport Marine Services for the rental of the head offices. Total rent expense for the year ended 31 December 2013 amounted to U.S.\$328 (U.S.\$314 in 2012) and is included in General and administration expenses in the accompanying financial statements.

The future minimum lease (rental) payments under the above agreement as at 31 December are as follows:

	2013 U.S.\$'000	2012 U.S.\$'000
Within one year	330	293
After one year but not more than five years	1,193	413
More than five years	218	-
	<b>1,741</b>	<b>706</b>

The Senior Independent Director, Mr. Robert Crawley is charged with monitoring the relationship between the Company, GSL and GMC and regularly report on the relationship to the Board.

For the annual incentive plan and other remuneration of the Directors please refer to the Directors' Remuneration Report.

For the Group Financial Statements, please refer to the Financial Statements section of this Annual Report.

**By the order of the Board**

**Vassiliki Papaspyrou**

**Company Secretary**

**31 January 2014**



## Corporate Governance Statement

Goldenport Holdings Inc. is a Marshall Islands shipping company which has voluntarily undertaken to comply with the UK corporate governance standards, in order to assure the investment community that it operates in the same way as a UK company listed on the London Stock Exchange.

- Although outside of the Takeover Code, commensurate investor protection measures have been enshrined in the Company's Articles;
- Pre-emption rights were also included within the Company's articles;

The Company is committed to following high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance. This section of the Annual Report describes how the many principles set out in the UK Corporate Governance 2010 (the "New Code") are applied by the Company.

### Transfer to standard listing

On January 7, 2014 we transferred the listing of the shares of the Company from premium to standard in order to allow the Company more flexibility to better execute its business strategy. The listing transfer was effected following a Special Resolution to that effect by our shareholders at a General Meeting held on December 3, 2013.

### Reasons for the Transfer

The restrictions resulting from a premium listing could sometimes result in limiting the Company's ability to execute transactions quickly and efficiently that would allow it to expand or reorganise its assets and operations and/or generate additional funding through disposals, as and when required. As a consequence of the need to seek shareholder approval in advance (by virtue of the size of a transaction) such transactions could be rendered impracticable or lost on the basis of time or cost or both.

In addition, as a standard segment-listed company, administrative costs can be reduced generally and certain transactions can be completed in a shorter timescale and at a materially lower expense than with a premium listed company. The transfer will assist the Board in aligning its regulatory responsibilities and the associated costs thereof with the Company's size.

### Changes in regulatory requirements and corporate governance as a result of the listing transfer

- Companies with a standard listing are not eligible for inclusion in the UK series of FTSE indices;
- Companies with a standard listing are not required to retain a sponsor for certain transactions;
- Companies with a standard listing are not required to comply with the Listing Principles as contained in Chapter 7 (Changes in Capital or New Issues) of the Listing Rules;
- Companies with a standard listing are not required to: (i) control the majority of their assets and to have done so for the last three years; or (ii) carry on an independent business as their main activity. However, the Directors intend to continue to comply with these requirements;
- The UK Corporate Governance Code does not apply directly to companies with a standard listing. However, pursuant to paragraph 7.2 of the Disclosure and Transparency Rules, companies with a standard listing are still required to make a statement in the directors' report covering the governance code to which the issuer is subject in relation to the financial reporting process and certain details of its share capital. The directors of companies with a standard listing are also required to include a description of the internal control and risk management systems and the composition of committees;
- The Model Code does not apply to a company with a standard listing. However, the Directors continue to apply the Model Code;
- A standard listing does not require a company to offer pre-emption rights pursuant to the Listing Rules. However, the Company will continue to offer pre-emption rights pursuant to its Articles of Incorporation, unless approved otherwise by its shareholders;
- A standard listing does not require a company to comply with Chapter 10 of the Listing Rules which sets out requirements for shareholders to be notified of certain transactions and to have the opportunity to vote on proposed significant transactions. Shareholders should note that a company with a standard listing is able to undertake significant transactions without Shareholder approval;
- A standard listing does not require a company to comply with Chapter 11 of the Listing Rules which contains rules intended to prevent a related party from taking advantage of its position in respect of

## Corporate Governance Statement

transactions with the listed company. However, the Company's By-Laws at paragraph 47 require prior shareholder approval by way of an ordinary resolution where the Company enters into a substantial property transaction for a non-cash asset with a Director or a person connected with a Director. Additionally, the Independent Directors will continue to scrutinise all Related Party transactions and any such proposal will only be accepted by the Board if supported by the Independent Directors;

- Companies with a standard listing are not required to comply with Chapter 12 of the Listing Rules which applies to companies dealing in their own securities. However, the Directors continue to comply with those provisions;
- A company with a standard listing is not required to comply with the more onerous requirements relating to the content of circulars issued to shareholders of companies with a premium listing as detailed in Chapter 13 of the Listing Rules;
- Companies with a standard listing are not required to limit the number of shares issued or capable of being issued pursuant to warrants/options (excluding employee share schemes) to 20 per cent. of existing issued share capital. However, the Directors continue to comply with this limit;
- Companies with a standard listing are not required to obtain the approval of shareholders by way of special resolution for the cancellation of the listing of any of their shares;

### Statement of compliance with the UK Governance Code

The Board considers that the Company has complied fully with the UK Corporate Governance Code throughout the financial year 2013.

The Code provides that the Board of Directors of a United Kingdom public company should include a balance of Executive and Non-Executive Directors (and, in particular, Independent Non-Executive Directors), with smaller companies having at least two independent Non-Executive Directors. The Combined Code states that the Board should determine whether a director is independent in character and judgment and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. As a smaller company, Goldenport should have at least two independent Non-Executive Directors in addition to the Non-Executive Chairman. The composition of the Board comprises three Executive Directors (including the Chief

Executive Officer) and three Non-Executive Directors (including the Chairman). The Company regards Robert Crawley and Barry Martin as independent Non-Executive Directors. Chris Walton (Non-Executive Chairman) was independent at the time of his appointment.

Apart from the relationship between the Dragnis family and Goldenport Shipmanagement Ltd. and Goldenport Marine Cyprus none of the Directors have any potential conflict of interest between the duties they owe to the Company and their private interests or duties owed to third parties.

The Code recommends that the Board should appoint one of its independent Non-Executive Directors to be the senior independent director ("SID"). Robert Crawley has been appointed as the SID.

The Board has established separate Audit, Remuneration, Nomination and Disclosure Committees. The Code requires that all the members of the Audit Committee and Remuneration Committee and a majority of the members of the Nomination Committee should be independent Non-Executive Directors.

### Board of Directors

The Board is the principal decision making forum for the Company. It has overall responsibility for leading and controlling the Company and is accountable to shareholders for financial and operational performance. The Board approves group strategy and monitors performance. The Board has adopted a formal schedule of matters detailing key aspects of the Company's affairs reserved for it to decide including setting and monitoring group strategy, setting commercial policies, reviewing trading performance, ensuring adequate financing, examining potential acquisitions, formulating policy on key issues and reporting to shareholders. Developing key opportunities and negotiating them is delegated to the Chief Executive Officer but final approval for any group acquisitions or disposals needs to be made by the Board. Agreeing suitable financing for further fleet acquisitions is delegated to the Chief Financial Officer, with the Board having the final approval on each loan agreement to be entered into. Other operational decisions are given to the executive members of the Board.

The roles of Non-Executive Chairman and Chief Executive Officer are distinct and separate with a clear division of responsibilities. All Directors participate in discussing strategy, performance and financial and risk management of the Company and meetings of the Board are structured to allow and encourage an open discussion.

The Board expects to meet at least six times per calendar year. In order to ensure that the Board is able to

## Corporate Governance Statement

discharge its duties, all Directors receive appropriate and timely information with papers being issued to the Board in advance of the meetings of the Board including financial and business reports covering the Company's principal activities. The Non-Executive Directors meet at least once per year without the Executive Directors being present and the independent Non-Executives Directors meet at least once year without the Chairman being present. At this meeting, which is led by the SID, the independent Non-Executive Directors discuss the Chairman's performance and provide feedback.

The performance evaluation of the Board, the Committees and each Director occurs annually. The procedure applied in 2013 was as follows: using a common framework of questions, the Non- Executive Chairman met individually with each Director and then reported his aggregate findings to the full Board for discussion. In addition, the Audit Committee considers its own effectiveness as part of the year-end audit process. Every Director reaches his determination after considering the Company's performance during the year (both financial and operational), any special circumstances that have arisen (e.g. the challenges posed by the external environment) and the progress towards medium to long term objectives. The Chairman's performance is evaluated by the independent Non-Executive Directors led by SID.

As Goldenport is a "smaller" company, an external facilitator has not been used to assist in the evaluation processes.

All Directors receive regular update on changes of regulation or legislation that affect their capacity as Board members and all Directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors. Finally, all the Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are complied with. The Company maintains insurance cover in respect of legal action against its Directors and Officers.

### Board balance and independence

During the year, the Board comprised the Non-Executive Chairman, the Chief Executive Officer, the Chief Accounting Officer, the President, and two other independent Non-Executive Directors.

The Board is therefore made up of three Executive Directors and three non-executive directors, two of

whom are independent (the non-executive Chairman is not considered independent now, but was at the time of his appointment). In the event of an equality of votes at Board meetings, no Director has a casting vote.

The Board functions effectively and efficiently and is considered to be an appropriate size in view of the size of the Company and the diversity of its business. The Board considers that each Director demonstrates a range of experience and is of high caliber, which is vital to the success of the Company.

The Board considers that the Non-Executive Directors combine broad business and commercial experience to bring independent and objective judgment to bear on issues of strategy, performance, resource and standards of conduct. The balance between the Executive Directors and the Non-Executive Directors maintains the highest standards of integrity across the Company's business activities.

The non-executive directors' skills are appropriate for the nature of Goldenport's business: Goldenport is an owner of shipping assets, but it does not directly operate those vessels. Mr Crawley has over 30 years of banking experience, in both commercial and investment banking, with the last 30 years in the maritime sector. Mr Martin has over 40 years' experience in banking, including being the General Manager of RBS's Piraeus office in Greece providing finance and banking services to the Greek shipping community and being the Head of Greek Shipping based in London.

The names and biographies of the Board members are set in the section entitled 'Our Board'.

The Board considers that all Non-Executive Directors, except the Chairman, are independent

At the time of his appointment, Mr. Walton the non-executive Chairman was independent.

Mr. Robert Crawley is the Senior Independent Non-Executive Director.

### Audit Committee

In accordance with the requirements of the Combined Code the Audit Committee is made up of at least two members who are independent Non- Executive Directors with at least one committee member having recent and relevant financial experience. The Audit Committee is chaired by Robert Crawley. The Audit Committee comprises two Non-Executive Directors. Both members of the Audit Committee are indepen-



## Corporate Governance Statement

dent. Both Mr Crawley and Mr Martin have recent and relevant experience (please refer also to the section entitled 'Our Board' for their full résumés). The Audit Committee normally meets at least three times a year.

The Audit Committee has responsibility, amongst other things: to monitor the integrity of the financial statements of the Company and any formal announcements relating to the company's financial performance; to review the significant financial reporting judgments contained in them; to review the Company's internal financial controls and the company's internal control and risk management systems; to monitor and review the issue of the establishment of the company's internal audit function; to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

In particular, the Audit Committee focuses on compliance with legal requirements, accounting standards and the rules of both the FCA and the UKLA to ensure that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The terms of reference of the Audit Committee covers such issues as: internal controls and risk management systems, internal audit, external auditors, financial statements and reporting responsibilities. The terms of reference also set out the authority of the Audit Committee to carry out its duties.

The major activities of the Audit Committee during 2013 can be summarized as follows:

### Financial statements and reports:

- reviewed the 2013 Annual Report and Accounts and the June 30, 2013 Half Year Report and reviewed

and approved all IMSs issued relating thereto. As part of these reviews the Committee received a report from the external auditors on their full year and interim audits.

- reviewed the effectiveness of the Group's internal controls and disclosures made in the the Annual Report and financial statements;
- considered the methodology for the valuation of assets for the purposes of impairment testing

### Risk Management:

- continued the long term project to ensure that the Company's key risk controls policies and policies are both updated and re-evaluated where necessary. This also entails liaison with our Fleet Manager;
- regular liaison with the Finance Department on all matters relating to compliance with banking covenants
- the Company's "Whistle Blowing" procedures were updated.

### Internal Audit:

- continued to monitor the need for the establishment of an Internal Audit function. In 2013 the decision was once again reaffirmed that the size and complexity of the Company did not justify the additional overhead expense but that this decision will be the subject of regular review;

### External Auditors:

- reviewed, considered and agreed the scope and methodology of the audit work to be undertaken by the external auditors;
- evaluated the independence and objectivity of the external auditors
- there was no non-audit work undertaken by our external auditors

### Related Party Transactions:

- we continue to be responsible for managing the relationship between the Company and the Fleet Manager including negotiating and recommending to the Board any change in the monthly management fee paid to our Fleet Manager.
- All other related party transactions are reported to the Audit Committee for scrutiny.

## Corporate Governance Statement

The Smith Guidance on Audit Committee composition states that the Chairman should not be a member of the Audit Committee. Therefore our Chairman, Chris Walton, is not a member of the Audit Committee but does attend as a non-voting observer when invited to do so by the Chairman of the Audit Committee. The terms of reference of the Audit Committee are available for inspection on the website of the Company and at Head-Office in Athens.

### Remuneration Committee

The chairman is Barry Martin with Mr. Robert Crawley as its member.

The Remuneration Committee has responsibility for the determination of specific remuneration packages for each of the Directors and Senior Management, including any compensation payments, recommending and monitoring the level and structure of remuneration, the implementation of share option schemes and the Annual Incentive Plan.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, as mentioned above, together with the role of the Company Secretary and the requirements of notice of and quorum for and the right to attend meetings. The duties of the Remuneration Committee covered in the terms of reference relate to the following: determining and monitoring policy on and setting level of remuneration, contracts of employment, early termination, performance-related pay, authorising claims for expenses from the Chief Executive Officer and Chairman, reporting and disclosure, and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the Remuneration Committee to carry out its duties.

The Combined Code states that the Remuneration Committee should be comprised solely of Non-Executive Directors. The two members are independent Non-Executive Directors. The terms of reference of the Remuneration Committee provide that no Director will take any part in any decision in relation to his own remuneration. This restriction has been complied with.

No external remuneration consultants were employed during the financial year under review.

The terms of reference of the Remuneration Committee are available for inspection on the website of the company and at the Athens Head-Office.

### Nomination Committee

The Combined Code requires that the majority of members of the Nomination Committee are independent Non-Executive Directors.

The Nomination Committee is chaired by Mr Barry Martin and its other members are Robert Crawley and John Dragnis. Therefore the majority of members are independent Non-Executive Directors.

The Board chose this membership composition as it considers it appropriate for the size and the nature of the business. The Nomination Committee leads the process of Board appointments and makes recommendations to the Board on, amongst other things, the Board composition and balance.

The terms of reference of the Nomination Committee are available for inspection on the website of the company and at the Head-Office in Athens.

During the financial year 2013, following the departure of Captain Paris Dragnis from the Nomination Committee, Mr John Dragnis, was formally appointed as a member. The Board of Directors is familiar with the recommendations made by Lord Davies in his report on the topic of Board composition. For all future appointments to the Board of Goldenport Holdings Inc the recommendations of Lord Davies will be considered whenever a vacancy arises. It is and will remain the policy of the Board to promote the recruitment of a Board that is diverse in terms of both experience and gender. The Board recognizes the benefits that this can bring to the Company. Given the small number of Directors that comprise the Board, it is inappropriate to commit to any specific diversity targets relating to either numbers or timing as recommended in that report. The policy of the Board will always be to ensure that the best candidate is selected.

### Disclosure Committee

The Chairman of the Disclosure Committee is Captain Paris Dragnis. The other members are, Chris Walton and John Dragnis.

The Disclosure Committee establishes and implements policies with a view to ensuring that information required to be disclosed under the Listing Rules and Disclosure and Transparency Rules is identified in a timely manner and is properly considered by the Board. The Disclosure Committee also has responsibility for compiling and maintaining insider lists and operating the Company's code for dealing in securities.

## Corporate Governance Statement

The terms of reference of the Disclosure Committee are available for inspection on the website of the company and at the Head-Office in Athens.

### Model Code

Since the Company's admission to the Official List of the London Stock Exchange in April 2006, the Company has adopted a code of securities dealings in relation to the Shares and other securities which is based on, and is no less exacting than, the Model Code published in the Listing Rules. The Model Code applies to all Directors and employees of the Company. The Company transferred to a Standard Listing on 7th January 2014 and, although the Model Code does not apply to a company with such a listing, the Directors continue to apply it.

### Takeover regulation

As the Company is incorporated in the Marshall Islands, it is not subject to the City Code on Takeovers and Mergers which applies to the conduct of takeovers and mergers of UK companies. As a result, a takeover of the Company, stake-building and certain other shareholder activity would not be regulated by the United Kingdom's Panel on Takeovers and Mergers.

Notwithstanding, the Company has incorporated certain provisions in its Articles of Incorporation and By-Laws which will be implemented by the Board to regulate certain acquisitions of Shares in the Company. The relevant provisions of the Articles of Incorporation and By-Laws are summarised below. Broadly, the provisions provide that a person must not without making an offer to all shareholders on matching terms:

- (a) acting by himself or with persons determined by the Board to be acting in concert with him, seek to acquire Shares which, taken together with Shares held or acquired by persons determined by the Board to be acting in concert with him, carry 30% or more of the voting rights attributable to the Shares;
- (b) acting by himself or with persons determined by the Board to be acting in concert with him, and holding not less than 30% but not more than 50% of the voting rights attributable to the Shares, seek to acquire, by himself or with persons determined by the Board to be acting in concert with him, additional Shares which, taken together with the Shares held by the persons determined by the Board to be acting in concert with him, increase his voting rights, except as a result of

a "permitted acquisition" (meaning an acquisition either consented to by the Board, or made in compliance with certain provisions which broadly replicate Rule 9 of the City Code, or arising from the repayment of a stock borrowing arrangement). Furthermore, where the Board has reason to believe that any of the circumstances described above has taken place, the Board may, amongst other things, determine that some or all of the Shares acquired in breach of the articles of incorporation and by-laws of the Company will not carry any right to any dividends or other distributions from a particular time for a definite or indefinite period.

In addition to the protections included in the Articles of Incorporation and the By-Laws of the Company, it is also the current intention of the Directors to use reasonable endeavors (in so far as they are able, and subject to applicable law and their fiduciary duties at the relevant time) to ensure that:

- (a) Shareholders are treated equally in respect of any takeover offer for Shares in the Company which is recommended by the Board to Shareholders (an offer);
- (b) during the course of an offer, or when an offer is in contemplation, the Company does not furnish information to some Shareholders which is not made available to all Shareholders other than information furnished by the Company in confidence to a bona fide potential offer or vice versa;
- (c) Shareholders are given sufficient information and advice to enable them to reach a properly informed decision with respect to an offer and are given sufficient time to do so;
- (d) the Directors do not, without the prior approval of the Shareholders in general meeting, take any action actively to frustrate a bona fide takeover offer at any time after such offer has been communicated to the Directors or the Directors have reason to believe that such an offer may be imminent; and
- (e) the Directors, in advising the Shareholders on an offer, act only in their capacity as directors and do not have regard to their personal or family Shareholdings or to their personal relationships with the Company.











### Composition of Board and Committees

Below is a summary of our committee structure:



## Corporate Governance Statement

Chairman  Member 

	Audit Committee	Nomination Committee	Remuneration Committee	Disclosure Committee
	All members are independent Non-Executive Directors	A majority of members are independent Non-Executive Directors	All members are independent Non-Executive Directors	
<b>Non Executive Directors</b>				
Chris Walton				
Robert Crawley				
Barry Martin				
<b>Executive Directors</b>				
John Dragnis				
Captain Paris Dragnis				
Konstantinos Kabanaros				

The Board chose this membership composition as it considered that it was appropriate for the size and nature of business.

### Meetings

The number of the meetings of the Board, the Audit, Remuneration and Nomination Committees and individual attendance by their respective members during the year is shown below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
<b>Non Executive Directors</b>				
Mr. Chris Walton <sup>(1)</sup>	6	4	2	2
Mr. Robert Crawley	6	4	2	2
Mr. Barry Martin	6	4	2	2
<b>Executive Directors</b>				
Mr. John Dragnis <sup>(2)</sup>	6	-	2	1
Captain Paris Dragnis	4	-		-
Mr. Konstantinos Kabanaros <sup>(3) (4)</sup>	6	1		-

<sup>(1)</sup> Chris Walton attended all the Remuneration Committee, Audit Committee and Nomination Committee meetings by invitation from the respective Chairman as an observer;

<sup>(2)</sup> John Dragnis attended one Remuneration Committee meeting by invitation from the respective Chairman as an observer;

<sup>(3)</sup> Konstantinos Kabanaros attended one Audit Committee meeting by invitation from the respective Chairman as an observer;

## Corporate Governance Statement

### Relations with shareholders

The Company communicates with shareholders through the annual report, interim report, trading updates, fleet expansion announcements, other major transactions announcements and the Company's web site. The Board uses the Annual General Meeting, results presentations and investor road-shows as opportunities to meet and communicate with private and institutional shareholders. Furthermore, communication with the Company's largest institutional shareholders is undertaken as part of the Company's investment relations program. In order to ensure that the Non-Executive Directors, develop an understanding of the views of the major shareholders about the Company, the Chairman and the SID have also been present during results presentations. The Chairman also has discussions with shareholders without executive management present. All the Non-Executive Directors have expressed a willingness to be available if shareholders request a meeting. Directors receive copies of investment analyst research reports and of press clippings concerning the Company.

### Internal control

The Board is responsible for the Company's system of internal control that is designed to provide them with reasonable assurance to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable and not absolute assurance.

The Board has established an on-going process for the identification, evaluation and management of significant risks facing the Company which was put in place at the time of its admission to the Official List in April 2006. Risk management is included as a standing agenda item in meetings of the Board. This provides the full Board with opportunities to discuss risk management and internal control issues and to determine a control strategy for the significant risks. A full risk assessment is made to the Board before any decision on major projects is made.

The Board has adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains the full and effective control over appropriate strategic, investment, financial, organizational and compliance issues. Controls and procedures have been implemented which include defined procedures for seeking and obtaining approval for major transactions.

At least once a year the Board conducts a review of the effectiveness of the Company's system of internal con-

trols. A review was conducted by both the Audit Committee and Board during 2013.

The Internal Audit function is still in the development stage within the Company under direction from the Audit Committee. The Audit Committee reviews the need for an Internal Audit function annually and reports any findings to the Board.

### External Audit

Ernst & Young (Hellas), the Company's external auditors, contribute a further independent perspective on certain aspects of our internal financial control systems arising from their work, and report to both the Board and the Audit Committee.

The engagement and independence of external auditors is considered annually by the Audit Committee before they recommend their selection to the Board. The Audit Committee has satisfied itself that Ernst & Young are independent and there are adequate controls in place to safeguard their objectivity. Ernst & Young report in writing to the Committee on their independence and objectivity.

Ernst & Young also follow their own ethical guidelines and continually review their audit team to ensure their independence is not compromised.

The Board has adopted a policy that, in general, the External Auditor should not be used for non-audit services, but on an exceptional basis, the Board may approve a specific piece of work if it is to the best interests of the Company for this to occur.

No non-audit services were provided in 2013.

### Whistle-blowing policy

The Board has approved and implemented a whistle-blowing policy whereby employees may express their concerns in confidence to a designated officer.

The designated officer is the Senior Independent Director, Robert Crawley.

### Re-election of directors

Marshall Islands legislation does not require the Directors to retire and offer themselves at the Annual General Meeting. However, the Company has voluntarily undertaken to comply with the UK corporate governance standards and as a result all the Directors have retired and offered themselves for re-election at each and every Annual General Meeting since admission in April 2006.

They will again retire and offer themselves for re-election in the seventh Annual General Meeting to be held on 9 May 2014.

## Directors' Remuneration Report

### I ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder,

It is my pleasure to present the directors' remuneration report for the year ended 31 December 2013.

The Company continues to adopt a responsible remuneration policy which is evidenced by the information contained in this report. It is my hope that you find it clear and comprehensive and I look forward to hearing the views of our investors on the information presented here over the coming months. We will carefully monitor emerging practice in this area as well as guidance from investor representative groups.

We operate a remuneration structure made up of base salary, a bonus plan and two long-term incentive plans. In the following report we set out our policy on remuneration, payments made to Directors and the detailed terms of incentive schemes approved by shareholders which can be utilised in the future.

#### 1. Remuneration for 2013

Details of the remuneration decisions for 2013 are set out in the Directors' annual remuneration report below. In summary, for the year ended December 31, 2013 the Company incurred a net loss of \$12,131 due to continued challenging trading conditions. Therefore, for the second year running, in 2013 the Company did not grant a performance linked salary increase or an annual bonus to any Director. In addition, no awards were granted under the Long Term Incentive Plans given the difficult trading conditions. There were, however, adjustments made to the Fixed Service Agreements for certain Executive Directors to reflect their revised responsibilities. This stance reflects our pragmatic and prudent policy on executive pay and is consistent with our objective of linking executive remuneration to the Company's overall performance.

#### 2. Executive Remuneration for 2014

During the year, the Committee reviewed executive remuneration arrangements to ensure that they continued to be aligned with shareholders' interests and the Company's strategy. The shipping markets

in which the Company operates have continued to be challenging, and although 2014 is showing some positive signs of recovery in the dry bulk market in particular, we have made no significant changes to our executive remuneration policies for 2014. In particular;

- No increases in salaries were awarded to executive and non-executive directors for 2014;
- No bonus or long term incentive awards were granted;

No other benefits or pension remuneration are paid to executive management.

It should be noted that once trading conditions improve, the Executive Directors and Senior Managers will benefit from the incentive schemes in place if their personal performance so justifies.

#### 3. Remuneration Disclosure

The report is in two sections:

- The Directors' annual remuneration report; and
- The Directors' remuneration policy report. This section contains details of the remuneration policy that we propose will apply from the 2014 AGM (9 May 2014) subject to obtaining shareholder approval at the AGM.

At the AGM on 9 May 2014:

- The Directors' annual remuneration report will be put to an advisory shareholder vote; and
- The Directors' remuneration policy report will be put to a binding shareholder vote.

**Barry Martin**

**Chairman of the Remuneration Committee**



## Directors' Remuneration Report

### II DIRECTORS' ANNUAL REPORT ON REMUNERATION

#### 1. Total Remuneration

The table below shows the total remuneration for Directors for the financial years ended 31 December 2013 and 2012:

	U.S.\$'000												
	Salary/ Fees (a)		Benefits (b)		Bonus (c)		Long-term incentive awards (d)		Pension (e)		Total		
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	
Director													
<b>Executive Directors</b>													
Total Executive Directors Remuneration	870	945	0	0	0	0	0	0	0	0	0	870	945
<b>Non-Executive Directors</b>													
Chris Walton	133	131	0	0	0	0	0	0	0	0	0	133	131
Robert Crawley	48	47	0	0	0	0	0	0	0	0	0	48	47
Barry Martin	40	40	0	0	0	0	0	0	0	0	0	40	40

#### Notes to the single figure table

- (a) This is the amount earned in respect of the financial year.
- (b) This is all taxable benefits (being the gross value before payment of tax of all taxable benefits, including sums paid by way of expenses allowance and any other benefits received in respect of qualifying services).
- (c) This is the total bonus earned under the Annual Incentive Plan in respect for the relevant financial year as a result of the achievement of performance measures and targets relating to a period ending in the relevant financial year other than: those which result from awards made in a previous financial year where final vesting is determined as a result of the achievement of performance measures or targets relating to a period ending in the relevant financial year; or those receivable subject to the achievement of performance measures or targets in a future financial year.
- (d) This is the total money or other assets received or receivable for periods of more than one financial year (ie long-term incentive awards) where final vesting: is determined as a result of the achievement of performance measures or targets relating to a period ending in the relevant financial year; or those receivable subject to the achievement of performance measures or targets in a future financial year.
- (e) This includes all payments in lieu of retirement benefits; or all benefits in year from participating pension schemes.

## Directors' Remuneration Report

### 2. Discussion of individual remuneration elements

The following sections set out details on each element of remuneration for the year to 31 December 2013 and details how we intend to operate our policy with respect to each element of remuneration for the year to 31 December 2014.

#### 2.1 Salary

The base salaries of executive directors are reviewed annually having regard to personal performance, Company performance, significant changes in responsibilities and competitive market practice in their area of operation. Base salaries are payable monthly or quarterly (upon executive's discretion) in cash.

##### 2.1.1 2013:

In line with the salaries of the wider employee population, base salaries were not increased from 1 January 2013;

##### 2.1.2 2012:

In line with the salaries of the wider employee population, base salaries were not increased from 1 January 2012.

#### 2.2 Benefits

No additional benefits are paid to Executive Directors.

#### 2.3 Annual Incentive Plan ("AIP")

The Remuneration Committee reviews and sets bonus targets and eligibility annually. In 2013, as for 2012, the Company did not make any awards under the AIP to any director.

The Company does not intend to make any changes to the manner in which the AIP is administered for the bonus year ending 31 December 2014. As in 2013, the performance measures for the AIP for the year ending 31 December 2014 will be:

- 50% of the bonus will be based on financial targets linked to EBITDA performance in accordance with the Company's annual business plan; and
- 50% of the bonus will be based on individual achievements and personal objectives.

**The actual target range has not been disclosed as this is considered by the Board to be commercially sensitive information.**

As in 2013, the maximum limit for each participant in 2014 will be 40% of annual base salary (the "Base Award"). However, where the Remuneration Committee considers that the Company and the individual have achieved exceptional performance, it may decide in its discretion to make a Base Award up to 75% of annual base salary.

Under the terms of the AIP the eligible employees (i.e. Executive Directors and Management) can 'exchange' their annual cash bonus for shares in the Company in one of three ways:

- Full Cash Award ('FCA'): If the participant selects the FCA, then under the AIP the Base Award will be paid out in cash only but only at 90% of the Base Award; only but only at 90% of the Base Award;
- Full Shares Award ('FSA'): If the participant selects the FSA, then under the AIP the Base Award will be settled in shares in value equal to 110% of the Base Award; or
- Half Cash-Half Shares Award ('HCHS'): If the participant selects the HCHS, then under the AIP, 50% of Base Award will be paid out in cash but the 90% rule will apply; the remaining 50% will be settled in shares and the 110% rule will apply.

Under the AIP, awards will be made annually. However the Board (after a proposal by the Remuneration Committee) reserves the right to award shares in other circumstances should it decide to do so.

Participation under the AIP is dependent on remaining an employee of the Company although it is open to the Remuneration Committee to make a Base Award if the employee has left as a "good leaver" (i.e. death, injury, sale of a subsidiary or business to a third party, retirement or any other reason that the Remuneration Committee considers appropriate). The Base Award will, however, be pro-rated in accordance with the length of service, in complete months, during the performance period. If a participant leaves other than as a good leaver he/she will cease to be eligible to participate in the AIP unless the Remuneration Committee determines otherwise.

#### 2.4 Long Term Incentive Plan ("LTIP")

During 2010, the Company gained shareholder approval for two schemes:

- The Goldenport Discretionary Share Option Plan (the "DSOP") - allows the Company to grant op-

## Directors' Remuneration Report

tions to acquire Shares. It is open to any person who is a full-time director or employee of the Company or a participating group company. Participants will be selected on a discretionary basis.

- The Goldenport Group Share Award Plan (the "Plan") - provides for the grant of performance share awards. Awards will be in respect of the shares and their vesting is contingent on continued office or employment with the Group. All employees and executive directors of the Company and its subsidiaries, (but not the Non Executive directors) are eligible to participate. Participants will be selected on a discretionary basis.

In September 2010, awards of a "one-off" nature were granted to certain executives relating to the July 2010 equity raising. On the vesting date for these awards the share price performance targets were not met due to the depressed state of both the world economy and the shipping markets as a result of which these awards have now lapsed.

DSOP and the Plan now form the framework of the Company's LTIP.

- 2.4.1** Awards vesting for which the year to 31 December 2013 is the last year of the performance period.

No LTIP awards vested for which the year to 31 December 2013 is the last year of the performance period.

- 2.4.2** LTIP Awards made during the year to 31 December 2013

No awards were made under the Long Term Incentive Plans in 2013.

- 2.4.3** LTIP Awards during the year to 31 December 2014

The Company does not intend to make any changes to the manner in which the DSOP and the Plan is administered for the bonus year ending 31 December 2014. As in 2013, the performance measures for the DSOP and the Plan for the year ending 31 December 2014 will be:

- 100% of the option or award will vest if either the Total Shareholder Return over the five dealing days prior to the Vesting Date is equal to or greater than 65% over and above the share price at the date of the grant; or
- 75% of the option or award will vest if either the Total Shareholder Return over the five dealing days

prior to the Vesting Date is equal to or greater than 60% over and above the share price at the date of the grant; or

- 50% of the option or award will vest if either the Total Shareholder Return over the five dealing days prior to the Vesting Date is equal to or greater than 55% over and above the share price at the date of the grant.

Currently, the Remuneration Committee has specified Absolute TSR as a metric for the performance target. This has been chosen, rather than a relative measure (as recommended by the ABI) because the Committee considers that no appropriate peer group exists. Currently, Goldenport is the only "pure" shipping company listed on the main board of the LSE.

From time to time, the Committee will review the appropriateness of the award metrics. In the future, it may be appropriate to adjust the target metric to Relative TSR or to other financial or operational based measures (or a combination thereof).

The Remuneration Committee has resolved an "underpin" condition, which allows the remuneration committee to determine that even if the main performance target is achieved, awards/options do not vest unless an underpinning condition is also achieved. The underpinning condition may be determined from time to time and may be financial or non-financial in nature. For example, this authority could be exercised on the grounds of a significant safety or operational deficiency.

For future awards, the upper limit for each participant under the DSOP and the Plan is based upon a percentage of salary. The aggregate options and awards on an annual basis are limited to 50% of gross salary. (i.e. their Fixed Service Agreement salary). Over the ten year period of the DSOP and the Plan, aggregate awards under these two long term incentive and grants are not to exceed an amount equivalent to five times the aggregate salary of the participant calculated over the same ten year period.

Awards under the Annual Incentive Plan (the annual bonus plan) are separate from awards under the long-term plans.

### 2.5 Pensions

There are no pension benefits.



## Directors' Remuneration Report

### 3. Additional Information

#### 3.1 Payments to former directors

There have been no payments to former Directors during the year ended December 31, 2013.

#### 3.2 Payments for loss of office

There have been no payments for loss of office during the year ended December 31, 2013.

#### 3.3 Directors' shareholding and share interests

There are no requirements for executive directors to retain substantial long-term share ownership, although this is encouraged in order to more closely align their interests with those of shareholders.

The beneficial interests, including family interests, of the directors and secretary in office at 31 December 2013 in the ordinary share capital of the Company is detailed below.

Director	31 December 2012 Ordinary Shares	31 December 2013 Ordinary Shares
Dragnis Family	53,287,939	54,787,939
Chris Walton	19,704	19,704
Konstantinos Kabanaros	120,754	120,754

#### 3.4 Statement of shareholder voting

The Company is committed to on-going shareholder dialogue and takes shareholder views into consider-



ation when formulating remuneration policy and practice.

The following table sets out the actual votes at the 2013 AGM in respect of the Directors' Remuneration Report for the year to 31 December 2012.

	For	Against	Withheld
Number of votes	70,297,649	8,402,631	1,799,630
Percentage	89.30%	10.68%	0.02%

#### 3.5 Relative spend on pay

	2012	2013	Change
Adjusted net loss <sup>(1)</sup>	16,826	11,876	29%
Dividends & share buyback	0	0	0
Overall expenditure on pay	1,992	1,864	6%

Note:

<sup>(1)</sup> Net loss is adjusted for provision for doubtful trade receivables, impairment loss and non-controlling interest.

The Company employs 3 Executive Directors, 3 Non-Executive directors and 15 Officers and employees.

#### 3.6 Remuneration Committee

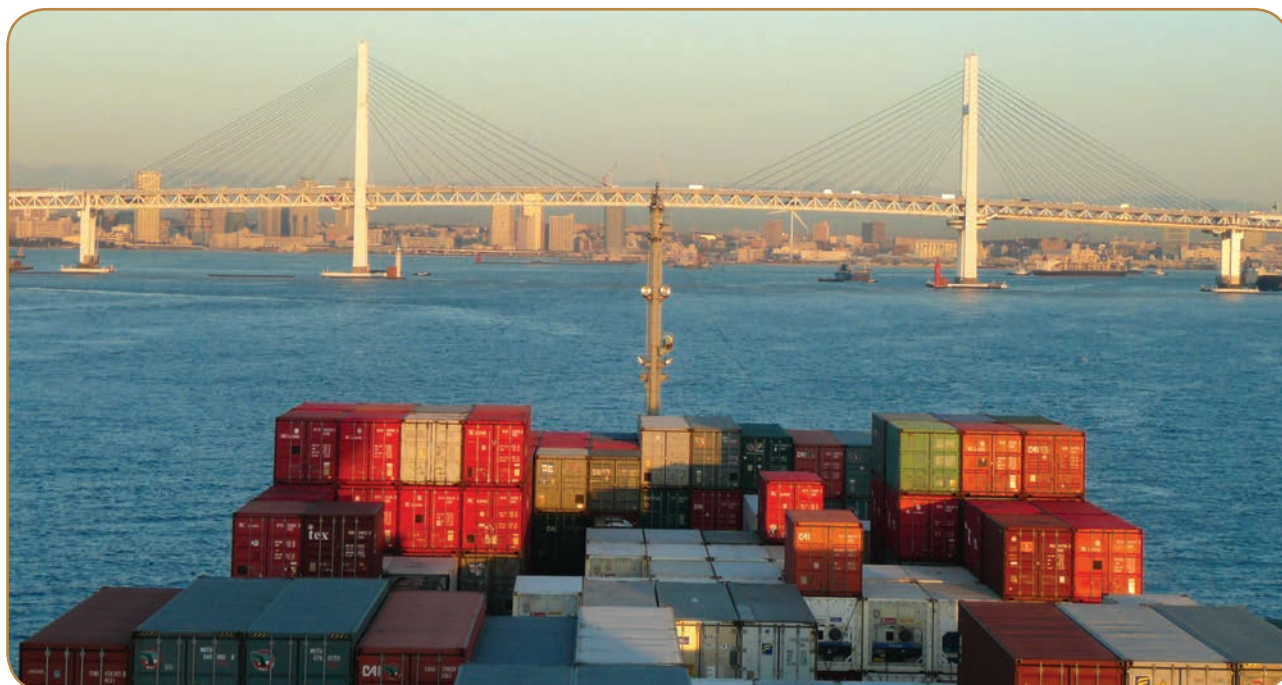
The remuneration Committee comprises two members:

Barry Martin	Chairman
Bob Crawley	Member

Chris Walton and John Dragnis are not members of the Committee but may be invited to attend meetings. They are not present when their own remuneration is being discussed.

The Committee may from time to time seek advice from independent remuneration advisors where appropriate. No such advice was sought during 2013 or in 2012.

## Directors' Remuneration Report



### III DIRECTORS' REMUNERATION POLICY

#### 1. Reward Principles and Objectives

The Executive Directors' total remuneration currently consists of i) base salary ii) awards made under the Annual Incentive Plan ("AIP") and iii) long term incentive awards under one or both of the Discretionary Share Option Plan ("DSOP") and the Share Award Plan ("Plan"). The AIP was proposed to the shareholders and approved in the first Annual General Meeting held on 17 May 2007. The two initial incentive plans have only been activated in 2010 as a "one-off" incentive to accompany the 2010 equity raising. These awards have now lapsed because share price targets were not met by the vesting date. The DSOP and the Plan were approved by the shareholders in 2010.

A key element of the remuneration package comprises the payment of annual salary and annual bonus incentives (if applicable) for the Directors, Company Secretary and Executive Management. The Remuneration Committee must ensure that annual salaries and annual bonuses act as incentives to recruit and retain the right calibre of personnel and also ensure they achieve the highest levels of performance. To monitor this, the Committee reviews remuneration trends, particularly across the shipping industry. We have adopted a very

prudent level of annual salary and bonus payments as evidenced within the accounts. This policy will continue for the foreseeable future.

We have a long-standing policy of rewarding achievement, experience and hard work. We also seek to provide incentives for delivering high growth and high returns for shareholders. The Remuneration Committee believes that a significant proportion of total remuneration should be performance-related. In addition, performance related rewards should where possible be delivered largely in shares to more closely align the interests of shareholders and all Executive Directors. In determining the balance between the fixed and variable elements of the Executive Directors' remuneration packages as well as the performance targets, the Remuneration Committee has regard to the Group's long term business strategy and also market practice. Subject to the trading results of the Company, our policy is for performance related elements to form a major part of the total remuneration opportunity for all Executive Directors.

#### 2. Remuneration Future Policy Table

The table below sets out the remuneration policy that we intend to apply, subject to shareholder approval, from 9 May 2014 (the date of the AGM).

## Directors' Remuneration Report

	Alignment with strategy/purpose	Operation	Maximum Opportunity	Performance measures
Base Salary	Sufficient to attract and retain individuals of the necessary calibre to execute our business strategy by ensuring base salaries are competitive in the market in which the individual is employed.	Reviewed annually. Changes are generally effective from 1 January.  The review takes into consideration the scope and responsibilities of the role, the performance and experience of the individual, overall business performance, increases in the size and complexity of the Group and potential retention issues.	Any salary increases will have regard to increases awarded to the overall employee population, the rate of underlying inflation, and general market conditions as well as reflecting changes in scope of role and responsibilities.	Individual and business performances are considered in setting base salary.
Benefits	There are no Benefits to Executive Directors			
Annual Incentive Plan ("AIP")	Rewards the achievement of annual financial and strategic business targets and individual performance.  This is part of the Group's strategy to align the interests of shareholders and all Directors.	The Remuneration Committee reviews and sets bonus targets and eligibility annually. The trading performance of the Company may result in no AIP payments being made notwithstanding the individual performance of any Director or Employee. Eligible employees (i.e. Executive Directors and Management) can 'exchange' their annual cash bonus for shares in the Company. Participation under the AIP is dependent on remaining an employee of the Company although it is open to the Remuneration Committee to make a Base Award if the employee has left as a "good leaver" (i.e. death, injury, sale of a subsidiary or business to a third party, retirement or any other reason that the Remuneration Committee decides). The Base Award will, however, be pro-rated in accordance with the length of service, in complete months, during the performance period. If a participant leaves other than as a good leaver he/she will cease to be eligible to participate in the AIP unless the Remuneration Committee determines otherwise. Under the AIP, a participant may apply his/her Base Award in one of three ways as described in 2.3 above:	40% of annual base salary ("Base Award")  However, where the Remuneration Committee considers that the Company and the individual have achieved exceptional performance, it may decide in its discretion to make a Base Award up to 75% of annual base salary.	- 50% of the bonus is based on financial targets linked to EBITDA performance in accordance with the Company's annual business plan.  - 50% of the bonus is based on individual achievements and personal objectives.
Long Term Incentive Plan ("LTIP")	Designed to incentivize execution of the business strategy over the longer term and aligns executives with shareholders' interests by rewarding sustained increase in shareholder value and strong long term financial performance.	Awards are made annually by the Committee at the end of the financial year. The trading performance of the Company may result in no LTIP awards being made notwithstanding the individual performance of any Director or Employee.  Performance targets are set at the time of award based on: (i) delivering long-term financial performance aligned with strategic plans; and (ii) delivering long-term returns to shareholders.  Options granted pursuant to the DSOP and awards granted pursuant to the Plan will vest over a three year period (the "Performance Period") commencing on the date of grant (the "Start Date"). The extent to which options and awards vest will be determined by reference to the date that falls on the third anniversary of the Start Date (the "Vesting Date"). Options granted pursuant to the DSOP will lapse on the tenth anniversary of the Start Date, or earlier in accordance with the rules of the DSOP.	The aggregate options and awards on an annual basis are limited to 50% of gross salary. Over the ten year period of the DSOP and the Plan, aggregate awards under these two long term incentive and grants are not to exceed an amount equivalent to five times the aggregate salary of the participant calculated over the same ten year period.	100% of the option or award will vest if either the Total Shareholder Return over the five dealing days prior to the Vesting Date is equal to or greater than 65% over and above the share price at the date of the grant; or 75% of the option or award will vest if either the Total Shareholder Return over the five dealing days prior to the Vesting Date is equal to or greater than 60% over and above the share price at the date of the grant; or 50% of the option or award will vest if either the Total Shareholder Return over the five dealing days prior to the Vesting Date is equal to or greater than 55% over and above the share price at the date of the grant.  Currently, the Remuneration Committee has specified Absolute TSR as a metric for the performance target.
Pension	There are no pension benefits.			



## Directors' Remuneration Report

### 3. Shareholder considerations

The Company is committed to on-going dialogue with shareholders and welcomes feedback on directors' remuneration. Whilst there have been many meetings with shareholders during the year, no issues were specifically raised in respect of the remuneration policy.

### 4. Non-Executive Directors' remuneration policy

Non-Executive Directors receive only fees and do not receive a bonus nor do they participate in any incen-

tive plan. They are entitled to reimbursement of expenses incurred in connection with their directorship of the Company.

Non-executive directors' fees are set at a level to attract individuals with broad international, commercial and other relevant experience and reward them for fulfilling the relevant role.

Non-executive directors receive a basic fee for the role including chairing or being a member of one or more Committees. The annual fee structure that has been applied from 1 January 2013 is as follows:

	U.S.\$'000											
	Salary/ Fees (a)		Benefits (b)		Bonus (c)		Long-term incentive awards (d)		Pension (e)		Total	
Director	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Non-Executive Directors</b>												
Chris Walton	133	131	0	0	0	0	0	0	0	0	133	131
Robert Crawley	48	47	0	0	0	0	0	0	0	0	48	47
Barry Martin	40	40	0	0	0	0	0	0	0	0	40	40

### 5. Policy on payment for loss of office

The Company operates the following policy in respect of payments concerning loss of office:

- notice periods do not exceed 6 months;
- termination payments are negotiable but restricted to a maximum of 6 months' salary and other contractual benefits;
- the Committee has discretion to determine appropriate bonus amounts and LTIP vesting. Bonus amounts will be determined based on time spent and the performance of the individual whilst fulfilling the duties of the role. Typically, for LTIP awards, pro-rating for time served will apply and performance will be tested at the end of the performance period as part of the normal process; and
- in any exit payment scenario, the Committee will give due consideration to the circumstances under which the director's employment terminated.
- If the Company materially breaches the terms and provisions of the service agreement for an Executive Director, a severance payment of 12 months' salary will be paid.

### 6. Approach to recruitment remuneration

In the event of appointing a new executive director, the Committee will align the remuneration package of the new director with the policy set out in this Report. However, the Committee retains the discretion to propose remuneration arrangements on hiring a new executive director which are outside the policy set out in the future policy table in order to facilitate the hiring of an individual of the calibre required to deliver the Group's business strategy.

### 7. Service Agreements

It is the Company's policy that Executive Directors are employed on contracts (service agreements) subject to no more than 6 months' notice. Executive Directors are also bound under a 6-month non-compete agreement with the Company. Therefore, upon termination each Executive Director would receive compensation for six months of service.

The service agreements have initial fixed term of 3 years for the Chief Executive Officer and 2 years for the other Executive Directors. Non-Executive Directors do not have a service agreement but instead

## Directors' Remuneration Report

have a letter setting out the terms of their appointment. Based on this letter, the Non-Executive Chairman has a 3-year term whereas the other Non-Executive Directors have a 2-year term. These terms for all Directors are “refreshed” when each Director is re-elected by shareholders. There is no termination compensation for Non-Executive Directors.

Marshall Islands legislation does not require the directors to retire and offer themselves at the Annual General Meeting. However, the Company has voluntarily undertaken to comply with the UK corporate gover-

nance standards and as a result all the directors have retired and offered themselves for re-election in the first, second, third, fourth, fifth and sixth Annual General Meetings after admission held on 17 May 2007, 20 April 2008, 7 May 2009, 12 May 2010, 11 May 2011, 11 May 2012 and 6th June 2013. They will retire and offer themselves for re-election in the eighth Annual General Meeting to be held on 9th May 2014.

Details of the service agreements for the Executive Board and unexpired terms for Non-Executive Board are set below as of December 31, 2013:

Executive Directors	Date of initial Letter of Appointment or Service Agreement	Date of Re-election	Unexpired Term at 31 December 2013
Captain Paris Dragnis	5 April 2006	6 June 2013	17 months
Mr. John Dragnis	4 October 2010	6 June 2013	29 months
Mr. Konstantinos Kabanaros	5 April 2006	6 June 2013	17 months
Non Executive Directors			
Mr. Chris Walton	5 April 2006	6 June 2013	29 months
Mr. Robert Crawley	5 April 2006	6 June 2013	17 months
Mr. Barry Martin	4 October 2010	6 June 2013	17 months

Assuming re-election occurs in the Annual General Meeting on 9th May 2014, the term will be extended for three years each for John Dragnis and Mr. Chris Walton and for two years for each of Captain Paris Dragnis, Mr. Konstantinos Kabanaros, Mr. Robert Crawley and Mr. Barry Martin.









## Statement of Directors' Responsibilities

# Statement of Directors' Responsibilities

The Directors are responsible to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- prepare financial statements on a going-concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable ac-

curacy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the IFRS regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Annual Report includes the information required by the Listing Rules published by the Financial Services Authority.

In adopting the going-concern basis for preparing the accounts, the Directors have considered the business activities as set out in the Business review section of this Annual Report as well as the principal risks and uncertainties as set out in the Risk Factors section.

Based on Goldenport's cash flow forecasts and projections, the Board is satisfied that Goldenport will be able to operate within the level of its facilities and available cash for the foreseeable future. For this reason, Goldenport continues to adopt the going concern basis in preparing its accounts.

The Directors confirm that to the best of their knowledge:

- a) the financial statements, prepared in accordance with IFRS regulation, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- b) the Annual Report includes a fair review of the development and performance of the business and the position of the Company (please refer to sections entitled the Chairman's Statement, the CEO Statement, the Business Review and the Report of Directors in the Annual Report), and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that our business faces.



**The Board of Directors  
Goldenport Holdings Inc.**

## Independent Auditors' Report

# Independent Auditors' Report

### To the Shareholders of Goldenport Holdings Inc.

We have audited the accompanying consolidated financial statements of Goldenport Holdings Inc. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information consists only of the Chairman's Statement, the Chief Executive Officer Statement, the Report of Directors, the Directors' Remuneration Report, the Statement of Directors' Responsibilities and the Board, the Management Team, the Operational Fleet, the Renewal Program: Vessels sold, the Charterers and the Fleet Manager information pages. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.



**Ernst & Young (Hellas)**  
**Certified Auditors - Accountants S.A.**  
**31 January 2014**







## Financial Statements

## Financial Statements

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>For the year ended 31 December 2013</b>			
	<b>Notes</b>	<b>2013 U.S.\$'000</b>	<b>2012 U.S.\$'000</b>
Revenue		62,945	78,271
<b>Expenses:</b>			
Voyage expenses	3	(6,192)	(9,859)
Vessel operating expenses	3	(29,845)	(36,679)
Management fees - related party	21	(3,548)	(4,321)
Depreciation	8	(20,880)	(32,844)
Depreciation of dry-docking costs	8	(1,417)	(3,582)
General and administrative expenses	4	(2,380)	(3,127)
Impairment loss	8	-	(47,600)
<b>Operating loss before disposal of vessels and provisions for doubtful trade receivables</b>		<b>(1,317)</b>	<b>(59,741)</b>
Provision for doubtful trade receivables		(301)	(913)
(Loss)/gain from disposal of vessels	8	(3,867)	1,411
<b>Operating loss including disposal of vessels and provision for doubtful trade receivables</b>		<b>(5,485)</b>	<b>(59,243)</b>
Finance expense	5	(6,249)	(7,449)
Loss on valuation of financial assets	11	(304)	-
Finance income		246	996
Foreign currency (loss)/gain, net		(339)	312
<b>Loss for the year</b>		<b>(12,131)</b>	<b>(65,384)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(12,131)</b>	<b>(65,384)</b>
<b>Attributable to:</b>			
Goldenport Holdings Inc. Shareholders		(12,177)	(65,339)
Non-controlling interest		46	(45)
		<b>(12,131)</b>	<b>(65,384)</b>
<b>Loss per share (U.S.\$):</b>			
- Basic and diluted LPS	7	(0.13)	(0.71)

The accompanying notes 1 to 23 are an integral part of these consolidated financial statements.

## Financial Statements

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
<b>As at 31 December 2013</b>			
	<b>Notes</b>	<b>2013 U.S.\$'000</b>	<b>2012 U.S.\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Vessels at cost, net	8	345,530	387,762
		<b>345,530</b>	<b>387,762</b>
<b>Current assets</b>			
Inventories		-	97
Trade receivables		2,155	3,913
Insurance claims	12	253	445
Due from related parties	21	5,627	4,560
Prepaid expenses and other assets	13	5,143	2,895
Other current assets	10	-	238
Financial assets	11	1,920	-
Restricted cash	15	2,642	6,014
Cash and cash equivalents	14	15,469	16,775
		<b>33,209</b>	<b>34,937</b>
<b>TOTAL ASSETS</b>		<b>378,739</b>	<b>422,699</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued share capital	16	932	932
Share premium	16	148,307	148,307
Treasury Stock	6	(483)	(483)
Other capital reserves		-	531
Retained earnings		30,642	42,819
		<b>179,398</b>	<b>192,106</b>
Non-controlling interest	16	1,001	955
<b>TOTAL EQUITY</b>		<b>180,399</b>	<b>193,061</b>
<b>Non-current liabilities</b>			
Long-term debt	17	165,258	188,553
Other non-current liabilities	10	-	159
		<b>165,258</b>	<b>188,712</b>
<b>Current liabilities</b>			
Trade payables		4,754	7,282
Due to related parties	21	974	-
Current portion of long-term debt	17	18,763	24,115
Accrued liabilities and other payables	18	7,344	6,911
Other current liabilities	10	177	1,644
Deferred revenue		1,070	974
		<b>33,082</b>	<b>40,926</b>
<b>TOTAL LIABILITIES</b>		<b>198,340</b>	<b>229,638</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>378,739</b>	<b>422,699</b>

The accompanying notes 1 to 23 are an integral part of these consolidated financial statements.

## Financial Statements

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>										
<b>For the year ended 31 December 2013</b>										
	Number of shares - par value	Par value U.S.\$	Issued share capital U.S.\$ '000	Trea- sury stock U.S.\$ '000	Share premium U.S.\$ '000	Other capital reserves U.S.\$ '000	Retained earnings U.S.\$ '000	Total Equity at- tributable to parent U.S.\$'000	Non-con- trolling interest U.S.\$ '000	Total Equity U.S.\$ '000
As at 1 January 2012	90,860,667	0.01	909	(483)	145,419	339	113,980	260,164	1,000	261,164
Loss for the year	-	-	-	-	-	-	(65,339)	(65,339)	(45)	(65,384)
Other Compre- hensive Income	-	-	-	-	-	-	-	-	-	-
<b>Total Compre- hensive Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(65,339)</b>	<b>(65,339)</b>	<b>(45)</b>	<b>(65,384)</b>
Share based payment transactions (Note 21)	-	-	-	-	-	192	-	192	-	192
Dividends to equity share- holders	2,331,091	0.01	23	-	2,888	-	(5,822)	(2,911)	-	(2,911)
As at 31 December 2012	93,191,758	0.01	932	(483)	148,307	531	42,819	192,106	955	193,061
(Loss)/Profit for the year	-	-	-	-	-	-	(12,177)	(12,177)	46	(12,131)
Other Compre- hensive Income	-	-	-	-	-	-	-	-	-	-
<b>Total Compre- hensive Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,177)</b>	<b>(12,177)</b>	<b>46</b>	<b>(12,131)</b>
Share based payment transactions (Note 21)	-	-	-	-	-	(531)	-	(531)	-	(531)
As at 31 De- cember 2013	93,191,758	0.01	932	(483)	148,307	-	30,642	179,398	1,001	180,399

The accompanying notes 1 to 23 are an integral part of these consolidated financial statements.



## Financial Statements

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
<b>For the year ended 31 December 2013</b>			
	Notes	2013 U.S.\$'000	2012 U.S.\$'000
<b>Operating activities</b>			
Loss for the year		(12,131)	(65,384)
<b>Adjustments to reconcile loss for the year to net cash inflow from operating activities:</b>			
Depreciation	8	20,880	32,844
Depreciation of dry-docking costs	8	1,417	3,582
Impairment Loss	8	-	47,600
Loss/ (gain) from disposal of vessels	8	3,867	(1,411)
Finance expense	5	6,249	7,449
Loss on valuation of held for trading investment	11	304	-
Finance income		(246)	(996)
Recognition of held for trading investment through profit & loss	11	(2,224)	-
Share-based payment transactions	21	(531)	192
Foreign currency loss / (gain), net		339	(312)
<b>Operating profit before working capital changes</b>		<b>17,924</b>	<b>23,564</b>
<b>Working capital adjustments:</b>			
Decrease in inventories		97	306
(Increase) / Decrease in trade receivables, prepaid expenses & other assets		(253)	4,280
Decrease in insurance claims	12	192	126
Decrease in trade payables, accrued liabilities & other payables		(3,281)	(4,082)
Increase/ (Decrease) in deferred revenue		96	(1,237)
<b>Net cash flows from operating activities before movement in amounts due from related parties</b>		<b>14,775</b>	<b>22,957</b>
Due from/to related parties	21	(93)	(3,187)
<b>Net cash flows provided by operating activities</b>		<b>14,682</b>	<b>19,770</b>
<b>Investing activities</b>			
Acquisition/improvements of vessels	8	(5,758)	(5,162)
Proceeds from disposal of vessels net of commissions	8	22,885	44,856
Dry-docking costs		(1,423)	(1,197)

## Financial Statements

Interest received		20	84
<b>Net cash flows provided by investing activities</b>		<b>15,724</b>	<b>38,581</b>
<b>Financing activities</b>			
Repayment of long-term debt	17	(28,870)	(67,666)
Restricted cash	15	3,372	(2,014)
Interest paid	17	(6,054)	(7,349)
Dividends paid to equity holders of the parent	19	-	(2,911)
<b>Net cash flows used in financing activities</b>		<b>(31,552)</b>	<b>(79,940)</b>
Net decrease in cash and cash equivalents		(1,146)	(21,589)
Exchange (loss)/ gain on cash and cash equivalents		(160)	346
Cash and cash equivalents at beginning of year		16,775	38,018
<b>Cash and cash equivalents at end of year</b>		<b>15,469</b>	<b>16,775</b>

The accompanying notes 1 to 23 are an integral part of these consolidated financial statements.

### 1. FORMATION, BASIS OF PRESENTATION AND GENERAL INFORMATION:

**G**oldenport Holdings Inc. ('Goldenport' or the 'Company') was incorporated under the laws of the Marshall Islands, as a limited liability company, on 21 March 2005. On 5 April 2006 Goldenport Holdings Inc. was admitted in the Official List and its shares started trading on the London Stock Exchange ("LSE").

The address of the registered office of the Company is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960. The address of the Head Office of the Company is Status Center, 41 Athinas Avenue, 166-71, Vouliagmeni, Greece.

Goldenport as at 31 December 2013 is the majority holding Company for fifteen intermediate holding companies, each in turn owning a vessel-owning company, and the 50% owner of another intermediate holding company, owning two vessel owning companies, as listed in the table below (see (a) and (b) below). Also, as at 31 December 2013 Goldenport is the holding Company of a fully owned subsidiary named Goldenport Marine Services, which provides the Company and its affiliates with a wide range of shipping services, such as insurance consulting, le-

gal, financial and accounting services, quality and safety, information technology (including software licences) and other administrative activities in exchange for a daily fixed fee, per vessel. Goldenport Marine Services has been registered in Greece under the provisions of Law 89/1967.

On 24 October 2011, the Group sold 20% of the voting shares in Tuzon Maritime Company, the vessel owning company of Paris JR. This 20% is accounted for as non-controlling interest as at 31 December 2013 and 2012.

Goldenport and its subsidiaries will be hereinafter referred to as the 'Group'.

The consolidated financial statements comprising the financial statements of the Company, its wholly owned subsidiaries, Tuzon Maritime Co, the 80% owned subsidiary (see (a) below) and the proportionately consolidated financial statements of the jointly controlled entity (see (b) below) were authorised for issue in accordance with a resolution of the Board of Directors on 24 January 2014. The shareholders of the Company have the right to amend the financial statements at the Annual General Meeting to be held in May 2014.

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a) The subsidiaries of the Company are as at 31 December 2013:

Intermediate holding company	Vessel - owning company	Country of Incorporation of vessel-owning company	Name of Vessel owned by Subsidiary		Type of Vessel
Kariba Shipping S.A.	Kosmo Services Inc.	Marshall Islands	MSC Fortunate	2006	Container
Jaxon Navigation Ltd.	Hampson Shipping Ltd.	Liberia	Gitte	2007	Container
Tuscan Navigation Corp.	Longfield Navigation S.A.	Liberia	Brilliant	2007	Container
Oceanrace Maritime Limited	Seasight Marine Company	Marshall Islands	MSC Socotra	2009	Container
Aleria Navigation Company	Melia Shipping Limited	Liberia	Golden Trader	2010	Bulk Carrier
Alacrity Maritime Inc.	Giga Shipping Ltd.	Marshall Islands	Milos	2010	Bulk Carrier
Seaward Shipping Co.	Valaam Incorporated	Liberia	Sifnos	2010	Bulk Carrier
Lativa Marine Inc.	Dionysus Shipholding Carrier Co.	Liberia	Eleni D	2010	Bulk Carrier
Abyss Maritime Ltd.	Moonglade Maritime S.A.	Liberia	Pisti	2011	Bulk Carrier
Clochard Maritime Limited	Shila Maritime Corp.	Marshall Islands	D. Skalkeas	2011	Bulk Carrier
Jubilant Marine Company	Cheyenne Maritime Company	Marshall Islands	Sofia	2011	Bulk Carrier
Chanelle Shipping Company	Loden Maritime Co.	Marshall Islands	Erato	2011	Container
Accalia Navigation Limited	Tuzon Maritime Company	Liberia	Paris JR	2011	Container
Kamari Shipping Corp.	Venetian Corporation	Liberia	Thira	2012	Container
Passion Shipping Co.	Ailsa Shipping Corp.	Liberia	Thasos	2013	Container
Goldenport Marine Services	-	Marshall Islands	-		



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Companies of disposed vessels		
Intermediate holding company	Vessel - owning company	Country of Incorporation of vessel-owning company
	Karana Ocean Shipping Co. Ltd.	Malta
Carrier Maritime Co.	Black Diamond Shipping Co. Ltd.	Malta
Medina Trading Co.	Carina Maritime Ltd.	Malta
Shavannah Marine Inc.	Serena Navigation Ltd.	Malta
Genuine Marine Corp.	Breaport Maritime S.A	Panama
Sirene Maritime Inc.	Alvey Marine Inc.	Liberia
Muriel Maritime S.A.	Ipanema Navigation Corp.	Marshall Islands
Knight Maritime S.A.	Mona Marine S.A.	Liberia
Foyer Marine Inc.	Ginger Marine Company	Marshall Islands

### Dormant Companies

Baydream Shipping Inc., Hinter Marine S.A., Nemesis Maritime Inc., Guildford Marine S.A.,

Superb Maritime S.A., Fairland Trading S.A., Platinum Shipholding S.A.,

Nilwood Comp. Inc., Platax Shipholding Carrier S.A., Sycara Navigation S.A., Prunella Shipholding S.A., Bacaro Services Corp.

The dormant companies that have been dissolved are no longer included in Note 1(a).

### b) Proportionately consolidated 50% Joint Venture (Note 9)

Intermediate holding company	Vessel-owning company	Country of Incorporation of vessel-owning company	Name of Vessel owned by Subsidiary	Year of acquisition of vessel	Type of Vessel
Sentinel Holdings Inc.	Ermis Trading S.A. (previously Citrus Shipping Corp.)	Marshall Islands	Ermis (ex.Marie-Paule)	2009	Bulk Carrier
Sentinel Holdings Inc.	Barcita Shipping S.A.	Marshall Islands	Alpine Trader	2009	Bulk Carrier

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### (a) Basis of preparation:

The Group's financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets through profit and loss that are measured at fair value. The consolidated financial statements are presented in US dollars and all financial values are presented and rounded to the nearest thousand (\$000), except for the per share information.

#### (b) Statement of compliance:

The consolidated financial statements as at 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

#### (c) Basis of Consolidation:

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries and the proportionately consolidated financial statements of the jointly controlled entity, listed in note 1. The financial statements of the subsidiaries are prepared for the same reporting date as the Company, using consistent accounting policies. All material inter-company balances and transactions have been eliminated upon consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

#### (d) Accounting for joint ventures:

A joint venture is an entity whose economic activities are jointly controlled by the Group and one or more other venturers in terms of a contractual arrangement. The Group's interest in jointly controlled entities is accounted for by the proportional consolidation method of accounting. Jointly controlled entities have the same reporting date as the Group and apply common accounting policies. The Group combines its share of the joint venturers' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

#### (e) Current versus non-current classification:

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

#### (f) Fair value measurement:

The Group measures financial instruments, such as, derivatives, and financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use

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when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as financial assets, and significant liabilities, such as contingent obligations. Involvement of external valuers is decided upon annually by management after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### (g) Use of judgements, estimates and assumptions:

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future. The estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements, are the following:

#### Vessels:

Management makes estimates in relation to useful lives of vessels considering industry practices. Estimated useful life of vessels is 25 years and estimated residual value is equal to a vessel lightweight tonnage and estimated scrap rate, which until 31 December 2012 was U.S.\$180. In order to align the scrap rate with current average scrap rates, effective from 1 January 2013, the Company adjusted the estimated scrap rates used to calculate a vessels' residual value from U.S.\$180 to U.S.\$250 per lightweight ton. The impact of the increase in the estimated scrap rate is a decrease in depreciation expense going forward. The effect of this change in accounting estimates, which did not require retrospective application as per IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", is a decrease in the net loss for the year ended 31 December 2013 by U.S.\$1,413 or U.S.\$0.015 per share loss, basic and diluted. (Vessels have a carrying amount of U.S.\$345,530 and U.S.\$387,762 as at 31 December 2013 and 2012, respectively). Estimates and assumptions relating to the impairment of vessels are discussed in paragraph (q).

#### Provisions for doubtful trade receivables:

Provisions for doubtful trade receivables are recorded based on management's views on the future collectability of the receivables. (Receivables as included in



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the consolidated statement of financial position in trade receivables, have a carrying amount of U.S.\$2,155 and U.S.\$3,913 as at 31 December 2013 and 2012, respectively). Provisions for doubtful trade receivables as at 31 December 2013 amounted to U.S.\$301 (U.S.\$913 as at 31 December 2012) as included in the consolidated statement of comprehensive income.

### Insurance Claims:

Amounts receivable for insurance claims are provided when amounts are virtually certain to be received, based on the Company's judgement and the estimates of independent adjusters as to the amount of the claims. (Insurance claims have a carrying amount of U.S.\$253 and U.S.\$445 as at 31 December 2013 and 2012, respectively as included in the consolidated statement of financial position).

### (h) Revenues and Related Expenses:

The Group generates its revenues from charterers for the charter hire of its vessels. Vessels are chartered using either a) time charters, where a contract is entered into for the use of a vessel for a specific period of time and a specified daily charter hire rate; or b) voyage charters, where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified charter rate per ton of a cargo. If a charter agreement exists and collection of the related revenue (operating lease income) is reasonably assured, revenue is recognised as it is earned, evenly over the duration of the period of each voyage or time charter. A voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo. Time-charter revenues arising from chartering the vessels is accounted for on a straight line basis over the term of the charter. Certain time-charter agreements specify scheduled rate increases/decreases over the charter term ("non-level charters"). As revenues from time chartering of vessels are accounted for on a straight line basis at the average charter hire rates over the charter periods of such charter agreements, as service is performed, an asset or liability is created.

Deferred revenue represents cash received prior to the reporting date which relates to revenue earned after such date. On time charters, the charterer as per industry practice pays the revenue related to the specific agreement in advance. Therefore, as at the reporting

date the amount of revenue relating to the next financial year that was paid by the charterer is presented in deferred revenue in the consolidated statement of financial position.

Vessel voyage expenses included in the consolidated statement of comprehensive income primarily consisting of port, canal and bunker expenses that are unique to a particular charter are paid for by the charterer under time charter arrangements or by the Group under voyage charter arrangements. Furthermore, voyage expenses include commission on income including third party commissions, paid by the Group. The Group defers bunker expenses under voyage charter agreements and charges them to the statement of comprehensive income over the related voyage charter period to the extent revenue has been recognised. Port and canal costs are accounted for on an actual basis.

Operating expenses are accounted on an accrual basis and are included in the consolidated statement of comprehensive income.

### (i) Foreign Currency Translation:

The functional currency of the Group is the U.S. dollar which is also the presentation currency of the Group because the Group's vessels operate in international shipping markets, where the U.S. dollar is the currency used for transactions. Transactions involving other currencies during the year are converted into U.S. dollars using the exchange rates in effect at the time



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of the transactions. At the reporting dates, monetary assets and liabilities, which are denominated in currencies other than the U.S. dollar, are translated into the functional currency using the year end exchange rate. Gains or losses resulting from foreign currency transactions are included in foreign currency gain or loss in the consolidated statement of comprehensive income.

### (j) Cash and Cash Equivalents:

The Group considers highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents included in the consolidated statement of financial position.

### (k) Restricted Cash:

Certain of the Group's loan agreements may require the Group to deposit funds into a loan retention account in the borrower's name. The amount is not freely available to the Group, and it is used solely for repaying interest and principal on the loan. Restricted cash in the consolidated statement of financial position amounts to U.S.\$2,642 (Note 15) as at 31 December 2013 (U.S.\$6,014 as at 31 December 2012) and relates to cash restricted in use by the financing bank subject to fulfilment of certain financial covenant terms as provided by the agreements of loans b, c, f, g and h.

### (l) Inventories:

Inventories in the consolidated statement of financial position consist of bunkers and are stated at the lower of cost or net realisable value. Cost is determined by the first-in first-out method. Any bunkers remaining on vessels which are laid up, are recognised as inventory. No inventory existed as at 31 December 2013 as none of the vessels was laid up.

### (m) Trade Receivables:

The amount shown as trade receivables at each reporting date in the consolidated statement of financial position includes estimated recoveries from charterers for hire, freight and demurrage billings, net of the allowance for doubtful trade receivables. Subsequent to initial recognition, trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. The carrying amount of receivables is reduced through an allowance account.

Impaired debts are derecognized when they are assessed as uncollectible.

### (n) Insurance Claims:

The Group recognises insurance claim recoveries for insured losses incurred on damages to vessels as insurance claims and are shown in the consolidated statement of financial position. Insurance claim recoveries are recorded net of any deductible amounts, at the time the Group's vessels suffer insured damages. They include the recoveries from the insurance companies for the claims, provided the amounts are virtually certain to be received. Claims are submitted to the insurance company, which may increase or decrease the claim amount. Such adjustments are recorded in the year they become known and have not been material to the Group's financial position or results of operation in 2013 or 2012.

### (o) Financial assets:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of comprehensive income.

### (p) Vessels:

The vessels are stated in the statement of financial position at cost, net of accumulated depreciation and any accumulated impairment. Vessel cost consists of the contract price for the vessel and any material expenses incurred upon acquisition of the vessel (initial repairs, improvements, delivery expenses and other expenditures) to prepare the vessel for its initial voyage. Subsequent expenditures for major improvements are also capitalised when it is probable that future economic benefits associated with the improvement will flow to the entity and the cost of the improvement can be measured reliably.

For vessels acquired in the second-hand market, and where the vessel is subject to an operating lease which

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is reflected in the acquisition cost of that vessel, the amount of the lease is determined in accordance with the lease policy of the Group (also see Note 2 (w)) and this component is amortized over the remaining term of the lease. The amortization is included as revenue in the consolidated statement of comprehensive income.

The cost of each of the Group's vessels is depreciated beginning when the vessel is ready for its intended use, on a straight-line basis over the vessels' remaining economic useful life, after considering the estimated residual value. Management estimates the useful life of new vessels at 25 years, which is consistent with industry practice. Acquired second-hand vessels are depreciated from the date of their acquisition over their remaining estimated useful life. The remaining useful life of the Group's vessels is between 4 and 23 years. A vessel is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the vessel (calculated as the difference between the net disposal proceeds and the carrying amount of the vessel including any unamortised portion of dry-docking) is included in the statement of comprehensive income in the year the vessel is derecognised.

From time to time the Group's vessels are required to be dry-docked in line with vessel flag and international regulations and standards at which time major repairs and maintenance that cannot be performed while the vessels are in operation are generally performed. The Group capitalises the costs associated with dry-docking as they occur by adding them to the cost of the vessel and amortises these costs on a straight-line basis over 2.5 years, which is generally the period until the next scheduled dry-docking. In the cases where the dry-docking takes place earlier than 2.5 years since the previous one, the carrying amount of the previous dry-docking is derecognised. In the event of a vessel sale, the respective carrying value of dry-docking costs is derecognised together with the vessel's carrying amount at the time of sale.

At the date of acquisition of a second hand-vessel or upon completion of construction of a new built vessel, management estimates the component of the cost that corresponds to the economic benefit to be derived until the next scheduled dry-docking of the vessel under the ownership of the Group, and this component is depreciated on a straight-line basis over the remaining period to the estimated dry-docking date.

### (q) Impairment of vessels:

The Group's vessels are reviewed for impairment in accordance with IAS 36, "Impairment of Assets." Under IAS 36, the Group assesses at each reporting date whether there is an indication that a vessel may be impaired. If such an indication exists, the Group makes an estimate of the vessel's recoverable amount. Any impairment loss of the vessel is assessed by comparison of the carrying amount of the asset to its recoverable amount. Recoverable amount is the higher of the vessel's fair value as determined by independent marine appraisers less costs to sell and its value in use.

If the recoverable amount is less than the carrying amount of the vessel, the asset is considered impaired and an expense is recognised equal to the amount required to reduce the carrying amount of the vessel to its then recoverable amount.

The calculation of value in use is made at the individual vessel level since separately identifiable cash flow information is available for each vessel. In developing estimates of future cash flows, the Group makes assumptions about future charter rates, vessel operating expenses, and the estimated remaining useful lives of the vessels. (see also note 8)

The projected net operating cash flows are determined by considering:

- i) the time charter equivalent revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days based on average historical 10 year rates for six months time charter for each type of our bulk carrier vessels and one year time charter for each type of our container vessels over the remaining estimated useful life of each vessel, considering the vessel's age and technical specifications.
- ii) an average increase of 4% per annum on charter revenues,
- iii) cash inflows are considered net of brokerage, and
- iv) expected outflows for scheduled vessels' maintenance and vessel operating expenses are determined assuming an average annual inflation rate of 3%.

The net operating cash flows are discounted using the Weighted Average Cost of Capital of each vessel owning company to their present value as at the date of the financial statements.



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Historical average six-month and one-year time charter rates used in our impairment test exercise are in line with our overall chartering strategy, especially in periods of low charter rates. The historical averages used reflect the operating history of vessels of the same type and particulars with our operating fleet and they cover at least a full business cycle.

The average annual inflation rate applied for determining vessels' maintenance and operating costs approximates current projections for global inflation rate for the remaining useful life of our vessels.

Effective fleet utilization is assumed at 95%, after taking into consideration the periods each vessel is expected to undergo scheduled maintenance (dry-docking and special surveys). These assumptions are in line with the Group's historical performance and the expectations for future fleet utilization under our current fleet deployment strategy.

The impairment test exercise is highly sensitive to variances in the time charter rates and fleet effective utilization. Consequently, a sensitivity analysis was performed by assigning possible alternative values to these two significant inputs.

No impairment loss was identified by the Group for the year ended 31 December 2013 (U.S.\$ 47,600 as at 31 December 2012).

### (r) Long-term debt:

Long-term debt is initially recognised at the fair value of the consideration received net of issue costs directly attributable to the borrowing. After initial recognition, long-term debt is subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized as finance expense in the consolidated statement of comprehensive income.

### (s) Borrowing costs:

Borrowing costs on loans specifically used to finance the construction, or reconstruction of vessels are capitalised to the cost of that asset during the construction period.

### (t) Derivative financial instruments and hedging:

The Group uses derivative financial instruments such as interest rate swaps and foreign currency forwards to hedge its risks associated with interest rate and foreign exchange rates fluctuations respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swap and foreign currency forward contracts is determined through valuation techniques.

None of the Group's derivatives have been designated as hedging instruments, therefore gains or losses arising from changes in the fair value of the derivatives are taken to the consolidated statement of comprehensive income.

### (u) Segment Reporting:

The Group reports financial information and evaluates its operations by charter revenues and not by

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other factors such as (i) the length of ship employment for its customers, i.e. spot or time charters; or (ii) type of vessel. Management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet and thus, the Group has determined that it operates under one reportable segment. Furthermore, when the Group charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographic information is impracticable. Revenue from the Group's largest client amounted to U.S.\$25,234 for the year ended 31 December 2013 (2012: U.S. \$31,050).

### (v) Finance income:

Finance income included in the consolidated statement of comprehensive income is earned from the Group's short term deposits and the interest rate swap and is recognised on an accrual basis.

### (w) Leases:

Leases of vessels where the Group does not transfer substantially all the risks and benefits of ownership of the vessel are accounted for as operating leases. Lease income on operating leases is recognized on a straight line basis over the lease term and classified under revenue in the consolidated statement of comprehensive income (see also note 2(h)).

### (x) Annual incentive plan:

All share based compensation provided to Directors and Senior Management for their service is included in 'General and administrative expenses' of the Consolidated Statement of Comprehensive Income. The shares vest upon grant. The fair value of the employees' services received in exchange for the Company's restricted shares is accrued and recognized as an expense in the year of grant. Upon issuance of the relevant shares the total number of shares and their value is separately reflected in the Consolidated Statement of Changes in Equity.

### (y) Share-based payment transactions:

Employees and Directors of the Group receive remuneration also in the form of share-based payment transactions, whereby employees and directors render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and the end of that period and is recognized in administrative expenses of the consolidated statement of comprehensive income.

Any dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### (z) Share Capital:

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new shares are recognized in equity as deductions from proceeds.

### (aa) Treasury Stock:

Own equity that is reacquired (treasury shares) is recognised at cost and deducted from equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued is recognised in share premium. Voting rights related to the treasury shares are nullified for the Group and no dividends are allocated to them respectively.

### (ab) Provisions:

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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### (ac) Changes in accounting policies and disclosures:

A. The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2013:

- **IAS 1 Financial Statement Presentation (Amended) - Presentation of Items of Other Comprehensive Income.**
- **IAS 19 Employee Benefits (Revised)**
- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**
- **IFRS 13 Fair Value Measurement**
- **Annual Improvements to IFRSs - 2009 - 2011 Cycle**

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

- **IAS 1 Financial Statement Presentation (Amended) - Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.

- **IAS 19 Employee Benefits (Revised)**

IAS 19 initiates a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit

or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The amendments to IAS 19 (2011) were issued on 21 November 2013 and are effective for annual periods beginning on or after 1 July 2014. The pronouncement amends the standard to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. These amendments have not yet been endorsed by the EU. Management has assessed that there is no impact on the Group's financial position.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. Management has assessed that there is no impact on the Group's financial position.

- **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Management has assessed that there is no impact on the Group's financial position.



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The IASB has issued the **Annual Improvements to IFRSs - 2009 - 2011 Cycle**, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS.

- **IAS 1 Presentation of Financial Statements:** This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.
- **IAS 16 Property, Plant and Equipment:** This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- **IAS 32 Financial Instruments, Presentation:** This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.
- **IAS 34 Interim Financial Reporting:** The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

B. Standards issued but not yet effective and not early adopted

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**

The Standard is effective for annual periods beginning on or after 1 January 2014. As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Management has assessed the impact from the adoption of the standard and is disclosed in Note 9.

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**

The amendment is effective for annual periods beginning on or after 1 January 2014. These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Management has assessed that there is no impact on the Group’s financial position.

- **IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39**

IFRS 9, as issued, reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The standard was initially effective for annual periods beginning on or after 1 January 2013 but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. The subsequent pack-

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age of amendments issued in November 2013 initiate further accounting requirements for financial instruments. These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; b) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. These standard and subsequent amendments have not yet been endorsed by the EU. Management has assessed that there is no impact on the Group's financial position.

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Management has assessed that there is no impact on the Group's financial position.

- **IFRS 11 Joint Arrangements**

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Management has assessed the impact from the adoption of the standard and is disclosed in Note 9.

- **IFRS 12 Disclosures of Interests in Other Entities**

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. Management is in the process of assessing the impact from the adoption of the standard.

- **Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

The guidance is effective for annual periods beginning on or after 1 January 2014. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. Management is in the process of assessing the impact from the adoption of the standard.

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private

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equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. Management has assessed that there is no impact on the Group's financial position.

- **IAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial Assets**

This amendment is effective for annual periods beginning on or after 1 January 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. Management is in the process of assessing the impact from the adoption of the standard.

- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**

This amendment is effective for annual periods beginning on or after 1 January 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. Management has assessed that there is no impact on the Group's financial position.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**

The amendment is effective from 1 July 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed

percentage of salary. This amendment has not yet been endorsed by the EU. Management is in the process of assessing the impact from the adoption of the standard.

- **IFRIC Interpretation 21: Levies**

The interpretation is effective for annual periods beginning on or after 1 January 2014. The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation has not yet been endorsed by the EU. Management has assessed that there is no impact on the Group's financial position.

The **IASB has issued the Annual Improvements to IFRSs 2010 - 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU. Management is in the process of assessing the impact from the adoption of the standard.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** The amendment clarifies that an entity, in its first IFRS financial statements, has the choice of applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements. As the amendment only affects the Basis of Conclusions, it is effective immediately.
- **IFRS 2 Share-based Payments:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').



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- **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. The amendment to IAS 16, Par. 35(b) clarifies that the accumulated depreciation/amortisation is eliminated so that the gross carrying amount and carrying amount equal the market value.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The IASB has issued the **Annual Improvements to IFRSs 2011 - 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been

endorsed by the EU. Management is in the process of assessing the impact from the adoption of the standard.

- **IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 Fair Value Measurement:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- **IAS 40 Investment Properties:** This improvement clarifies whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.



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### 3. VOYAGE AND VESSEL OPERATING EXPENSES:

The amounts in the accompanying consolidated statement of comprehensive income are analysed as follows:

Voyage expenses		
	2013 U.S.\$'000	2012 U.S.\$'000
Port charges	(930)	(872)
Bunkers (fuel costs), net	(1,465)	(4,369)
Commissions	(2,644)	(3,114)
	<b>(5,039)</b>	<b>(8,355)</b>
Voyage expenses - related party		
Commissions (Note 21(a))	(1,153)	(1,504)
	<b>(6,192)</b>	<b>(9,859)</b>

Vessel operating expenses		
	2013 U.S.\$'000	2012 U.S.\$'000
Crew expenses	(15,872)	(18,956)
Stores and Consumables	(645)	(932)
Spares	(2,643)	(2,499)
Repairs and Maintenance	(1,076)	(1,387)
Lubricants	(3,197)	(4,459)
Insurance	(2,747)	(4,077)
Taxes (other than income tax)	(645)	(674)
Other operating expenses	(3,020)	(3,695)
	<b>(29,845)</b>	<b>(36,679)</b>

### 4. GENERAL AND ADMINISTRATIVE EXPENSES:

	2013 U.S.\$'000	2012 U.S.\$'000
Directors and Management team Remuneration (Note 21 (b))	(1,090)	(1,163)
Share-based payment transactions (Note 21(b))	531	(192)

Payroll cost (Goldenport Marine Services)	(774)	(829)
Rents	(328)	(314)
Audit fees	(264)	(239)
Legal fees	(23)	(24)
Other	(432)	(366)
	<b>(2,380)</b>	<b>(3,127)</b>

### 5. FINANCE EXPENSE:

	2013 U.S.\$'000	2012 U.S.\$'000
Interest expense	(6,028)	(7,052)
Finance charges amortisation	(221)	(397)
	<b>(6,249)</b>	<b>(7,449)</b>

### 6. TREASURY STOCK - LIMITED SHARE BUY BACK PROGRAMME:

On 26 September 2011, the Group commenced a limited share buy-back programme, which was conducted in accordance with the resolution passed at the fifth Annual General Meeting on 11 May 2011, providing the Company a general authorisation to make purchases of up to 9,128,243 shares of U.S.\$0.01 each, representing approximately 10% of the Company's issued share capital at the Annual General Meeting. During the period from 26 September 2011 to 31 December 2011, 427,887 shares of U.S.\$0.01 par value each, were purchased under the buy-back share programme. The purchase cost amounted to U.S.\$486 and is separately reflected in the accompanying Consolidated Statement of Changes in Equity. During 2012 and 2013, there were no share purchases under the buy-back programme.

### 7. LOSS PER SHARE:

Basic and diluted loss per share ("LPS") of U.S.\$(0.13) (2012: U.S.\$(0.71)) is calculated by dividing the loss for the year attributable to Goldenport Holdings Inc. shareholders (U.S.\$12,177) and (U.S.\$65,339) for the years ended 31 December 2013 and 31 December 2012, respectively, by the weighted average number of shares outstanding (93,191,758 and 92,306,453 for the years ended 31 December 2013 and 31 Decem-

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ber 2012, respectively). The weighted average number of shares outstanding as at 31 December 2013 reflects the number of shares existed on 31 December 2012, since no other shares were issued within the year ended 31 December 2013. The weighted average number of shares outstanding as at 31 December 2012 reflects the weighted average number of shares existed on 31 December 2011 and the shares issued

on 18 May 2012 relating to the share dividend programme (as approved by the AGM on 11 May 2012).

Diluted LPS reflects the potential dilution that could occur if share options or other contracts to issue shares were exercised or converted into shares. There is no dilution effect for the years ended 31 December 2013 and 2012.

### 8. VESSELS:

Vessels consisted of the following at 31 December:

	2013 U.S.\$'000	2012 U.S.\$'000
<b>Cost</b>		
At 1 January	544,687	648,849
Reduction of cost	(79)	-
Additions	5,758	5,162
Disposals	(103,427)	(109,324)
At 31 December	446,939	544,687
<b>Depreciation and impairment</b>		
At 1 January	(158,489)	(145,065)
Depreciation charge for the year	(20,880)	(32,844)
Impairment loss	-	(47,600)
Disposals	76,675	67,020
Accumulated depreciation	(102,694)	(158,489)
Net carrying amount of vessels	344,245	386,198
<b>Cost of dry-dockings</b>		
At 1 January	45,736	47,096
Additions	1,138	1,264
Disposals	-	(2,624)
At 31 December	46,874	45,736
<b>Depreciation</b>		
At 1 January	(44,172)	(42,073)
Depreciation charge for the year	(1,417)	(3,582)
Disposals	-	1,483
Accumulated depreciation	(45,589)	(44,172)
Net carrying amount of dry-docking costs	1,285	1,564
<b>Total net carrying amount at 31 December</b>	<b>345,530</b>	<b>387,762</b>



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All of the Company's vessels, except for vessels Paris JR and Gitte having an aggregate carrying value of U.S.\$7,923 as at 31 December 2013 (U.S. \$19,877 as at 31 December 2012, concerning vessels MSC Accra, Thira, Paris JR and MSC Socotra), have been provided as collateral to secure the loans discussed in note 17.

### Operational vessel acquisition

On 12 April 2013, the Company took delivery of M/V Thasos, a 1998 built container of 2,452 TEU, which was acquired for U.S.\$5,971, including bunkers and lubricants remaining on board at the delivery of the vessel amounting to U.S.\$213.

### Disposals

On 24 April 2013, the Company agreed the sale of the 3,007 TEU, 1992-built vessel "MSC Scotland", to an unaffiliated third party. The sale was concluded at a net consideration of U.S. \$6,155 cash and the vessel was delivered to the new owners on 14 May 2013. As of delivery date, M/V MSC Scotland had a net carrying value U.S. \$8,189. A commission of 3% on the gross consideration was paid for this disposal. The



loss resulting from the sale of the vessel was U.S. \$2,034 and is included in the consolidated statement of comprehensive income.

On 2 August 2013, the Company agreed the sale of the 152,065 DWT, 1990-built vessel "Vasos", to an unaffiliated third party. The sale was concluded at a net consideration of U.S. \$7,330 cash and the vessel was delivered to the new owners on 20 August 2013. As of delivery date, M/V Vasos had a net carrying value U.S. \$7,212. A commission of 3% on the gross consideration was paid for this disposal. The gain resulting from the sale of the vessel was U.S. \$118 and is included in the consolidated statement of comprehensive income.

On 10 September 2013, the Company agreed the sale of the 1,889 TEU, 1985-built vessel "MSC Accra", to an unaffiliated third party. The sale was concluded at a net consideration of U.S. \$3,490 cash and the vessel was delivered to the new owners on 20 September 2013. As of delivery date, M/V MSC Accra had a net carrying value U.S. \$1,535. A commission of 3% on the gross consideration was paid for this disposal. The gain resulting from the sale of the vessel was U.S. \$1,955 and is included in the consolidated statement of comprehensive income.

On 6 December 2013, the Company agreed the sale of the 2,420 TEU, 1994-built vessel "MSC Anafi", to an unaffiliated third party. The sale was concluded at a net consideration of U.S. \$5,910 cash and the vessel was delivered to the new owners on 31 December 2013. As of delivery date, M/V MSC Anafi had a net carrying value U.S. \$9,816. A commission of 3% on the gross consideration was paid for this disposal. The loss resulting from the sale of the vessel was U.S. \$3,906 and is included in the consolidated statement of comprehensive income.

### Dry-docking costs

During 2013 three vessels of the Group completed scheduled dry-dockings at a cost of U.S.\$1,138 (U.S.\$ 1,264 as at 31 December 2012 for dry docking of six vessels).

### Impairment

No impairment loss was recognised for the year ended 31 December 2013 (U.S.\$47,600 impairment loss was recognised for the year ended 31 December 2012). The Group's accounting policy regarding impairment of vessels is described in Note 2(q).

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### 9. JOINT VENTURE:

The Group's 50% portion in the consolidated financial statements of Sentinel Holdings Inc., as at 31 December and for the year then ended were as follows:

Consolidated Statement of Financial Position	2013 U.S.\$'000	2012 U.S.\$'000
<b>ASSETS</b>		
Non-current assets		
Vessels	26,466	27,667
	26,466	27,667
<b>Current assets</b>		
Prepaid expenses and other assets	1,241	1,058
Cash and cash equivalents	1,252	842
	2,493	1,900
<b>TOTAL ASSETS</b>	<b>28,959</b>	<b>29,567</b>

SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity attributable to Goldenport Holdings Inc. Shareholders		
Retained earnings	1,810	2,850
<b>TOTAL EQUITY</b>	<b>1,810</b>	<b>2,850</b>
Non-current liabilities		
Long-term debt	15,737	14,095
	15,737	14,095
<b>Current liabilities</b>		
Current portion of long-term debt	1,412	4,762
Other liabilities	10,000	7,860
	11,412	12,622
<b>TOTAL LIABILITIES</b>	<b>27,149</b>	<b>26,717</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>28,959</b>	<b>29,567</b>



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<b>Consolidated Statement of Comprehensive Income</b>	<b>2013 U.S.\$'000</b>	<b>2012 U.S.\$'000</b>
<b>Revenue</b>	<b>3,154</b>	<b>3,059</b>
<b>Expenses</b>		
Voyage expenses	(526)	(371)
Vessel operating expenses	(1,784)	(2,336)
Management fees - related party	(256)	(256)
Depreciation	(1,178)	(1,206)
Depreciation of dry-docking costs	(22)	(27)
<b>Operating loss</b>	<b>(612)</b>	<b>(1,137)</b>
Finance expense	(402)	(470)
Foreign currency (loss)/gain, net	(26)	2
<b>Loss for the year attributable to Goldenport Holdings Inc. shareholders</b>	<b>(1,040)</b>	<b>(1,605)</b>

<b>Consolidated Statement of Cash Flows</b>	<b>2013 U.S.\$'000</b>	<b>2012 U.S.\$'000</b>
<b>Loss for the year</b>	<b>(1,040)</b>	<b>(1,605)</b>
<b>Adjustments to reconcile loss for the year to net cash (outflow)/inflow from operating activities</b>	<b>1,628</b>	<b>1701</b>
<b>Operating profit before working capital changes</b>	<b>588</b>	<b>96</b>
<b>Working capital adjustments</b>	<b>(981)</b>	<b>716</b>
<b>Net cash (outflow)/inflow (used in)/provided by operating activities</b>	<b>(393)</b>	<b>812</b>
<b>Net cash flows used in investing activities</b>	<b>-</b>	<b>(56)</b>
<b>Net cash flows provided by/(used in) financing activities</b>	<b>803</b>	<b>(583)</b>
<b>Net increase in cash and cash equivalents</b>	<b>410</b>	<b>173</b>
Cash and cash equivalents at the beginning of the year	842	669
<b>Cash and cash equivalents at the end of the year</b>	<b>1,252</b>	<b>842</b>

### IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

The application of IFRS 11 commencing 1 January 2014, will impact the Group's accounting of its interest in joint venture, Sentinel Holdings Inc. Prior to the transition to IFRS 11, Sentinel Holdings Inc was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses was proportionately consolidated in the consolidated financial statements.



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Upon adoption of IFRS 11, the Group has determined its interest in Sentinel Holdings Inc. to be classified as a joint venture under IFRS 11 and it is required to be accounted for using the equity method. The transition will be applied retrospectively as required by IFRS 11 and consequently, the comparative information for the immediately preceding period, the financial statements for the year ended 31 December 2013 will be restated.

The effect of applying IFRS 11 on the Group's financial statements for the year ended 31 December 2013 would be as follows:

### Impact on the consolidated statement of comprehensive income (increase/(decrease)) on net loss for the year:

	2013 U.S.\$'000
Revenue	(3,154)
Expenses	3,766
Finance expenses and other	428
Share of loss from joint venture	(1,040)
<b>Net impact on loss for the year</b>	<b>-</b>

The transition will not have any impact on either Other Comprehensive Income for the year or the Group's basic or diluted LPS.

### Impact on equity (increase/(decrease) in net equity):

Consolidated Statement of Financial Position	2013 U.S.\$'000
<b>ASSETS</b>	
<b>Non-current assets</b>	
Vessels	(26,466)
Investment in Joint Venture	1,810
Prepaid expenses and other assets	(1,241)
Cash and cash equivalents	(1,252)
<b>TOTAL ASSETS</b>	<b>(27,149)</b>
Long-term debt (including current portion)	17,149
Other liabilities	10,000
<b>TOTAL LIABILITIES</b>	<b>27,149</b>
<b>Net impact on equity</b>	<b>-</b>

### Impact on cash flow statements (increase/(decrease) in cash flows):

	2013 U.S.\$'000
Operating	393
Investing	-
Financing	(803)
Net decrease in cash and cash equivalents	(410)

## 10. OTHER ASSETS - LIABILITIES:

The amounts in the accompanying statement of financial position are analysed as follows:

### ASSETS

	2013 U.S.\$'000	2012 U.S.\$'000
Current:	-	238
Non-level charters	-	238

The amount of U.S.\$238 as at 31 December 2012 relates to the asset created upon accounting for charter agreements with specified rate increases over the charter term (non-level charters). As at 31 December 2013 the asset was fully amortised.

### LIABILITIES

The amounts in the accompanying statement of financial position are analysed as follows:

	2013 U.S.\$'000	2012 U.S.\$'000
Non-current:		
Fair value of interest rate swaps - non current(1)	-	(159)
Current:		
Fair value of interest rate swaps- current(1)	(177)	(244)
Shipyard credit- current (2)	-	(1,400)

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### 1) Interest rate swap

During 2007, the Group entered into an interest rate swap for the loan of vessel Bosphorus Bridge. The initial notional amount of this contract amounted to U.S.\$12,166 amortising in accordance with the initial loan repayment schedule. Under the swap agreement, the Group exchanged variable to fixed interest rate at 4.64%. The fair value of the specific derivative financial instrument as at 31 December 2013 and 31 December 2012 was a liability of U.S.\$177 and U.S.\$403 respectively, gains or losses arising from changes in the fair value of the interest rate swap are taken to the statement of comprehensive income as finance income or finance expense respectively.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The interest rate swap of the Group was assessed as Level 2.

As the Group did not designate the derivative agreement as an accounting hedge, net gains resulting from this derivative instrument, which approximated U.S.\$226 and U.S.\$227 for the years ended 31 December 2013 and 2012, respectively, were recorded in finance income in the consolidated statement of comprehensive income.

### 2) Shipyard credit

On 12 July 2011, the Group entered into an agreement with Cosco (Zhousan) Shipyard Co. Ltd. to defer part of the delivery instalment of vessel M/V Sofia, amounting to U.S.\$4,200. The outstanding balance of the deferred amount as at 31 December 2012 was U.S.\$1,400. On 13 July 2013, the Company proceeded with the full and final settlement of the outstanding amount.



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### 11. FINANCIAL ASSETS:

Cheyenne Maritime Company, the vessel owning company of M/V Sofia, Dionysus Shipholding Carrier Co. the vessel owning company of M/V Eleni D and Ermis Trading S.A., the vessel owning company of M/V Ermis (ex. Marie Paule), were registered as unsecured creditors in the Rehabilitation proceedings that were commenced by Korea Line Corporation with respect to unpaid hire and/or damages amounting to U.S.\$10,300, U.S.\$8,028 and U.S.\$643, for the aforementioned companies, respectively.

Further to certain amendments in the initial Rehabilitation plan (see note 20), the claim was finally settled by receipt of U.S.\$495 in cash representing the net present value of the outstanding rehabilitation claim (calculated at an annual interest rate of 6.12% over a nine years period) as well as shares registered to the vessel owning companies amounting to 43,094 shares for Cheyenne Maritime Company, 33,589 shares for Dionysus Shipholding Carrier Co. and 4,252 shares for Ermis Trading S.A.

The shares registered to the vessel owning companies were initially recognised at fair value through profit and loss in an amount of U.S.\$2,224 and are included in revenue in the statement of comprehensive income.

The value of these shares as at 31 December 2013 was U.S.\$1,920, which is presented as financial assets in the statement of financial position, with the net change in fair value of U.S.\$304 presented as a loss on valuation of financial assets in the statement of comprehensive income.

### 12. INSURANCE CLAIMS:

	2013 U.S.\$'000	2012 U.S.\$'000
Balance as at 1 January	445	571
Additions	99	717
Collections	(259)	(672)
Amounts written off	(32)	(171)
Balance as at 31 December	<b>253</b>	<b>445</b>

### 13. PREPAID EXPENSES AND OTHER ASSETS:

The amounts in the accompanying statement of financial position at 31 December are analysed as follows:

	2013 U.S.\$'000	2012 U.S.\$'000
Antipiracy costs receivable from charterers	51	104
Prepaid insurance cost	75	144
Prepaid fuel cost	1,885	210
Other prepaid expenses	3,132	2,437
	<b>5,143</b>	<b>2,895</b>

### 14. CASH AND CASH EQUIVALENTS:

	2013 U.S.\$'000	2012 U.S.\$'000
Cash at banks	6,059	2,997
Short term deposits at banks	9,410	13,778
	<b>15,469</b>	<b>16,775</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group's loan agreements contain minimum liquidity clauses requiring available cash balances of at least U.S.\$9,247 (U.S.\$10,666 in 2012) throughout the year.

### 15. RESTRICTED CASH:

Restricted cash amounts as at 31 December 2013 and 31 December 2012 are analysed as follows:

	2013 U.S.\$'000	2012 U.S.\$'000
Loans b and c (Note 17)	2,500	4,000
Loans f, g and h (Note 17)	142	2,014
	<b>2,642</b>	<b>6,014</b>



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The restricted cash of U.S. \$2,642 as at 31 December 2013 (U.S. \$6,014 as at 31 December 2012) relates to cash restricted in use by the financing banks subject to the rectification and/or fulfilment of certain financial covenant ratios and/or other terms, as provided by the agreements of loans b, c, f, g and h (Note 17).

- i) On 13 June 2013 the Group signed a supplemental agreement with the financing bank, which provided for the progressive release of the restricted cash and its pro-rata application towards the eight consecutive quarterly repayment instalments of each of loans b and c, falling due within the period from 21 April 2013 to 6 February 2015. The amount of restricted cash relating to the principal instalments falling due after 21 April 2013 to 6 November 2013 was released to the Group during 2013.
- ii) On 5 May 2013, as part of the amendments signed with the bank (also refer to note 17) for loan g, an amount of U.S. \$871 of restricted cash was released by the financing bank, from which an amount of U.S. \$760 was applied towards the outstanding balance of the loan, in order of maturity, and the remaining amount of U.S.\$111 was utilised to settle the interest accrued as of the date of release.

On 18 July 2013, as part of the amendments signed with the bank (also refer to note 17) for loan h, an amount of U.S. \$463 of restricted cash was released by the financing bank, from which an amount of U.S. \$326 was applied towards the outstanding balance of the loan, in order of maturity, and the remaining amount of U.S.\$137 was utilised to settle the interest accrued as of the date of release.

On 25 July 2013, as part of the amendments signed with the bank (also refer to note 17) for loan f an amount of U.S.\$680 of restricted cash was released by the financing bank, from which an amount of U.S.\$530 was applied towards the outstanding balance of the loan, in order of maturity, and the remaining amount of U.S.\$150 was utilised



to settle the interest accrued as of the date of release. On 7 November 2013 and as part of the aforementioned amendments signed with the bank, the Company deposited an amount of U.S.\$142 to the respective pledged account. On 25 January 2014 the amount of U.S.\$142 was prepaid towards the balloon instalment of loan f.

### 16. SHARE CAPITAL, SHARE PREMIUM AND NON CONTROLLING INTEREST:

#### (a) Share Capital:

Share capital consisted of the following at 31 December:

	2013 U.S.\$'000	2012 U.S.\$'000
<b>Authorised</b>		
200,000,000 Shares of \$0.01 each	2,000	2,000
<b>Issued and paid</b>		
93,191,758 Shares of \$0.01 each	932	932
<b>Total issued share capital</b>	<b>932</b>	<b>932</b>

#### (b) Annual Incentive Plan (AIP):

At its meeting on 13 December 2013 the Remuneration Committee did not recommend and the Board of Directors approved no Base Award to Executive Directors under AIP for the current year.

#### (c) Share Premium:

The analysis of the share premium is as follows:

	U.S.\$'000
Balance 31 December 2011	145,419
Scrip dividend shares	2,888
Balance 31 December 2012	148,307
Balance 31 December 2013	148,307

#### (d) Non-Controlling Interest:

Amount of U.S.\$1,001 (U.S.\$955 as at 31 December 2012) in the accompanying statement of financial position concerns the net consideration received for the disposal of 20% of the voting shares of Tuzon Maritime Co., the vessel owning company of Paris JR, increased by the 20% portion of the profit attributable to Tuzon Maritime Co., which for the year ended 31 December 2013, amounted to U.S.\$46.

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### 17. LONG-TERM DEBT:

The amounts in the accompanying statement of financial position are analysed as follows:

		31 December 2013 U.S.\$'000		31 December 2012 U.S.\$'000		
	Bank Loan	Vessel(s)	Amount	Rate %	Amount	Rate %
a.	Issued 21 January 2013, maturing 15 November 2015	MSC Fortunate, Brilliant, Thira, Golden Trader	20,500	4.74%	30,255	2.94%
b.	Issued 18 December 2009, maturing 6 May 2021	D Skalkeas	22,110	2.49%	24,146	2.56%
c.	Issued 14 August 2009, maturing 22 October 2021	Erato	25,447	2.49%	27,737	2.57%
d.	Issued 16 January 2009, maturing 16 January 2019	Ermis	8,597	2.00%	9,303	2.08%
e.	Issued 26 October 2009, maturing 26 October 2019	Alpine Trader	8,594	2.24%	9,600	2.35%
f.	Issued 6 March 2009, maturing 29 March 2019	Milos	20,250	2.99%	21,479	2.07%
g.	Issued 22 April 2009, maturing 29 March 2019	Sifnos	20,437	2.99%	21,672	2.06%
h.	Issued 2 August 2010, maturing 31 March 2020	Pisti	20,081	3.00%	21,376	2.07%
i.	Issued 18 January 2011, maturing 31 March 2020	Sofia	19,342	2.99%	20,440	2.09%
j.	Issued 10 May 2010, maturing 1 December 2022	Eleni D	17,356	1.84%	18,804	2.16%
k.	Issued 1 August 2011, maturing 19 September 2014	Thasos	2,224	3.04%	8,500	3.11%
<b>Total</b>			<b>184,938</b>		<b>213,312</b>	
<b>Less: initial financing costs</b>			<b>(917)</b>		<b>(644)</b>	
<b>Less: current portion</b>			<b>(18,763)</b>		<b>(24,115)</b>	
<b>Long-term portion</b>			<b>165,258</b>		<b>188,553</b>	

Interest rates included in the table above are based on last roll over statements received from the lending banks.

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### Changes in long term agreements:

- **Loans b & c:** On 13 June 2013 the Group signed a supplemental agreement with the financing bank, which provided for the progressive release of the restricted cash through its pro-rata application towards the outstanding balance of loans b and c (see also note 15) and the relaxation of specific required covenants' ratios. In addition, Vessel MSC Socotra has been provided as collateral to the financing bank.
- **Loans d & e:** On 20 August 2013, the Group had agreed in principle with the financing bank to amend the loan agreements and provide as additional security vessel Paris JR, in order to cover its portion of the shortfall to the Minimum Security Cover ratio ("the MSC shortfall"), thus rectifying the covenant breach. The remaining 50% of the shortfall had been agreed to be covered with a cash pledge of equal value from the JV partner.

Due to the substantial market recovery experienced in the beginning of the fourth quarter 2013, which was evidenced by a corresponding increase of vessel values, the amount of the MSC shortfall decreased significantly resulting in the decision of both partners to cancel this loan amendment with the consent of the lender and to proceed with a prepayment of U.S.\$600 towards the outstanding balance of loan e to rectify the remaining MSC shortfall. Final ratification of the documentation for the satisfaction of the MSC shortfall was still pending at the time of the prepayment.

- **Loan f:** On 29 April 2013 the Group signed a Deed of Amendment to the loan facility with the financing bank for the deferral of 40% of the next eight principal instalments effective from April 2013. Subject to this amendment and following the prepayment of U.S. \$530 effected in July 2013 (also refer to note 15), the repayment schedule was amended and this loan is now repayable in one instalment of U.S. \$256.3 due on 25 January 2014, four quarterly instalments of U.S.\$262.2 each, the first one being due on 25 April 2014 and the final one on 25 January 2015, four quarterly instalments of U.S. \$524.5 each, the first one being due on 25 April 2015 and the final one on 25 January 2016, eight quarterly instalments of U.S. \$568.2 each, the first one being due on 25 April 2016 and the final one on 25 January 2018 and four quarterly instalments of U.S. \$437 each, the first one being due on 25 April 2018 and the final one on 25

January 2019 and a balloon payment of U.S. \$10,553 being due on 29 March 2019.

- **Loan g:** On 29 April 2013 the Group signed a Deed of Amendment to the loan facility with the financing bank for the deferral of 40% of the next eight principal instalments effective from April 2013. Subject to this amendment and following the prepayment of U.S.\$760 in May 2013 (also refer to note 15), the repayment schedule was amended and this loan is now repayable in five quarterly instalments of U.S. \$264.6 each, the first one being due on 3 February 2014 and the last one being due on 3 February 2015, four quarterly instalments of U.S. \$529.2 each, the first one being due on 3 May 2015 and the final one on 3 February 2016, eight quarterly instalments of U.S. \$573.3 each, the first one being due on 3 May 2016 and the final one being due on 3 February 2018 and four quarterly instalments of U.S. \$441 each, the first one being due on 3 May 2018 and the final one on 3 February 2013 and a balloon payment of U.S. \$10,647 being due on 29 March 2019.
- **Loan h:** On 29 April 2013 the Group signed a Deed of Amendment to the loan facility with the financing bank for the deferral of 40% of the next eight principal instalments effective from April 2013. Subject to this amendment and following the prepayment of U.S.\$326 effected in July 2013 (also refer to note 15), the loan is now repayable in five quarterly instalments of U.S.\$277.5 each, the first one being due on 18 January 2014 and the final one on 18 January 2015, four quarterly instalments of U.S.\$555 each, the first one being due on 18 April 2015 and the final one on 18 January 2016, eight quarterly instalments of U.S.\$601.2 each, the first one being due on 18 April 2016 and the final one being due on 18 January 2018 and eight quarterly instalments of U.S.\$462.4 each, the first one being due on 18 April 2018 and the final one on 18 January 2020 and a balloon payment of U.S.\$7,965 being due on 31 March 2020.
- **Loan i:** On 29 April 2013 the Group signed a Deed of Amendment to the loan facility with the financing bank for the deferral of 40% of the next eight principal instalments effective from April 2013. Based on this amendment, the repayment schedule was amended. The loan is repayable in five quarterly instalments of U.S.\$235.2 each, the first one being due on 12 January 2014 and the



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final one on 12 January 2015, four quarterly instalments of U.S.\$470.4 each, the first one being due on 12 April 2015 and the final one on 12 January 2016, eight quarterly instalments of U.S.\$509.6 each, the first one being due on 12 April 2016 and the final one being due on 12 January 2018 and eight quarterly instalments of U.S.\$392 each, the first one being due on 12 April 2018 and the final one on 12 January 2020 and a balloon payment of U.S.\$9,072 being due on 31 March 2020.

- **Loan k:** During May 2013, the Group provided vessel Thasos as collateral to the financing bank following the release of the mortgage on vessel MSC Scotland.

### Prepayments:

- **Loan a:** During December 2013, the Group proceeded with a prepayment of loan of U.S.\$4,555 to the financing bank following to the disposal of vessel MSC Anafi which had been provided as collateral under the loan agreement.
- **Loan k:** During August 2013, the Group proceeded with a prepayment of loan of U.S.\$2,680 to the financing bank following to the disposal of vessel Vasos which had been provided as collateral under the loan agreement. In addition, the Group proceeded with a voluntary prepayment of U.S.\$1,098.

### Upcoming repayment terms/ Changes in existing repayment terms:

- **Loan a:** This loan is repayable in eight quarterly instalments of U.S.\$1,300 each, the first one being due on 15 February 2014 and the final one on 15 November 2015 along with a balloon payment of U.S.\$10,100.
- **Loan b:** This loan is repayable in thirty quarterly instalments of U.S.\$509 each, the first one being due on 6 February 2014 and the final one on 6 May 2021 along with a balloon payment of U.S.\$6,840.
- **Loan c:** This loan is repayable in thirty-two quarterly instalments of U.S.\$572.7 each, the first one being due on 22 January 2014 and the final one on 22 October 2021 along with a balloon payment of U.S.\$7,120.6.
- **Loan d:** This loan is repayable in twenty-one quarterly instalments of U.S.\$176.5 each, the first one

being due on 16 January 2014 and the final one on 16 January 2019 along with a balloon payment of U.S.\$4,890.5.

- **Loan e:** This loan is repayable in twenty-four quarterly instalments of U.S.\$176.5 each, the first one being due on 26 January 2014 and the final one on 26 October 2019 along with a balloon payment of U.S.\$4,358.
- **Loan j:** This loan is repayable in thirty-six quarterly instalments of U.S.\$362 each, the first one being due on 1 March 2014 and the final one on 1 December 2022 along with a balloon payment of U.S.\$4,324.
- **Loan k:** This loan is repayable in three quarterly instalments of U.S.\$305 each, the first one being due on 19 March 2014 and the final one on 19 September 2014 along with a balloon payment of U.S.\$1,309.

All loans discussed above are denominated in U.S. dollars, and bear interest at LIBOR plus a margin.

The loans have margins between 1.60% and 4.5% above LIBOR.

Total interest paid was U.S.\$6,054 and U.S.\$7,349 for the year ended 31 December 2013 and 31 December 2012, respectively.

The fair value of long term debt amounts to U.S.\$154,138.

All loans are secured with first priority mortgages over the borrowers' vessels. The loan agreements contain covenants including restrictions as to changes in management and ownership of the vessels; additional indebtedness and mortgaging of vessels without the bank's prior consent as well as minimum requirements regarding corporate liquidity and hull cover ratio and corporate guarantees of Goldenport Holdings Inc.

Certain amendments of loans b, c, f, g, h and i effected in 2013 provide for relaxation of basic financial covenants through 31 December 2014.

- Minimum security cover has been restated to a range from 90%-100% (previous: 125%).
- Maximum leverage ratio has been restated to a range from 75%-85% (previous: 70-75%).
- Interest Cover ratio has been restated to a maximum 2:1 ratio (previous: 3-4:1).

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iv) Minimum net worth has been restated to U.S.\$50 million in terms of market values of assets or U.S.\$170 million in terms of book values of assets (previous: within the range from U.S.\$100-200 million in terms of market value).

### 18. ACCRUED LIABILITIES AND OTHER PAYABLES:

The amounts in the accompanying statement of financial position at 31 December are analysed as follows:

	2013 U.S.\$'000	2012 U.S.\$'000
Interest	867	894
Other accrued expenses	2,012	1,354
Other payables	4,465	4,663
	<b>7,344</b>	<b>6,911</b>

Other payables represent obligations that will be settled within twelve months, and bear no interest.

### 19. DIVIDENDS DECLARED:

The Board of Directors of the Company will propose to the Annual General Meeting for approval, the non payment of a dividend for 2013 (non payment for 2012). The proposal for the non payment of dividend is expected to be approved by the AGM to be held in Athens in May 2014.

#### Dividend rights:

Under the Company's by-laws, each ordinary share, except for the company's treasury shares, is entitled to dividends if and when dividends are declared by the Board of Directors. There are no restrictions on the Company's ability to transfer funds in and out of Marshall Islands. The payment of final dividends is subject to the approval of the Annual General Meeting ("AGM") of Shareholders. The final dividend proposed by the Board of Directors for 2011, was approved by the AGM held on 11 May 2012. The final dividend was 4 pence per share and included a share mandate scheme of 2 pence per share resulting in a total dividend amount of GBP 3,634 or U.S.\$5,822. On 15 May 2012 the cash payment was made for the cash portion totalling GBP 1,817 or U.S.\$2,911 and on 18 May 2012 2,331,091 shares with reference price of

77.95 pence were issued and admitted to the official list representing the share element of the dividend. On 29 August 2013 the Board of Directors having reviewed market fundamentals proposed and approved a zero interim dividend. (On 31 August 2012 a zero interim dividend was approved by the Directors). The payment of dividend was U.S. \$2.911 for 2011. Within 2013, no payment of dividends was made.

### 20. COMMITMENTS AND CONTINGENCIES:

- Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance providers and from other claims with suppliers relating to the operations of the Group's vessels. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the consolidated financial statements.
- The Group has entered into time charter arrangements for all its vessels. These arrangements have remaining terms between 1-9 months as of 31 December 2013 (1-48 months as at 31 December 2012). Future minimum charters receivable (based on earliest delivery dates) upon time charter arrangements as at 31 December 2013, are as follows (Vessel off-hires and dry-docking days that could occur but are not currently known are not taken into consideration. In addition early delivery of the vessels by the charterers is not accounted for. For the joint venture vessels (see note 9) 50% of revenue is included):

	2013 U.S.\$'000	2012 U.S.\$'000
Within one year	9,272	20,505
1-5 years	-	15,330
	<b>9,272</b>	<b>35,835</b>

- Cheyenne Maritime Company, the vessel owing company of M/V Sofia, Dionysus Shipholding Carrier Co. the vessel owing company of M/V Eleni D and Ermis Trading S.A. (previously Citrus Shipping Corp.), the vessel owing company of

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M/V Marie Paule, were registered as unsecured creditors in the Rehabilitation proceedings that were commenced by Korea Line Corporation with respect to unpaid hire and/or damages amounting to U.S.\$10,300, U.S.\$8,028 and U.S.\$643, for the aforementioned companies, respectively.

The Rehabilitation plan was approved by the majority of creditors at the meeting held on 14 October 2011. According to the plan all unsecured creditors may recover the acknowledged claim as follows: i) 37% of the claim in cash over 10 years (2012-2021) which will be non-interest bearing and ii) 63% in Korea Line's shares, bearing no voting rights for the rehabilitation period.

During December 2012 and subject to the repayment schedule according to the rehabilitation plan, Cheyenne Maritime Company, Dionysus Shipholding Carrier Co. and Citrus Shipping Corp. received U.S.\$19, U.S.\$14 and U.S.\$2 respectively.

On 28 March 2013 the Korea Line's creditors meeting approved an amended rehabilitation plan, under which the following shares were provided to the Group:

- Cheyenne Maritime Company 43,094 shares
- Dionysus Shipholding Carrier Co. 33,589 shares
- Ermis Trading SA. 4,252 shares

In addition, on 28 October 2013 the Company received an amount of U.S.\$495 in cash representing the net present value of the outstanding rehabilitation claim (calculated at an annual interest rate of 6.12% over the nine years period) in settlement of all outstanding claims from Korean Line.

### 21. RELATED PARTY TRANSACTIONS:

#### (a) Goldenport Shipmanagement Ltd. ("GSL") and Goldenport Marine Cyprus ("GMC"):

All vessel operating companies included in the consolidated financial statements have a management agreement with either GSL or GMC, corporations directly controlled by the Dragnis family, to provide, in the normal course of business, a wide range of shipping managerial and administrative services, such as commercial operations, chartering, technical support and maintenance, engagement and provision of crew, for a monthly management fee of U.S. \$15.6 per vessel (U.S. \$15.2 in 2012). GSL is a Liberian corporation

and has a branch office registered in Greece under the provisions of Law 89/1967. GMC is a Cypriot corporation and has a branch office registered in Cyprus under the relevant Cypriot companies' laws and provisions. On 24 January 2014 the Board of Directors of the Company gave the Audit Committee the authority to negotiate with GSL and GMC in relation to the 2014 management fee. Following those negotiations the Audit committee agreed an increase in monthly management fee from U.S.\$15.6 to U.S.\$16 per vessel. The increase is effective from 1 January 2014. In addition to the monthly fee GSL and GMC charge a commission equal to 2% of time and voyage revenues relating to charters they organise.

	2013 U.S.\$'000	2012 U.S.\$'000
Voyage expenses - related parties (GSL & GMC)	1,153	1,504
Management fees - related parties (GSL & GMC)	3,548	4,321
<b>Total</b>	<b>4,701</b>	<b>5,825</b>

	2013 U.S.\$'000	2012 U.S.\$'000
Due from related parties -Current (GSL)	5,627	4,560
<b>Total</b>	<b>5,627</b>	<b>4,560</b>

	2013 U.S.\$'000	2012 U.S.\$'000
Due to related parties -Current (GMC)	974	-
<b>Total</b>	<b>974</b>	<b>-</b>

Commission charged for the year ended 31 December 2013 by both GSL and GMC amounted to U.S.\$1,153 (2012: U.S.\$1,504, by GSL) and is included in Voyage expenses.

The amounts receivable from related parties, shown in the table above, represent the vessel operating companies' cash surplus handled by GSL. The amounts payable to related parties represent commissions and management fees payable to GMC for the 12 month period ended 31 December 2013.



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### (b) Share-based payment transactions, Annual Incentive Plan and other remuneration of Directors and Management team

**Annual incentive plan:** The Remuneration Committee believes that a significant proportion of total remuneration should be performance-related. In addition, performance-related rewards should be deliverable largely in shares to more closely align the interests of shareholders and all Executive Directors and Management. In order to achieve this, the Board decided to terminate the 2006 Annual Cash Bonus arrangements and to replace them with a new plan called the Annual Incentive Plan ('AIP'), which is administrated by the Remuneration Committee.

It was decided that under the terms of the AIP the eligible employees (i.e Executive Directors and Management) can elect to have their annual cash bonus delivered in the form of restricted shares in the Company. The performance criteria remained the same as for the Annual Cash Bonus. Again, it is intended that the maximum limit for each participant will be 40% of annual base salary. The Remuneration Committee may select in future years, to adjust the maximum but it will not in any event exceed 75% of annual base salary. The Board (after a proposal by the Remuneration Committee) reserves the right to award shares in other circumstances which could include, without being limited to, subsequent offers of shares (primary or secondary). In each year the Remuneration Committee will propose to the Board the percentage of base salary applicable to each participant for the purposes of the AIP ("Base Award").

Under the AIP, a participant may apply his Base Award in one of three ways:

- Full Cash Award ('FCA'): If the participant selects the FCA, then the AIP will pay cash but only at 90% of the Base Award.
- Full Shares Award ('FSA'): If the participant selects the FSA, then under the AIP 110% of Base Award will be given in the form of shares.
- Half Cash-Half Shares Award ('HCHS'): If the participant selects the HCHS, then on 50% of Base Award the 90% rule will apply and will be paid cash and on the other 50% the 110% rule will apply and will be paid in shares.

The Remuneration Committee at its meeting on 13 December 2013 proposed nil amount (2012: nil amount)



as base award for all the participants. The Board of Directors on 13 December 2013 approved the Remuneration Committee proposal.

**Share-based payment transactions:** On 1 September 2010, the Company made grants under the Discretionary Share Option Plan (the "DSOP"), with eligibility for executive directors and employees, and the Group Share Award Plan (the "Plan"), with eligibility for all employees and Directors. The total shares under option and award amounted initially to 1,520,000 (DSOP shares: 1,020,000 & Plan: 500,000) and there were no cash settlement alternatives. The final vesting date for these awards was in September 2013. The performance targets were not met therefore the options lapsed. As at 31 December 2013, an amount of U.S.\$678 (U.S.\$531 as at 31 December 2012 and U.S.\$147 recognised within 2013) was de-recognised.

The amounts included in the financial statements under AIP, DSOP, the Plan and other remuneration of Directors and Management team as of 31 December are as follows:

	2013 U.S.\$'000	2012 U.S.\$'000
Directors and management team remuneration	1,090	1,163
Share based payment transactions	(531)	192
	<b>559</b>	<b>1,355</b>

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(c) The Interests of the Directors, the Senior Management and their respective immediate families in the share capital of the Company (all of which are beneficial unless otherwise stated), were as at 31 December 2013 as follows:

Name	Number of shares as at 31 December 2012	Acquisition of shares 16 September 2013	Number of shares as at 31 December 2013	Percentage of shares as at 31 December 2013
Dragnis family	53,287,939	1,500,000	54,787,939	58.79%
Chris Walton	19,704	-	19,704	0.02%
Konstantinos Kabanaros	120,754	-	120,754	0.13%

### (d) Rental of office space:

A monthly rental of EUR18.5 (EUR 18.2 in 2012) was agreed to be charged by the owner of the building (a related party under common control) to Goldenport Marine Services for the rental of the head offices. Total rent expense for the year ended 31 December 2013 amounted to U.S.\$328 (U.S.\$314 in 2012) and is included in General and administration expenses in the accompanying financial statements.

The future minimum lease (rental) payments under the above agreement as at 31 December are as follows:

	2013 U.S.\$'000	2012 U.S.\$'000
Within one year	330	293
After one year but not more than five years	1,193	413
More than five years	218	-
	<b>1,741</b>	<b>706</b>

## 22. INCOME TAXES:

Under the laws of the Republic of Marshall Islands and the respective jurisdictions of the Consolidated Companies the Group is not subject to tax on international shipping income. However, the Consolidated Companies are subject to registration and tonnage taxes, which have been included in vessel operating expenses in the accompanying consolidated statement of comprehensive income.

On 11 January 2013 the new tax law 4110/2013 was ratified by the Greek parliament. Under article 24 of this law tonnage tax regime is imposed on vessels operating under foreign flags, which are managed by Greek or foreign companies established in Greece on

the basis of L.27/1975. The application of this provision commenced from 1 January 2013 onwards.

The Ministry of Finance issued guidance on the imposition of tonnage tax on vessels operating under foreign flags and managed through an office established in Greece under article 26 of Law 27/1975. The deadline for filing the first tonnage tax return and payment of 25% of the tonnage tax was set on 29 March 2013.

The Ministry of Finance and the Ministry of Maritime issued a Joint Circular (POL 1050/2013) communicating that the deadline for the filing of the annual list, provided for by art. 24 of Law 4110/2013 was extended until 15 April 2013. The said Circular grants also an extension until 29 April 2013 for the filing of the tonnage tax return and the payment of the twenty five per cent of the tax due.

An obligation of the liable parties for submitting before the Ministry of Mercantile Marine an annual statement indicating the name, flag, total tonnage and age of vessels under the foreign flag is also established.

For calculating the tonnage tax (tax rates and tax brackets, criteria) and the special tax return and payment of tax, the provisions on the tonnage tax payable for Greek flagged vessels apply by analogy.

As of 31 December 2013, tonnage taxation under the new law, amounted to U.S. \$99 and is included in operating expenses in the consolidated statement of comprehensive income for the year ended 31 December 2013.

## 23. FINANCIAL INSTRUMENTS:

### Risk management objectives and policies

The Group's principal financial instruments are bank loans. The main purpose of these financial instruments is to finance the Group's operations and further fleet

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expansion. The Group has various other financial instruments such as cash and cash equivalents, trade receivables and trade payables, which arise directly from its operations.

From time to time, the Group also uses derivative financial instruments, principally interest rate swaps.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The majority of the Group's transactions are denominated in U.S. dollars therefore its exposure to foreign currency risk is minimal.

### Cash flow interest rate risk

Cash flow interest rate risk arises primarily from the possibility that changes in interest rates will affect the future cash outflows from the Group's long-term debt. The sensitivity analysis presented in the table below demonstrates the sensitivity to a reasonably possible change in interest rates (libor), with all other variables held constant, on the Group's profit for the year (fluctuations in interest rates do not impact the Group's equity). The sensitivity analysis has been prepared using the following assumptions:

- A rise or fall in interest rates will impact interest expense on floating rate borrowings.
- Although the fair value of the derivatives, and therefore the statement of comprehensive income will be impacted by movements in interest rates, the fair value impact of the derivative has been excluded from the sensitivity analysis as not significant.

- One interest rate swap entered into in 2007 economically hedges the respective loan and the interest payments/receipts almost fully offset, therefore this loan has not been included in the sensitivity analysis.

	Increase/ Decrease (%)	U.S.\$'000 Effect on profit
2013	+0.5%	-1,017
	-0.5%	+1,017
2012	+0.5%	-1,179
	-0.5%	+1,179

### Credit risk

The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as of 31 December 2013 in relation to each class of recognised financial assets, other than derivatives and financial assets through profit and loss, is the carrying amount of those assets as indicated in the statement of financial position.

### Concentration of Credit Risk

Financial instruments, which potentially subject the Group to significant concentrations of credit risk, consist principally of cash and cash equivalents, trade accounts receivable and financial assets through profit and loss. The Group places its cash and cash equivalents, consisting mostly of deposits, with financial institutions. The Group performs annual evaluations of the relative credit standing of those financial institutions and assesses the credit standing of its investments. Credit risk with respect to trade accounts receivable is generally managed by the chartering of vessels to major trading houses (including commodities traders), established container-line operators, major producers and government-owned entities rather than to more speculative or undercapitalised entities. The vessels are normally chartered under time-charter agreements where as per the industry practice the charterer pays for the transportation service in advance, supporting the management of trade receivables.

### Fair Values

Derivatives and financial assets through profit and loss are recorded at fair value while all other financial assets and financial liabilities are recorded at amortised cost which approximates fair value.



## Financial Statements

### Foreign currency risk

The majority of the Group's transactions are denominated in U.S. dollars therefore its exposure to foreign currency risk from operations is minimal.

### Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the Group. The vessels are normally chartered under time-charter agreements where as per the industry practice the charterer pays for the transportation service in advance, supporting the management of cash generation. Investment is carefully controlled, with authorisation limits operating up to Group's Board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating to facilitate fund raising.

In its funding strategy, the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy regarding potential new investments in sec-

ond-hand vessels is that not more than 60% of the value of each investment will be funded through borrowings, whereas for the new buildings the respective limit is 70%.

The Group normally meets its working capital needs through cash flows from operating activities and available credit lines. Management prepares cash flow projections in order to forecast its short term working capital position.

Excess cash used in managing liquidity is only invested in financial instruments exposed to insignificant risk of changes in market value, being placed on interest-bearing deposit with maturities fixed at no more than 3 months. Short term flexibility is achieved if required by credit line facilities.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2013 and 2012, based on contractual undiscounted payments (including interest to be paid, which is calculated using the last applicable rate for each loan, as of 31 December 2013 and 2012):

31 December 2013	<3 months U.S.\$000	3-12 months U.S.\$000	1- 2 years U.S.\$000	2- 5 years U.S.\$000	>5 years U.S.\$000	Total U.S.\$000
Interest bearing loans	4,568	18,451	34,302	56,007	92,798	206,126
Trade payables	4,754	-	-	-	-	4,754
Due to related parties	974	-	-	-	-	974
Accrued liabilities and other payables	7,344	-	-	-	-	7,344
Derivative instrument liability	60	117	-	-	-	177
	<b>17,700</b>	<b>18,568</b>	<b>34,302</b>	<b>56,007</b>	<b>92,798</b>	<b>219,375</b>

31 December 2012	<3 months U.S.\$000	3-12 months U.S.\$000	1- 2 years U.S.\$000	2- 5 years U.S.\$000	>5 years U.S.\$000	Total U.S.\$000
Interest bearing loans	9,729	19,796	28,719	77,673	106,627	242,544
Trade payables	7,282	-	-	-	-	7,282
Accrued liabilities and other payables	6,911	-	-	-	-	6,911
Shipyard Credit	-	1,400	-	-	-	1,400
Derivative instrument liability	67	177	159	-	-	403
	<b>23,989</b>	<b>21,373</b>	<b>28,878</b>	<b>77,673</b>	<b>106,627</b>	<b>258,540</b>

## Financial Statements

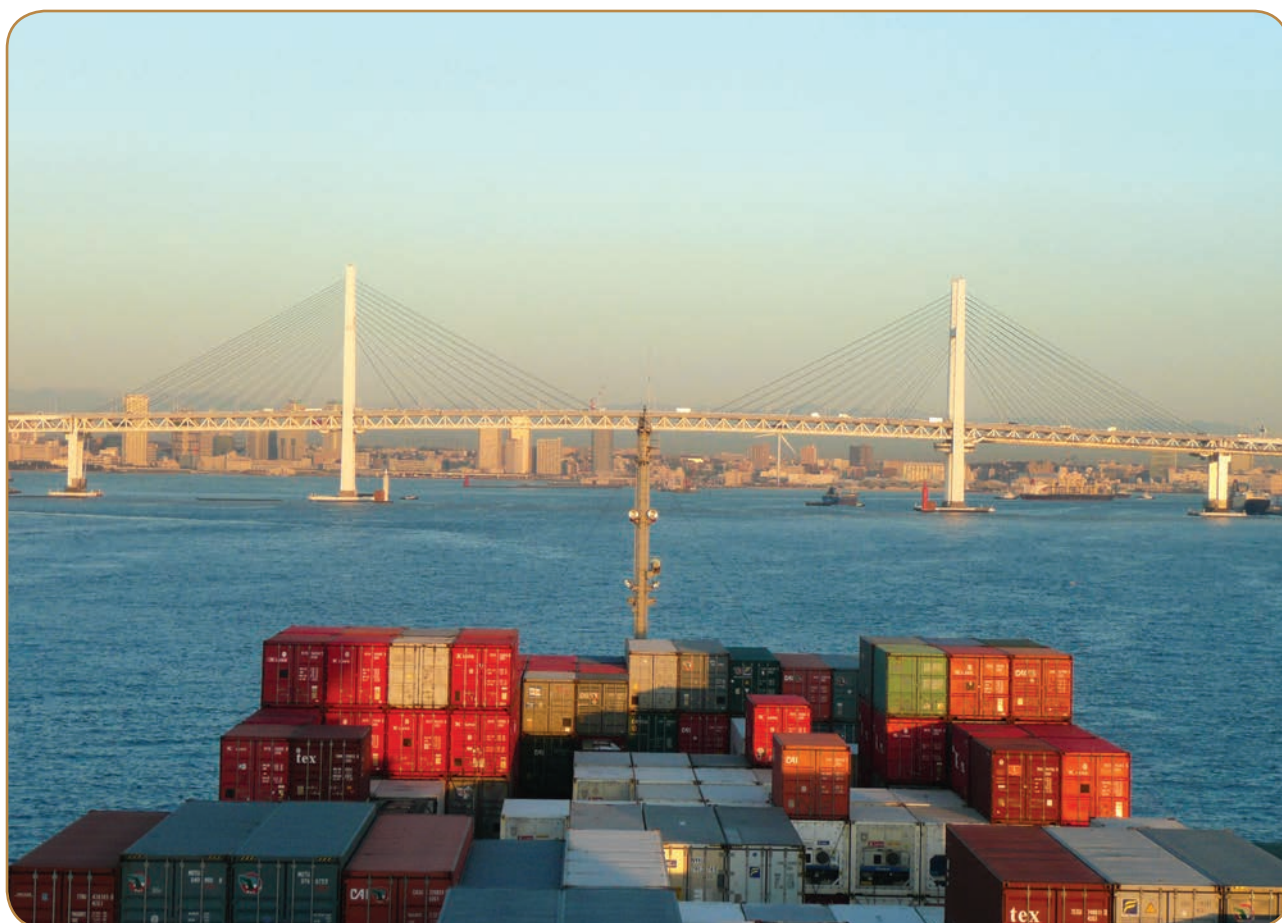
### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 75% on average (also Group's funding policy in Liquidity Risk section). Excess capital represented by a low gearing ratio, is used to fund further expansion plans. The Group includes within net debt, interest bearing loans, less cash and cash equivalents. Capital includes issued share capital, share premium and retained earnings.

Financial covenants connected with the Group's long-term debt agreements are discussed in Note 17.

	2013 U.S.\$'000	2012 U.S.\$'000
Interest bearing loans	184,021	212,668
Less: cash and short term deposits (including restricted cash)	(18,111)	(22,789)
<b>Net debt</b>	<b>165,910</b>	<b>189,879</b>
Issued share capital	932	932
Share premium	148,307	148,307
Other capital reserves	-	531
Retained earnings	30,642	42,819
Treasury stock	(483)	(483)
Non-controlling interest	1,001	955
<b>Total capital</b>	<b>180,399</b>	<b>193,061</b>
<b>Capital &amp; Net debt</b>	<b>346,309</b>	<b>382,940</b>
<b>Gearing ratio</b>	<b>47.9%</b>	<b>49.6%</b>



## Additional Information for Shareholders

# Additional Information for Shareholders

Following the implementation of the EU Takeover Directive into UK law, the following description provides the required information for shareholders where not already provided elsewhere in the 2013 Annual Report. This summary is based on the Company's current Articles of Incorporation and the By-Laws (the "Articles").

### Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 9 May 2014 are set out in the Notice of Meeting which accompanies the 2013 Annual Report.

### Summary of Articles of Incorporation

#### Amendments to the Articles

Any amendments to the articles may be made by way of special resolution.

#### Share Rights

Subject to the BCA and to the rights conferred on the holders of any other shares, any shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution is in effect or so far as the resolution does not make specific provision, as the Board may decide.

#### Alterations of Share Capital

##### The Company may by ordinary resolution:

- (a) increase its share capital;
- (b) consolidate and divide up all or any of its share capital into shares of a larger amount;
- (c) sub-divide all or any part of its share capital into shares of a smaller amount; and
- (d) cancel any shares which have not, at the date of the resolution, been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

##### The Company may by special resolution:

- (a) reduce its share capital, any capital redemption reserve or share premium account; and
- (b) purchase its own shares.

#### Power to issue Shares and Authority to Allot

The directors shall not exercise any power of the Company to allot "Relevant Securities" (meaning any shares

of the Company, other than shares allotted in pursuance of any Employee Share Scheme (as defined in the Articles)) unless authorised to do so by a shareholders' resolution in a general meeting. Any authority, whether it is unconditional or subject to conditions, or whether given generally or for a particular exercise, shall state the maximum amount of Relevant Securities that may be allotted under it and the date on which it will expire, to be no more than five years from the date on which the resolution is passed, unless previously revoked or varied by resolution of the shareholders in general meeting. Where the definition of Relevant Securities applies to any rights to subscribe for or to convert any security into shares, the authority relates to the maximum number of shares which may be allotted pursuant to such rights. The directors may allot Relevant Securities after the expiry of the authority, in pursuance of an offer or agreement made by the Company before the expiry of such authority. No breach of these provisions shall affect the validity of any allotment of any Relevant Securities.

#### Variation of Rights

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares may (whether or not the Company is being wound up) be varied in such manner as these rights may provide or (if no provision is made) with the authority of an extraordinary resolution of the Company passed at a separate general meeting of the holders of those shares. At any separate general meeting, the necessary quorum is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question.

#### Pre-Emption Rights

The Articles contain provisions giving pre-emption rights to holders of "Relevant Shares" (meaning the shares in the Company other than: (a) those shares giving rights to a specified amount of dividend and capital in a distribution; and (b) shares acquired or to be allotted pursuant to any Employee Share Scheme (as defined in the Articles)) and holders of "Relevant Employee Shares" (being those shares in the Company which would be Relevant Shares save for the fact that they were acquired pursuant to an Employee Share Scheme), entitling them, on any allotment of "Equity Securities", to be offered "Equity Securities" (meaning Relevant Shares and rights to subscribe for or convert securities into Relevant Shares excluding shares or any rights to subscribe for or convert any security into shares as part of any offering of



## Additional Information for Shareholders

shares prior to Admission (including any shares so allotted or rights granted, whether before or after Admission, in accordance with any over-allotment or stabilization arrangements entered into by the Company in connection therewith)) in proportion to their existing shareholdings. These preemption provisions do not apply to allotments of Equity Securities which are paid other wise than in cash (meaning where paid up other wise than by cash received by the Company or cheque received by the Company in good faith, which the Directors have no reason to suspect will not be paid, or release of a liability of the Company for a liquidated sum or an undertaking to pay cash to the Company at a future date, where “cash” also includes foreign currency) and they do not apply to the allotment of securities which would be held under any Employee Share Scheme. Any Equity Securities which the Company has offered to a holder of Relevant Shares and Relevant Employee Shares may be allotted to him, or to anyone in whose favour he has renounced his right to their allotment, without contravening these provisions. Any offer made under these provisions must state a period of not less than 21 days during which it may be accepted and this offer shall not be withdrawn before the end of such period.

### Disapplication of Pre-Emption Rights

The pre-emption rights summarised above may be dis-applied in whole or modified as the directors determine, provided the directors are given power by special resolution of the Company, which shall not be proposed unless recommended by the directors.

### Takeover Provisions

The Articles adopt certain provisions of The Takeover Code, including provisions dealing with compulsory takeover offers and shareholder treatment along the lines of the General Principles of The Takeover Code (including “equal treatment”), which are to be administered by the directors. These provisions (set out in Articles 34 to 43) have effect only during such times as The Takeover Code does not apply to the Company.

### Pursuant to the Articles, a person must not:

- (a) acting by himself or with persons determined by the directors to be acting in concert with him, seek to acquire shares in the Company which, taken together with shares held or acquired by persons determined by the directors to be acting in concert with him, carry thirty per cent (30 per cent) or more of the voting rights attributable to the shares in the Company; or
  - (b) acting by himself or with persons determined by the directors to be acting in concert with him, and holding not less than thirty per cent (30 per cent) but not more than fifty per cent (50 per cent), of the voting rights attributable to shares, and seek to acquire, by himself or with persons determined by the directors to be acting in concert with him, additional shares which, taken together with the shares held by the persons determined by the directors to be acting in concert with him, increase his voting rights, except (in the case of (a) or (b) above) as a result of a “permitted acquisition” (meaning an acquisition either consented to by the directors, or made in compliance with Rule 9 of The Takeover Code, or arising from the repayment of a stock borrowing arrangement); or
  - (c) effect or purport to effect an acquisition which would breach or not comply with Rules 4, 5, 6 or 8 of The Takeover Code, if the Company were subject to The Takeover Code.
- Where the directors have reason to believe that any of such circumstances has taken place, then it may take all or any of certain measures:
- (i) require the person(s) appearing to be interested in the shares of the Company to provide such information as the directors consider appropriate;
  - (ii) have regard to such public filings as may be necessary to determine any of the matters under Articles 34 to 43;
  - (iii) make any determination under Articles 35 to 44 as they think fit, either after calling for submissions by the relevant person(s) or without calling for any;
  - (iv) determine that the voting rights attached to such shares in breach of the Articles, (the “Excess Shares”), are from a particular time incapable of being exercised for a definite or indefinite period;
  - (v) determine that some or all of the Excess Shares are to be sold;
  - (vi) determine that all or some of the Excess Shares will not carry any right to any dividends or other distributions from a particular time for a definite or indefinite period; and
  - (vii) take such actions as they think fit for the purposes of Articles 34 to 43 including prescribing rules not inconsistent with Articles 34 to 43, setting deadlines for the provision of information, drawing ad-

## Additional Information for Shareholders

verse inferences where information requested is not provided, making determinations or interim determinations, executing documents on behalf of a shareholder, converting any Excess Shares held in uncertificated form to certificated form and vice-versa, or converting any Excess Shares represented by depository interests issued in uncertificated form under the Articles into shares in certificated form, paying costs and expenses out of proceeds of sale, and changing any decision or determination or rule previously made.

The directors have full authority to determine the application of Articles 34 to 43, including the deemed application of the whole or part of The Takeover Code, and such authority shall include all the discretion that the Panel would exercise of the whole or part of The Takeover Code applied. Any resolution or determination made by the directors, any director or the chairman of any meeting acting in good faith is final and conclusive and is not open to challenge as to its validity or as to any other ground. The directors are not required to give any reason for any decision or determination they make.

### Depository Interests

The directors shall, subject to the Act, any other applicable laws and regulations and the facilities and requirements of any relevant system concerned and the Articles and By-laws, have the power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title and transfer of interests in shares in the capital of the Company in the form of depository interests or similar interests, or securities, and to the extent that such arrangements are so implemented, no provision of the Articles or the By-laws shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer thereof or the shares in the capital of the Company represented thereby. The directors may from time to time take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of any such arrangements.

### Summary of By-laws

The By-laws of the Company include provisions to the following effect:

#### Rights attaching to Common Stock

##### (a) Voting Rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares, on a

poll every Shareholder who (being an individual) is present in person or (being a corporation) is present by a representative not being himself a Shareholder has one vote for every share of which he is a holder.

##### (b) Dividends

Dividends may be declared in conformity with Marshall Islands law by, and at the discretion of, the directors. Dividends may be declared and paid in cash, stock or other property of the Company.

##### (c) Return of Capital

Subject to the rights of creditors, the directors, as trustees of the Company or, if applicable, the liquidator may with the sanction of an extraordinary resolution and any other sanction required by statute: (i) divide among the shareholders in specie the whole or any part of the assets of the Company; or (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit of shareholders as the directors, or, if applicable, the liquidator shall think fit, but no shareholders shall be compelled to accept any assets upon which there is any liability.

##### (d) Capitalisation of Reserves

The directors may, with the authority of an ordinary resolution: (i) resolve to capitalise any sum standing to the credit of any reserve account of the Company (including share premium account and capital redemption reserve) or any sum standing to the credit of profit and loss account not required for the payment of any preferential dividend (whether or not it is available for distribution); and (ii) appropriate that sum as capital to the holders of shares in proportion to the nominal amount of the shares held by them respectively and apply that sum on their behalf in paying up in full any unissued shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those shareholders, or as they may direct, in those proportions, or otherwise deal with such sum as directed by the resolution provided that the share premium account and the capital redemption reserve and any sum not available for distribution in accordance with the Act may only be applied in paying up unissued shares to be allotted credited as fully paid up.

#### Transfer of Shares

A Shareholder may transfer all or any of his Shares in any manner which is permitted by any applicable stat-

## Additional Information for Shareholders

tory provision and is approved by the Directors. A Shareholder may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in any other form as the directors may approve. The instruments of transfer shall be signed by or on behalf of the transferor. The directors may, in their absolute discretion, refuse to register any transfer of a certificated share unless:

- (i) it is lodged at the office, or such other place as the directors may decide, for registration; accompanied by the certificate for the shares to be transferred and such other evidence as the directors may reasonably require to prove title of the intending transferor;
- (ii) it is in respect of only one class of shares; and
- (iii) it is in favour of not more than four transferees.

If the directors refuse to register a transfer of a certificated share they shall, within two months after the date on which the instrument of transfer was lodged, give to the transferee notice of the refusal specifying the reason(s) for such refusal.

### Disclosure of Interests in Shares

Each Shareholder must notify the Company and the FCA of the percentage of the Company's voting rights which that person holds (including any changes to such percentages) as a "shareholder" or through that persons "direct" or "indirect" holding of "financial instruments" within the meaning of and in accordance with the notification requirements set out in Chapter 5 of the Disclosure and Transparency Rules published by the FCA. Where a shareholder fails to make the requisite notification, the Company may direct by notice that, in respect of the shares in relation to which the default has occurred, the shareholder is no longer entitled to be present at general meetings and to vote on any question either in person or by proxy, or to be counted in a quorum.

Where the default shares represent a quarter of one per cent (0.25 per cent) or more in nominal value of the issued shares of the relevant class, the Company may also suspend payment of dividends which would have been payable in respect of the shares in relation to which the default has occurred, treat any election made by the defaulting shareholder to receive shares instead of cash as ineffective, or refuse to recognise or register any transfer of any of the shares held by the defaulting shareholder, unless the transfer is an excepted transfer (as defined

in the By-laws) or the shareholder has provided the relevant information outlined above along with a certificate which satisfies the Company that no default has occurred in relation to the shares involved in the transfer.

### Power of the Company to investigate interests in Shares

If the directors have served notice on a shareholder after a failure by the shareholder or someone else to provide information about interests in shares required to be provided under the By-laws, the Company may direct by notice that, in respect of the shares in relation to which the default has occurred, the shareholder is no longer entitled to be present at general meetings and to vote on any question, or to be counted in a quorum. Where the default shares represent a quarter of one per cent (0.25 per cent) or more in nominal value of the issued shares of the relevant class, the Company may also suspend payment of dividends which would have been payable in respect of the shares in relation to which the default has occurred, or treat any election made by the defaulting shareholder to receive shares instead of cash as ineffective.

### Directors

- (a) The maximum number of directors of the Company is ten. Directors may be appointed by the Company by ordinary resolution or by the board of directors. However, the By-laws provide that whilst the Dragnis family and its associates hold over thirty per cent (30 per cent) or fifteen per cent (15 per cent) of the issued voting shares of the Company, they will be entitled to nominate up to two persons or one person, respectively, as a director or directors. The Company must procure that any such nominees are appointed as directors.
- (b) A director need not be a shareholder of the Company.
- (c) There is no age limit for directors.
- (d) At each annual general meeting any director then in office who has been appointed since or at the previous annual general meeting shall retire from office but will be eligible for reappointment.
- (e) The directors may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. Special remuneration may be payable to a director in addition to his ordinary remuneration (if any) as a director.



## Additional Information for Shareholders

- (f) The directors will be paid out of the funds of the Company all expenses properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from the meetings of the directors, committee meetings and general meetings.
- (g) The directors may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits, allowances or gratuities to any person who is or has been at any time a director of the Company or in the employment or service of the Company or of any company which is or was a subsidiary of or associated with the Company or of the predecessors in business of the Company or any subsidiary or associated company or the relatives or dependants of any such person. For that purpose the directors may procure the establishment and maintenance of, or participate in, or contribute to any noncontributory or contributory pension or superannuation fund, scheme or arrangement or pay any insurance premiums.
- (h) Subject to any applicable statutory provisions, a director will not be disqualified by his office from entering into any contract with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company, or as vendor, purchaser or otherwise. A director may hold and be remunerated in respect of any other office or place of profit with the Company (other than the office of auditor of the Company) in conjunction with his office as director and he (or his firm) may also act in a professional capacity for the Company (except as auditor) and may be remunerated for it.
- (i) A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract with the Company must declare the nature of his interest at a meeting of the directors.
- (j) A director may not vote or be counted in the quorum at a meeting in respect of any resolution concerning his own appointment (including fixing and varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, those proposals may be divided and considered in relation to each director separately; and in such case each of the directors concerned will be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment or the termination of his own appointment.
- (k) A director may not vote (or be counted in the quorum at a meeting) in respect of any contract in which he has an interest which (together with any interest of a connected person) is to his knowledge a material interest. Notwithstanding the above, a director shall be entitled to vote (and be counted in the quorum) on:
- (i) any contract in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
  - (ii) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings or a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security;
  - (iii) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter;
  - (iv) any contract concerning another company in which he and any connected person do not to his knowledge hold an interest in shares (within the meaning of sections 791 to 828 of the Companies Act 2006) representing one per cent (1 per cent) or more of the issued shares of any class of such company or of the voting rights of that company;
  - (v) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

## Additional Information for Shareholders



- (vi) the purchase or maintenance of insurance for the benefit of directors or for the benefit of persons including directors.

### Annual General Meetings

The Annual General Meeting of Shareholders of the Company will be held in accordance with the Act at such time and place as determined by the directors. All other general meetings will be extraordinary general meetings. Extraordinary general meetings will be held whenever the directors think fit or on the requisition of shareholders. The chairman of the directors or, in the chairman's absence, another person designated by the directors shall act as chairman of all annual meetings of shareholders.

An annual general meeting and any extraordinary general meetings at which it is proposed to pass a special resolution must be called by at least 21 days' written notice. All other extraordinary general meetings must be called by not less than 15 clear days' written notice, unless such shareholder meetings are called by shorter notice in accordance with the Act.

The requisite quorum for general meetings of the Company is two persons, holding or representing by proxy at least one-third in nominal amount of the issued shares entitled to vote on the business to be transacted at the meeting.

### Dividends

Dividends may be declared in conformity with the laws of the Marshall Islands and at the discretion of the di-

rectors. Dividends may be declared and paid in cash, stock, or other property of the Company.

### Liquidation

Subject to the rights of creditors, the directors, as trustees of the Company or, if applicable, the liquidator may with the sanction of an extraordinary resolution and any other sanction required by statute: (i) divide among the shareholders in specie the whole or any part of the assets of the Company; or (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit of shareholders as the directors, or, if applicable, the liquidator shall think fit, but no shareholders shall be compelled to accept any assets upon which there is any liability.

### Indemnity

Except to the extent prohibited or restricted by the Act or except to the extent prohibited or restricted by the Companies Act 1985 if it applied to the Company, but without prejudice to any indemnity to which a director or other officer may otherwise be entitled, every director or other officer (excluding an auditor) of the Company may be indemnified out of the assets of the Company against all liabilities incurred by him in the actual or purported execution or discharge of his duties or the exercise or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.

### Borrowing Powers

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party.

### Loans to Directors

The Company may not: (i) make a loan to a director except where the amount of the loan, together with the total outstanding on all other loans made to that director by the Company and all its subsidiaries is £10,000 or less; or (ii) enter into any guarantee, indemnity or provide security in connection with a loan made by any person to a director, unless such loan, guarantee, indemnity or security is approved by a resolution of the Company in general meeting. The restrictions in the By-laws will not apply to a transaction to provide a director with funds to meet expenditure incurred or to

## Additional Information for Shareholders

be incurred for the purposes of the Company or for the purpose of enabling him to properly perform his duties as an officer of the Company.

### Substantial Property Transactions

The Company may not enter into an arrangement: (i) whereby a director or a person connected with a director, acquires or is to acquire one or more non-cash assets of the requisite value from the Company; or (ii) whereby the Company acquires or is to acquire one or more non-cash assets of the requisite value from a director or a person connected with a director, unless the arrangement is first approved by a resolution of the Company in general meeting. For the purpose of the By-laws, a “noncash asset” is any property or interest in property other than cash (including foreign currency) and will be of requisite value if at the time the arrangement in question is entered into its value exceeds £500,000. The restriction in (i) above, will not apply to an arrangement whereby a director is to ac-

quire an asset from the Company, if the arrangement is made with that director in his capacity as a shareholder. The restrictions in the By-laws relating to substantial property transactions will not apply to a transaction on a recognised investment exchange which is effected by a director, or a person connected with him, through the agency of a person who in relation to the transaction acts as an independent broker.

### Substantial Shareholdings

Substantial shareholders are required to notify their interests in accordance with By-Law 99 of the Articles, which obliges shareholders to comply with the notification obligations to the Company contained in DTR5 of the Disclosure and Transparency Rules. As at 31 December 2013, the disclosable interests amounting to 3% or more of the Company’s issued share capital or voting rights at the time of notification (the total voting rights at 31 December 2013 were 93,191,758):

Shareholder	Number of shares of U.S.\$ 0.01 each	Percentage of issued share capital/voting rights at 31 December 2013
Henderson Global Investors	13,148,497	14.11%
Artemis Investment Management	4,887,184	5.24%
F&C Asset Management	3,446,085	3.70%

Save for the above, no other person has notified any interest of 3% or more of the issued share capital or in the voting rights of the Company in 2013.

### Purchase of own Shares

The Company obtained shareholder authority at the last Annual General Meeting held on 6 June 2013 to buy back up to 9,319,176 Shares of U.S.\$0.01 each which represents 10% of the Company’s issued share capital. This authority will expire at the end of the next Annual General Meeting of the Company or, if earlier, 5 June 2014. The maximum price which may be paid for such a Share is 105% of the average of the middle market quotations for the five business days preceding the purchase and the minimum price which may be paid for a Share is its par value of U.S.\$0.01.

The Company may either retain any of its own Shares which it has purchased as treasury stock with a view to possible re-issue at a future date, or cancel them. The Company would consider holding any of its own Shares that it purchases pursuant to the authority conferred by

this Resolution as treasury stock. This would give the Company the ability to re-issue Shares quickly and cost-effectively, and would provide the Company with additional flexibility in the management of its capital base.

The Company initiated a limited share buy-back program on 26 September 2011. As of 31 December 2013 the issued share capital consisted of 93,619,645 shares of common stock with a nominal value of U.S.\$0.01 each. The Company as of 31 December 2013 held 427,887 shares in treasury; therefore the total number of voting rights in the Company is 93,191,758.

### Other Significant Agreements

The Company and members of its Group are party to a number of loan and related agreements which may be terminated or altered on a change of control. Additionally, charter agreements to which any member of the Group are a party may contain similar provisions.



## Registered Office & Advisers

# Registered Office & Advisers

### Registered office:

Trust Company Complex  
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Ajeltake Island  
Majuro  
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### Head Office:

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41 Athinas Ave.  
Vouliagmeni 166-71  
Athens, Greece  
+30 210 89 10 500

### Web-site:

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[www.goldenportholdings.com](http://www.goldenportholdings.com)

### Senior Independent Director:

[bob.crawley@goldenport.biz](mailto:bob.crawley@goldenport.biz)

### Registrars:

Computershare Investor Services  
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Hilgrove Street  
St Helier  
Jersey  
JE1 1ES

### Depositary:

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Bridgwater Road  
Bristol  
BS99 6ZY

### Auditors:

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Certified Auditors - Accountants S.A.  
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4451, Metamorphosi  
Greece

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London EC2V 7EE

### US Legal Advisers:

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One Battery Park Plaza  
New York, N.Y. 10004  
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### IR Coordinators:

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Goldenport Holdings Inc.