EPIC GAS LTD
(Incorporated in British Virgin Islands: Registration Number: 1749293)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
As of the year ended 31 December 2014 and 31 December 2013
and for the years then ended

EPIC GAS LTD
(Incorporated in British Virgin Islands)
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Contents

EPIC GAS LTD
AND ITS SUBSIDIARIES

STATEMENT BY DIRECTORS
As of the year ended 31 December 2014 and 31 December 2013 and for the years then ended

In the opinion of the directors,

(a) the consolidated financial statements as set out on pages 3 to 55 are drawn up so as to present fairly, in all material respects, the consolidated financial position of Epic Gas Ltd and its subsidiaries (the "Group") as of 31 December 2014 and 31 December 2013, the results of their operations, changes in equity and their cash flows for each of the two years then ended 31 December 2014 in accordance with accounting principles generally accepted in the United States of America; and

(b) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due

On behalf of the directors

Charles Maltby
Director

Cullen M. Schaar
Director

17 April 2015

INDEPENDENT AUDITOR'S REPORT

To the Members and Board of Directors of Epic Gas Ltd

We have audited the accompanying consolidated financial statements of Epic Gas Ltd and its subsidiaries (the "Group") set out on pages 3 to 55, which comprise the consolidated balance sheet of the Group as of 31 December 2014 and 31 December 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 our 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, we consider internal control relevant to the Group'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 Group's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Epic Gas Ltd and its subsidiaries at 31 December 2014 and 31 December 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 17 APR 2015

EPIC GAS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2014 and 31 December 2013

	Note	**2014** **US$**	2013 US$
Revenue	4	**116,556,927**	78,008,734
Expenses			
Address and brokerage commissions		**(2,159,799)**	(1,478,193)
Voyage expenses		**(18,339,714)**	(6,005,246)
Bareboat charter hire operating expenses		**(11,060,407)**	(8,412,000)
Vessel operating expenses	5	**(46,548,480)**	(35,445,636)
Depreciation and amortisation	16	**(18,846,387)**	(13,543,855)
General and administrative expenses	6	**(16,977,142)**	(12,128,171)
Impairment loss on vessels	16	**(4,388,859)**	-
Impairment loss on vessel classified as held for sale	13	**(7,062,778)**	(1,395,548)
Share of losses from an associated company	19	**(11,430)**	-
Total expenses		**(125,394,996)**	(78,408,649)
Operating loss		**(8,838,069)**	(399,915)
Other income/(expenses)			
- Sundry income		**22,615**	49,412
- Other losses	7	**(3,296,733)**	-
- Finance expenses	8	**(10,747,112)**	(7,308,621)
Loss before income taxes		**(22,859,299)**	(7,659,124)
Income tax expense	9	**(79,757)**	(24,947)
Net loss		**(22,939,056)**	(7,684,071)
Other comprehensive loss, net of tax:			
Currency translation differences arising from consolidation	29	**(55,915)**	(46,579)
Fair value loss arising from cash flow hedges	29	**(1,082,584)**	-
Other comprehensive loss		**(1,138,499)**	(46,579)
Comprehensive loss		**(24,077,555)**	(7,730,650)

The accompanying notes form an integral part of these financial statements.

EPIC GAS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As of 31 December 2014 and 31 December 2013

	Note	**2014** **US$**	2013 US$
ASSETS			
Current assets			
Cash and cash equivalents	10	**31,172,103**	39,320,330
Trade and other receivables, net	11	**17,024,850**	6,531,777
Inventories	12	**2,767,742**	1,211,448
Vessels classified as held for sale	13	**6,769,999**	2,850,500
Deferred finance costs	14	**709,863**	709,863
Total current assets		**58,444,557**	50,623,918
Non-current assets			
Restricted cash	15	**9,480,000**	5,500,000
Property, plant and equipment	16	**406,804,882**	258,696,496
Advances for vessel under construction	17	**36,127,849**	35,080,912
Investment in unquoted equity shares	18	**-**	6,207
Intangible assets	20	**12,917,408**	12,917,408
Deferred finance costs	14	**1,087,134**	1,796,997
Total assets		**524,861,830**	364,621,938
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	21	**12,845,966**	9,598,982
Deferred income	22	**4,840,912**	3,168,974
Capital lease liabilities	23	**6,415,708**	3,422,511
Current income tax liabilities	9	**45,029**	67,359
Current portion of non-current borrowings	24	**40,689,289**	17,442,354
Derivative finance instruments	25	**1,082,584**	-
Total current liabilities		**65,919,488**	33,700,180
Non-current liabilities			
Capital lease liabilities	23	**68,818,946**	30,689,818
Deferred income taxes	26	**58,013**	17,814
Borrowings	24	**161,526,139**	119,717,803
Total Liabilities		**296,322,586**	184,125,615
STOCKHOLDERS' EQUITY			
Share capital, par value US$0.01 per share (2013: US$1 per share)	27	**297,556**	203,806
Shares issued (2014: 29,755,600; 2013: 203,806)			
Additional paid-in capital	27	**258,565,112**	187,665,586
Share option reserve	28	**1,484,781**	357,581
Other reserves	29	**(1,185,078)**	(46,579)
Retained deficit		**(30,623,127)**	(7,684,071)
Total stockholders' equity		**228,539,244**	180,496,323
Total liabilities and stockholders' equity		**524,861,830**	364,621,938

The accompanying notes form an integral part of these financial statements.

EPIC GAS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014 and 31 December 2013

	Share capital US$ Note 27	Additional paid-in capital US$ Note 27	Share option reserve US$ Note 28	Other reserves US$ Note 29	Retained deficit US$	Total equity US$
Balance at 1 January 2014	203,806	187,665,586	357,581	(46,579)	(7,684,071)	180,496,323
Issuance of shares	93,750	70,899,526	-	-	-	70,993,276
Share based compensation	-	-	1,127,200	-	-	1,127,200
Net loss for the year	-		-	-	(22,939,056)	(22,939,056)
Other comprehensive loss	-	-	-	(1,138,499)	-	(1,138,499)
Balance at 31 December 2014	**297,556**	**258,565,112**	**1,484,781**	**(1,185,078)**	**(30,623,127)**	**228,539,244**
Balance at 1 January 2013	114,415	110,418,977	-	-	-	110,533,392
Issuance of shares	89,391	77,246,609	-	-	-	77,336,000
Share based compensation	-	-	357,581	-	-	357,581
Net loss for the year	-		-	-	(7,684,071)	(7,684,071)
Other comprehensive loss	-	-	-	(46,579)	-	(46,579)
Balance at 31 December 2013	203,806	187,665,586	357,581	(46,579)	(7,684,071)	180,496,323

The accompanying notes form an integral part of these financial statements.

EPIC GAS LTD
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CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2014 and 31 December 2013

	Note	2014 US$	2013 US$
Cash flows from operating activities			
Net loss		**(22,939,056)**	(7,684,071)
Adjustments for:			
- Deferred income tax		**40,199**	8,198
- Employee share option expense		**1,127,200**	357,581
- Amortisation and depreciation		**18,846,387**	13,543,855
- Impairment loss on vessels		**4,388,859**	-
- Impairment loss on vessels classified as held for sale		**7,062,778**	1,395,548
- Share of losses from an associated company		**11,430**	-
- Loss on disposal of property, plant and equipment		**39,585**	-
- Amortisation of deferred finance costs		**709,863**	780,107
- Unrealised translation loss/(gain)		**2,777,799**	(11,022)
		12,065,044	8,390,196
Change in assets and liabilities:			
- Decrease in inventory		**(1,556,294)**	(75,248)
- Decrease)/increase in trade and other receivables		**(10,493,073)**	401,236
- Increase/(decrease) in trade payables and other current liabilities		**3,224,654**	(488,048)
- Increase in deferred income		**1,671,938**	3,168,974
Net cash provided by operating activities		**4,912,269**	11,397,110
Cash flows from investing activities			
Restricted cash		**(3,980,000)**	(5,500,000)
Acquisition of unquoted equity shares		**-**	(6,207)
Additions to property, plant and equipment		**(100,661,307)**	(4,680,371)
Proceeds from sale for vessels held for sale		**2,850,500**	-
Advances for vessels under construction		**(39,823,410)**	(35,080,912)
Acquisition of interest in associated company		**(5,486)**	-
Net cash used in investing activities		**(141,619,703)**	(45,267,490)
Cash flows from financing activities			
Proceeds from borrowings		**86,268,710**	148,281,250
Repayment of capital lease		**(4,655,889)**	(9,583,179)
Repayment of long-term borrowings		**(21,213,439)**	(181,697,136)
Payment of borrowing costs		**-**	(3,286,967)
Proceeds from issuance of shares		**70,993,276**	72,116,390
Net cash provided by financing activities		**131,392,658**	25,830,358
Net decrease in cash and cash equivalents		**(5,314,776)**	(8,040,022)
Cash and cash equivalents at beginning of year	10	**39,320,330**	47,294,282
Effects on exchange rates on cash		**(2,833,451)**	66,070
Cash and cash equivalents at end of year	10	**35,172,103**	39,320,330
Supplementary cash flow information			
Cash items:			
- Cash paid for income tax expenses		**61,888**	131,609
- Cash paid for interest expenses		**10,037,249**	6,528,514
Non-cash investing and financing activities		**45,778,214**	43,695,508

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The accompanying consolidated financial statements include the accounts of Epic Gas Ltd (the "Company") and its subsidiaries (collectively, the "Group").

The Company is incorporated and domiciled in British Virgin Islands ("BVI") on 12 December 2012. The address of its registered office is PO Box 173, Kingston Chambers, Road Town, Tortola, VG1110 British Virgin Islands.

The Group owns and operates a fleet of fully pressurised gas carriers providing seaborne services for the transportation of liquefied petroleum gas and petrochemicals.

The principal activities of its subsidiaries are set out in Note 33 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

(a) Basis of preparation and management's plans

The consolidated financial statements of the Group have been prepared on a going concern basis which assumes that the Group will be able to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, or externally forced revisions of its operations or similar actions.

For the year ended 31 December 2014, the Group has incurred net loss of US$22.9 million and as of 31 December 2014, the Group's working capital deficiency is US$7.5 million. Such conditions indicate that the Group may encounter challenges in meeting its obligations as they become due. Such working capital deficiency is resultant from the classification of borrowings as current liabilities due to contractual repayment terms.

Management's strategies to mitigate the conditions discussed above include generating higher positive cash flows from operating activities, repayment of current indebtedness through the use of proceeds from disposal of vessels, raising of additional capital from the capital markets, and renegotiating terms of borrowing facilities with the Group's borrowers to waive or amend the covenant. Subsequent to 31 December 2014, the Group retired US$ 9.2 million in borrowings classified as current liabilities using proceeds from the successful disposal of vessels classified as held for sale as of 31 December 2014.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Basis of preparation and management's plans (continued)

The operations of the Group require careful management of its cash and cash equivalents and our liquidity is affected by many factors including, among others, fluctuations in our revenue, operating costs, as well as capital expenditures.

Management periodically reviews the liquidity position of the Group and will take actions, as necessary, to minimize the cash used in operations and retain sufficient liquidity, through its operating activities, to meet the Group's obligations for the period not exceeding one year beyond the date of the financial statements.

(b) Principle of consolidation

The consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). These consolidated financial statements present the Group's financial results from operations, financial position and consolidated cash flows as at and for the year ended 31 December 2014.

All significant transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation. For the Company's majority-owned subsidiaries, non-controlling interest is recognised to reflect the portion of their equity which is not attributable, directly or indirectly, to the Group.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues or additional sources of cash and expenses or additional uses of cash during the reporting period. Actual results could differ from those estimates. Significant estimates include vessel valuation, the valuation of amounts due from charterers, residual value of vessels, useful life of vessels, projections used in valuing the unit awards and assessing goodwill annually for impairment, the fair value of time charter contracts acquired, the fair value of derivative instruments, share options and potential litigation claims and settlements.

2. **Significant accounting policies** (continued)

2.1 **Basis of preparation** (continued)

(d) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues or additional sources of cash and expenses or additional uses of cash during the reporting period. Actual results could differ from those estimates. Significant estimates include vessel valuation, the valuation of amounts due from charterers, residual value of vessels, useful life of vessels, projections used in valuing the unit awards and assessing goodwill annually for impairment, the fair value of time charter contracts acquired, the fair value of derivative instruments, share options and potential litigation claims and settlements.

(e) Segment reporting

The Group follows ASC 280 "Segment Reporting". The Group's chief operating decision-maker ("CODM"), who has been identified as the senior management team which includes its Chief Executive Officer and Chief Financial Officer, reviews the consolidated results when making decisions about allocating resources and assesses performance of the Group as a whole. Hence, the Group has only one reportable segment.
The CODM manages the Group as a single reportable segment which is primarily engaged in operation of fully pressurized gas carriers, providing seaborne services for the transportation of liquefied petroleum gas and petrochemicals. Its core services are similar in nature and these are based on the same infrastructure.

2.2 Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the new or amended accounting standards updates issued by the Financial Accounting Standards Board ("FASB") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective accounting standards updates. The adoption of these new or amended accounting standards updates did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial periods except for the following:

2. **Significant accounting policies** (continued)

2.2 **Interpretations and amendments to published standards effective in 2014** (continued)

Accounting Standards Update 2015-02

"Consolidation (Topic 810): Amendments to the Consolidation Analysis" requires variable interest that is a controlling financial interest in a VIE to consolidate the legal entity, if a fee arrangement paid to a decision maker, is determined to be a variable interest in a VIE, the decision maker must include the fee arrangement in its primary beneficiary determination and could consolidate the VIE on the basis of power (decision-making authority) and economics (the fee arrangement), in instances in which no single party has a controlling financial interest in a VIE, current GAAP requires interests held by a reporting entity's related parties to be treated as though they belong to the reporting entity when evaluating whether a related party group has the characteristics of a primary beneficiary.

Accounting Standards Update 2014-10

"Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation", reduce data maintenance and, for those entities subject to audit, audit costs by eliminating the requirement for development stage entities to present inception-to-date information in the statements of income, cash flows, and shareholder equity. The amendments are effective for annual reporting periods beginning after December 15, 2014, and interim reporting periods beginning after December 15, 2015.

Accounting Standards Update 2014-02

"Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill" allow an accounting alternative for the subsequent measurement of goodwill. The accounting alternative, if elected, should be applied prospectively to goodwill existing as of the beginning of the period of adoption and new goodwill recognized in annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015.

Accounting Standards Update 2013-02

"Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income", requires enhanced disclosures about amounts reclassified out of accumulated other comprehensive income. The amendments have been applied prospectively.

2. Significant accounting policies (continued)

2.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is recognised as follows:

Charter hire income and voyage expense recognition

Revenues are generated from both time and voyage charters.

Revenue from time chartering and voyage chartering of vessels are recognised on a straight-line basis over the periods of such charter agreements as service is performed.

When the Group employs its vessels on time charter, it is responsible for all the operating expenses of the vessels, such as crew costs, stores, insurance, repairs and maintenance. In the case of voyage charters, the vessel is contracted only for a voyage between two or more ports, and the Group pays for all voyage expenses in addition to the vessel operating expenses. Voyage expenses consist mainly of in port expenses and bunker (fuel) consumption and are recognized as incurred.

Whereas commissions are paid by the Group for both time charters and voyage charters and are recognised on pro-rata basis.

Demurrage income represents payments by the charterer to the vessel owner when loading or discharging time exceed the stipulated time in a voyage charter. Demurrage income is measured in accordance with the provisions of the respective charter agreements and the circumstances under which demurrage claims arise, and is recognised on a pro rata basis over the length of the voyage to which it pertains.

Ship management service revenue

Fees from the provision of the Group's ship management services are recognised when the services have been rendered.

2.4 Employee compensation

(a) Defined contribution plans

The Group's contributions to defined contribution plans, including the Central Provident Fund, are recognised as employee compensation expense when the contributions are due.

2. **Significant accounting policies** (continued)

2.4 **Employee compensation** (continued)

(b) Share-based compensation

The Group has adopted ASC 718, "Compensation – Stock Compensation", for the accounting of stock options and other share-based payments. The guidance requires that stock-based compensation transactions be accounted for using a fair-value-based method. To determine the fair value of the unit awards at December 31, 2014, the Group primarily used the discounted cash flow approach.

The Group operates an equity-settled, share-based compensation plan. Share-based compensation includes vested and non-vested shares granted to key management. The shares that contain a time-based service vesting condition are considered non-vested shares on the grant date and a total fair value of such shares is recognised as an expense under "General and administrative expenses" in the consolidated statement of comprehensive income with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant.

Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued.

2.5 **Group accounting – subsidiaries**

(a) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Company has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

2. **Significant accounting policies** (continued)

2.5 **Group accounting – subsidiaries** (continued)

(b) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (b) the fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

(c) Disposals

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

2. **Significant accounting policies** (continued)

2.6 Group accounting – associated company

An associated company is an entity over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in an associated company is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated company's post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated company are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company exceeds its interest in the associated company the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated company are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2. Significant accounting policies (continued)

2.6 Group accounting – associated company (continued)

(iii) Disposals

Investment in associated company is derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

(iv) Impairment of investment in associated company

The carrying amounts of investment in associated company is reviewed for impairment at each reporting date. Impairment is tested whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment are present, impairment reviews are performed to determine whether the carrying value of an asset group is impaired, based on comparison to the undiscounted expected future cash flows. If this comparison indicates that the carrying exceeds the undiscounted cash flows, the impaired asset group is written down to the fair value and the difference is recorded as an impairment loss in the consolidated statement of comprehensive income. The Company estimates fair value primarily through the use of present value techniques to calculate the discounted expected future cash flows from the associated company.

2.7 Income taxes

Income taxes are accounted for under the liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, and operating loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the periods that includes the enactment date. A valuation allowance is recorded for loss carry forwards and other deferred income tax assets where it is more likely than not that such loss carry forwards and deferred income tax assets will not be realized.

2. **Significant accounting policies** (continued)

2.7 **Income taxes** (continued)

In the ordinary course of business, there is inherent uncertainty in quantifying the Group's income tax positions. The Group assesses its income tax positions and record tax benefits for all periods subject to examination based upon evaluation of the facts, circumstances and information available at the reporting dates. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, the Group records the tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. The Group recognizes interest accrued related to unrecognized tax benefits in income tax expense. Penalties, if incurred, would be recognized as a component of selling, general and administrative expenses.

2.8 Other comprehensive income

The Group follows the guidance in US GAAP regarding reporting comprehensive income which requires separate presentation of certain transactions, such as unrealised gains and losses from effective portion of cash flow hedges, which are recorded directly as components of stockholders' equity.

2.9 Inventories

Inventories comprise mainly victualing, bonded stores, lubricating oil and bunker remaining on board. Inventories are measured at the lower of cost (calculated on first-in first-out basis) or estimated net realisable value.

2.10 Assets held-for-sale

It is the Group's policy to dispose of vessels when suitable opportunities occur and not necessarily to keep them until the end of their useful life. The Group classifies vessels as being held for sale when the following criteria are met: (i) management possessing the necessary authority has committed to a plan to sell the vessels; (ii) the vessels are available for immediate sale in their present condition; (iii) an active program to find a buyer and other actions required to complete the plan to sell the vessels have been initiated; (iv) the sale of the vessels is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year; and (v) the vessels are being actively marketed for sale at a price that is reasonable in relation to their current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

2. **Significant accounting policies** (continued)

2.10 **Assets held-for-sale** (continued)

Vessels classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These vessels are not depreciated once they meet the criteria to be classified as held for sale. Furthermore, in the period a vessel meets the held for sale criteria, in accordance with ASC 360-10, an impairment loss is recognized for any reduction of the vessel's carrying amount to its fair value less cost to sell.

A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative loss previously recognized (for a write-down to fair value less cost to sell). The loss or gain is adjusted only to the carrying amount of a long-lived asset, classified as held for sale individually or as part of a disposal group.

2.11 **Property, plant and equipment**

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any cost that is directly attributable to bringing it to its working condition and location for its intended use.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over its estimated useful life. The estimated useful life from the date it is ready to be used is as follows:

	Estimated Useful life
Vessels	30 years
Office equipment	4 years
Computers	4 years
Furniture and fittings	4 years
Office renovation	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2. **Significant accounting policies** (continued)

2.11 **Property, plant and equipment** (continued)

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

Dry docking costs relating to vessels owned by the Group are capitalised and amortised to vessels' operating costs on a straight line basis over the estimated period to the next dry docking session. Dry docking costs incurred in relation to the bareboat charter vessels under operating leases are accrued on a monthly basis from the start of the lease period.

The Group determines the estimated useful lives and related depreciation charges for its vessels and dry docking costs. The estimate is based on the historical experience of the actual useful lives of vessels and dry dockings of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions. Management will change the depreciation charge where the useful lives are different from previously estimated.

If the useful lives of the vessels are decreased by one year from management's estimate, the Group's loss before income tax for the year ended 31 December 2014 will increase by approximately US$483,270 (2013: US$829,550).

Impairment of long-lived assets

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), 360-10-15, "Accounting for the impairment of disposal of Long-live Assets", long-lived assets, such as vessels, to be held and used, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is tested whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment are present, impairment reviews are performed to determine whether the carrying value of an asset group is impaired, based on comparison to the undiscounted expected future cash flows. If this comparison indicates that the carrying exceeds the undiscounted cash flows, the impaired asset group is written down to the fair value and the difference is recorded as an impairment loss in the consolidated statement of comprehensive income. The Company estimates fair value of the vessels primarily through the use of present value techniques to calculate the discounted expected future cash flows from the vessels.

2. Significant accounting policies (continued)

2.11 Property, plant and equipment (continued)

Impairment of vessels

The carrying amounts of vessels are reviewed for impairment at each reporting date. For vessels that the Group intends to hold for use, if the total of the expected separately identifiable future undiscounted cash flows produced by the vessels is less than its carrying amount, a loss is recognized for the difference between the fair value and the carrying amount of the vessels. For vessels that the Group intends to dispose by sale, a loss is recognized for any reduction of the vessel's carrying amount to its fair value less cost to sell.

In assessing the fair value less cost to sell, the Group engaged an independent valuation specialist to determine the fair value less cost to sell of the vessels as at 31 December 2014. The independent valuer used a valuation technique based on recent vessel sales and other comparable market data.

In assessing future undiscounted cash flows, the Group used cash flow projections for each vessel based on financial budgets approved by management and compared it to the vessel's carrying value. Management determined the budgeted cash flows by considering the revenue from existing charters for those vessels that have long term employment and where there is no charters in place, the budgeted cash flows are estimated based on past performance and its expectations of market development. An impairment loss of US$4,388,859 (2013: US$ nil) was identified and recorded in the year ended 31 December 2014. If the projected revenues were to decrease by 1% from management's estimates, the impairment loss recognised will be increased to US$4,919,587 (2013: US$ nil). If the discounted rates used by management in determining the budgeted cash flows increase by 1%, the impairment loss recognised would be increased to US$8,063,429 (2013: US$ nil) in the year ended 31 December 2014.

2.12 Advances for vessels under construction

According to the terms of the ship building contracts for the construction of vessels entered by the Group, payments are made to the shipbuilder at specific stages. The shipbuilder assumes substantially all risks and rewards incidental to the ship building contracts. These payments are treated as advances for vessels under construction and are stated at cost, together with any financing and other costs.

2. Significant accounting policies (continued)

2.13 Leases

(a) When the Group is the lessee:

Leases are classified as capital leases if they meet at least one of the following criteria: (i) the leased asset automatically transfers title at the end of the lease term; (ii) the lease contains a bargain purchase option; (iii) the lease term equals or exceeds 75% of the remaining estimated economic life of the leased asset; or (iv) the present value of the minimum lease payments equals or exceeds 90% of the excess of fair value of the leased property. If none of the above criteria is met, the lease is accounted for as an operating lease.

The Group conducts a part of its operations from leased vessels. The vessel leases, which are expiring from July to September 2019, are classified as a capital leases.

Most of the vessel leases do not have renewal clauses but provide the Group with options to purchase the vessel after the initial lease term at nominal values on every charter-in payment date.

In addition, the Group leases bareboat charter vessels, office premises, office equipment and staff accommodation under operating leases expiring during the next five years.

In most circumstances, management expects that in the normal course of business, leases will be renewed or replaced by other leases.

(b) When the Group is the lessor:

The Group's leasing operations consist principally of the leasing of vessels to non related parties and all such income are classified under Revenue from Charter hire services (Note 4). These leases expire over the next five years.

2. Significant accounting policies (continued)

2.14 Intangible assets

Goodwill on acquisitions

Goodwill represents the cost in excess of fair value of the net assets of companies acquired. Goodwill is tested for impairment at year end date at the unit level using carrying amounts as of the end of the financial period or more frequently if events and circumstances indicate that goodwill might be impaired. The Group has the option of assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount. In the event that a qualitative assessment indicates that the fair value of a reporting unit exceeds its carrying value, the two step impairment test is not necessary. If, however, the assessment of qualitative factors indicates otherwise, the standard two-step method for evaluating goodwill for impairment as prescribed by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, Intangibles-Goodwill and Other must be performed.

Step one involves comparing the fair value of the reporting unit based on undiscounted future cash flow to its carrying amount. If the fair value of the reporting unit is greater than its carrying amount, there is no impairment. If the reporting unit's carrying amount is greater than the fair value, the second step must be completed to measure the amount of impairment, if any.

Step two involves calculating the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit from the fair value of the reporting unit as determined in step one. The implied fair value of goodwill determined in this step is compared to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss is recognised equal to the difference.

The Group determined the undiscounted projected cash flows for each reporting unit based on the projected cash flows generated, and compared it to the fair value of the reporting unit. The significant factors and assumptions used in the undiscounted projected cash flow analysis used for the above, revenue from existing charters for those vessels that have long term employment and where there is no charters in place, the budgeted cash flows are estimated based on past performance and its expectations of market development.

2. Significant accounting policies (continued)

2.15 Loans and receivables

Loans and receivables are non derivative financial assets with fixed on determinable payments that are not quoted in an active market. Loans and receivables are presented as “trade and other receivables, net” (Note 11), “Cash and cash equivalents” (Note 10) and “Restricted cash” (Note 15) on the balance sheet. They are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are example of objective evidence that these financial assets are impaired.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

2.16 Deferred finance costs

Debt issuance costs, including fees, commissions and legal expenses, are presented as other assets and are deferred and amortized on an effective interest rate method over the term of the relevant loan. Amortization of debt issuance costs is included in interest expense.

Such costs are classified as non-current. The Group reclassifies the deferred finance costs in relation to the bank loan principal amounts to be paid due in the next twelve months as current.

2.17 Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Group prior to the end of year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

2. Significant accounting policies (continued)

2.18 Derivative financial instruments and hedging activities

The Group has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies.

The Group designates its derivatives based upon guidance on ASC 815, "Derivatives and Hedging" which establishes accounting and reporting requirements for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The guidance on accounting for certain derivative instruments and certain hedging activities requires all derivative instruments to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings unless specific hedge accounting criteria are met.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

(a) Cash value

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy undertaken for the hedge. The documentation includes identification of the hedging instrument, hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the financial reporting periods for which they were designated. Contracts which meet the strict criteria for hedge accounting are accounted for as cash flow hedges.

The Group has entered into currency forwards that are cash value hedges for currency risk arising from its firm commitments for purchases and sales denominated in foreign currencies ("hedged item"). The fair value changes on the hedged item resulting from currency risk are recognised in profit or loss. The fair value changes on the effective portion of currency forwards designated as fair value hedges are recognised in profit or loss within the same line item as the fair value changes from the hedged item. The fair value changes on the ineffective portion of currency forwards are recognised separately in profit or loss.

2. **Significant accounting policies** (continued)

2.18 **Derivative financial instruments and hedging activities** (continued)

(b) Other derivatives

Changes in the fair value of derivative instruments that have not been designated as hedging instruments are reported in current period earnings.

2.19 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable and estimable than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.20 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions with an original maturity of three months or less which are subject to an insignificant risk of change in value.

2.21 Restricted cash

Restricted cash reflects deposits with certain banks that can only be used to pay the current loan instalments or which are required to be maintained as a certain minimum cash balance per mortgaged vessel. In the event that the obligation relating to such deposits is expected to be terminated within the next twelve months, these deposits are classified as current assets; otherwise they are classified as non-current assets.

2.22 Currency translation

(a) Functional and presentation currency

Foreign currency translation

The functional currency of the company is US Dollar. Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in US Dollar, which is the Group's presentation currency.

2. Significant accounting policies (continued)

2.22 Currency translation (continued)

(a) Functional and presentation currency (continued)

Foreign currency translation (continued)

Transactions in other currencies are translated into the US Dollar using the exchange rates in effect at the time of the transactions. Monetary assets and liabilities that are denominated in other currencies are translated into US Dollar at the prevailing exchange rates at the balance sheet dates. Resulting gains or losses are separately reflected in the accompanying consolidated statements of income. Foreign exchange gains or losses resulting from the translation process are reported in the consolidated financial statements.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other losses – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. **Significant accounting policies** (continued)

2.22 **Currency translation** (continued)

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the balance sheet date;

(ii) stockholders' equity at historical rate of exchange;

(iii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iv) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.23 **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.24 **Concentration of credit risk**

Financial instruments, which potentially subject the Group to significant concentrations of credit risk, consist principally of cash and cash equivalents and trade and other receivables.

The Company has limited credit risk with its banks and financial institutions, which are leading and reputable and are assessed as having low credit risk. The Company has not had any loss arising from non-performance by these parties during the financial period and the directors do not expect any in the future.

2. Significant accounting policies (continued)

2.24 Concentration of credit risk (continued)

The Company has policies in place to assess the credit worthiness of customers to ensure vessels are chartered to customers with an appropriate credit history. Credit terms are not normally given to customers and payments are due upon the issue of invoices. The Company has not had any loss arising from non-performance by these parties in the past and the directors do not expect any in the future.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet.

2.25 Fair value of financial instruments

The estimated fair value of financial instruments, such as cash equivalents, trade receivables, deposits, sundry deposits and accounts payable approximate their individual carrying amounts as of 31 December 2014 due to their short-term maturity. Derivative liabilities are carried in the balance sheet at fair value.

2.26 Investment in unquoted equity shares

Investment in unquoted equity shares are carried at cost less accumulated impairment losses in the Group's balance sheet. On disposal of such investments, the difference between proceeds and carrying amounts of the investments are recognised in the statement of comprehensive income.

2.27 Borrowing costs

Borrowing costs that are attributable to the acquisition and with production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of that asset.

All other borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

Borrowing costs are recognised using the effective interest method except for those costs that are directly attributable to a bank loan acquired specifically for the acquisition or construction of vessels.

The actual borrowing costs incurred during the acquisition or construction period is capitalized in the cost of the vessels.

3. Transactions with related parties

The Group provides compensation to its key management personnel and its Directors in the amount of US$2,674,398 (2013: US$1,264,202) for the year ended 31 December 2014, and are included in the consolidated statements of income under the caption "General and administrative expenses".

4. Revenue

	2014	2013
	US$	US$
Revenue from:		
- Charter hire services	**114,414,701**	75,942,931
- Ship management services	**2,142,226**	2,065,803
	116,556,927	78,008,734

5. Vessel operating expenses

	2014	2013
	US$	US$
Crew expenses	**28,948,453**	17,790,258
Messing and stores expense	**6,398,110**	4,201,776
Insurance expense	**3,402,151**	2,099,560
Maintenance and repairs	**3,386,476**	2,742,440
Technical management fees of external managers	**1,374,786**	2,542,612
Vessel takeover and delivery expenses	**516,206**	1,611,361
Dry-docking costs	**375,282**	279,864
Others	**2,147,016**	4,177,765
	46,548,480	35,445,636

6. General and administrative expenses

	2014	2013
	US$	US$
Staff costs (including directors' remuneration)	**8,437,495**	5,914,245
Legal and professional fees	**1,325,118**	1,079,723
Information technology costs	**1,256,158**	94,629
Employee share option expenses	**1,127,200**	357,581
Rental expenses	**992,663**	585,993
Consultancy expense	**897,128**	1,267,375
Travelling and entertainment expenses	**868,584**	667,937
External commercial management fee	**670,000**	849,032
Recruitment costs	**296,404**	258,621
Allowance for doubtful debts expenses	**173,670**	-
Insurance	**154,832**	347,543
Utilities	**144,315**	21,031
Reinstatement costs	**119,184**	-
Others	**514,391**	684,461
	16,977,142	12,128,171

7. Other losses

	2014	2013
	US$	US$
Loss on disposal of property, plant and equipment	**39,585**	-
Fair value loss on derivatives	**397,000**	-
Foreign currency exchange loss	**2,860,148**	-
	3,296,733	-

8. Finance expenses

	2014	2013
	US$	US$
Interest expense on capital leases	**2,767,165**	553,911
Interest expense on term loans	**7,270,084**	5,974,603
Amortisation of deferred finance cost	**709,863**	780,107
	10,747,112	7,308,621

9. Income tax expense

The Company and each of its subsidiaries are taxed at the rates applicable within each respective company's jurisdiction. The composite income tax rate will vary according to the jurisdictions in which profits arise.

(a) Income tax expense

	2014 US$	2013 US$
Tax expense attributable to profit is made up of:		
- Current income tax	**19,227**	16,749
- Deferred income tax	**40,199**	8,198
	59,426	24,947
Under provision in prior year	**20,331**	-
	79,757	24,947

The Company is incorporated in the BVI with a statutory tax rate of 0%. The Group also has significant operations in countries with statutory tax rates ranging from 0% to 17%.

The tax on the Group's loss before income taxes differs from the theoretical amount that would arise using the weighted average statutory tax rates that are applicable to the Group as follows:

	2014 US$	2013 US$
Loss before income taxes	**(22,859,299)**	(7,659,124)
Tax calculated at statutory rate of 0% (2013: 0%)	-	-
Effects of:		
- Different tax rates in other countries	**(53,567)**	59,816
- Tax incentives	**(216,172)**	(103,200)
- Expenses not deductible for tax purposes	**294,113**	68,331
- Others	**35,052**	-
Tax charge	**59,426**	24,947

The results of the Group are derived from the operations of vessels registered in Singapore and the Republic of Marshall Islands. The Singapore registered vessels are exempted from income tax under shipping incentive under Section 13A of the Singapore Income Tax Act, Cap. 134, and for vessels registered in the Republic of Marshall Islands no taxes are imposed on international shipping income.

9. Income tax expense (continued)

(b) Movement in current income tax liabilities

	2014 US$	2013 US$
At beginning of year	**67,359**	182,219
Income tax paid	**(61,888)**	(131,609)
Tax expense	**19,227**	16,749
Under provision in prior year	**20,331**	-
End of year	**45,029**	67,359

10. Cash and cash equivalents

	2014 US$	2013 US$
Cash at bank	**30,821,250**	38,957,726
Short-term bank deposits	**350,853**	362,604
	31,172,103	39,320,330

11. Trade and other receivables

	2014 US$	2013 US$
Trade receivables from:		
- Third parties	**7,194,564**	2,272,812
Less: Allowance for doubtful debts	**(173,670)**	-
Trade receivables, net of allowance	**7,020,894**	2,272,812
GST recoverable	**59,696**	37,028
Non-trade receivables from:		
- Associated company	**381,909**	541,857
Prepayments	**2,396,252**	1,788,511
Deposits	**6,457,933**	1,791,278
Sundry debtors	**708,166**	100,291
	17,024,850	6,531,777

The non-trade receivables from associated company are unsecured, non-interest bearing and repayable on demand.

12. Inventories

	2014	2013
	US$	US$
Lubricating oil	**1,352,521**	839,713
Bunkers	**1,225,664**	131,680
Victualing	**122,418**	205,172
Bonded stores	**67,139**	34,883
	2,767,742	1,211,448

13. Vessels classified as held for sale

	2014	2013
	US$	US$
Vessels classified as held for sale	**6,769,999**	2,850,500

During the year ended 31 December 2014, two vessels – Cefalu and Epic Cebu (2013: One vessel – DP Azalea) were classified as held for sale.

As an active secondary sale and purchase market for similar vessels exists, the fair value less cost to sell is the amount the Group expects to receive if it was to sell the vessel. The impairment loss of US$7,062,778 (2013: US$1,395,548) was recognised as the fair value less cost to sell is lower than the carrying amount at the balance sheet date.

The vessels classified as held for sale were sold at net consideration of US$6,769,999 (2013: US$2,850,500) on 27 March 2015 (2013: 16 January 2014).

14. Deferred finance costs

	2014	2013
	US$	US$
At the beginning of the year	**2,506,860**	-
Additions during the year	**-**	3,286,967
Amortisation during the year	**(709,863)**	(780,107)
At the end of the year	**1,796,997**	2,506,860
To be settled within one year	**709,863**	709,863
To be settled after one year	**1,087,134**	1,796,997
	1,796,997	2,506,860

Deferred finance costs relate to legal and debt issuance fees directly related to the issuance of the Group's borrowings as described in Note 24.

15. Restricted cash

The restricted cash are fixed deposits placed and pledged with financial institutions as security for bank borrowings held by the Group. Such deposits can only be withdrawn upon the repayment and full maturity of the borrowings. At 31 December 2014, the effective interest rate on these fixed deposits was 0.1764% (2013: 0.3520%) per annum.

16. Property, plant and equipment

	Vessel	Dry docking cost	Office equipment	Computers	Furniture and fittings	Office renovations	Total
	US$	US$	US$	US$	US$	US$	US$
Group							
31 December 2014							
Cost							
At the beginning of year	263,956,967	7,412,257	25,845	207,620	1,634	21,556	271,625,879
Additions	179,288,526	4,308,318	15,550	355,666	318,946	928,988	185,215,994
Disposals	-	(592,415)	(20,164)	(70,614)	-	(21,170)	(704,363)
Reclassification to vessel held for sale (Note 13)	(24,804,848)	(1,560,742)	-	-	-	-	(26,365,590)
Impairment losses	(4,388,859)	-	-	-	-	-	(4,388,859)
At the end of year	414,051,786	9,567,418	21,231	492,672	320,580	929,374	425,383,061
Accumulated depreciation							
At the beginning of year	10,912,343	1,946,236	5,680	46,598	206	18,320	12,929,383
Depreciation charge	15,729,314	2,896,041	4,648	100,211	39,307	76,866	18,846,387
Disposals	-	(592,415)	(3,215)	(67,711)	-	(1,437)	(664,778)
Reclassification to vessel held for sale (Note 13)	(11,632,590)	(900,223)	-	-	-	-	(12,532,813)
At the end of year	15,009,067	3,349,639	7,113	79,098	39,513	93,749	18,578,179
Net book value							
At the end of year	**399,042,719**	**6,217,779**	**14,118**	**413,574**	**281,067**	**835,625**	**406,804,882**

16. Property, plant and equipment (continued)

	Vessel US$	Dry docking cost US$	Office equipment US$	Computers US$	Furniture and fittings US$	Office renovations US$	Total US$
Group							
31 December 2013							
Cost							
At the beginning of year	224,850,913	3,259,607	-	-	-	-	228,110,520
Additions	43,733,919	4,385,305	25,845	207,620	1,634	21,556	48,375,879
Reclassification to vessel held for sale (Note 13)	(4,627,865)	(232,655)	-	-	-	-	(4,860,520)
At the end of year	263,956,967	7,412,257	25,845	207,620	1,634	21,556	271,625,879
Accumulated depreciation							
At the beginning of year	-	-	-	-	-	-	-
Depreciation charge	11,320,199	2,152,852	5,680	46,598	206	18,320	13,543,855
Reclassification to vessel held for sale (Note 13)	(407,856)	(206,616)	-	-	-	-	(614,472)
At the end of year	10,912,343	1,946,236	5,680	46,598	206	18,320	12,929,383
Net book value							
At the end of year	**253,044,624**	**5,466,021**	**20,165**	**161,022**	**1,428**	**3,236**	**258,696,496**

The vessels with carrying amount of US$312,810,580 (2013: US$215,398,155) have been pledged as collaterals for the term loan described under Note 24. The carrying amount of vessels held under capital leases is US$86,232,139 (2013: US$43,112,490) at the balance sheet date. During the year ended 31 December 2014, the Group acquired the vessels "Epic St. Thomas", "Epic St. Croix", "Epic Curacao", "Epic Caledonia", "Epic Barbados", "Epic St. George", "Charlton" and "Mayfair" for a total consideration of US$133,510,312. The Group took on capital leases on vessels "Epic Borneo" and "Epic Bali" for a total consideration of US$45,778,214. During the year ended 31 December 2013, the Group acquired the vessels "Super League", "Epic Bolivar" and "York" for a total consideration of US$43,733,919. During the year ended 31 December 2014, an impairment charge on the vessels of US$4,388,859 was recognised in the statement of comprehensive income. No impairment charge on vessels was recognised in the year ended 31 December 2013.

17. Advances for vessels under construction

	2014	2013
	US$	US$
At the beginning of the year	**35,080,912**	-
Additions during the year	**39,823,410**	35,080,912
Vessels delivered	**(38,776,473)**	-
At the end of the year	**36,127,849**	35,080,912

Instalments on new builds relate to progressive payments made on vessels under construction. Advances under the ship building and related contracts are recorded in the financial statements when paid. Capital commitments for amounts that the Group has made under the ship building and related contracts are disclosed in Note 30.

18. Investment in unquoted equity shares

	2014	2013
	US$	US$
Unquoted equity shares		
At the beginning of year	**6,207**	6,207
Transfer to investment in associated company	**(6,207)**	-
At the end of the year	**-**	6,207

<u>Unquoted equity shares</u>

The Group acquired 2,600 shares of PHP100 each in Epic Gas Crewing Inc. (formerly known as EZ Maritime Services Corporation) on 28 December 2012. This relates to a 12.5% equity interest held in the non-listed company in the Philippines.

19. Investment in an associated company

	2014	2013
	US$	US$
At the beginning of the year	**-**	-
Transfer from investments in unquoted equity shares	**6,207**	-
Additions during the year	**5,486**	-
Translation difference	**(263)**	-
Net carrying amount	**11,430**	-
Less: Share of losses	**(11,430)**	-
At the end of the year	**-**	-

19. **Investment in an associated company** (continued)

On 29 August 2014, the Group acquired 12.5% of equity interest in Epic Gas Crewing Inc. from Top Manage Holdings for US$5,486, bringing its total equity interest to 25%.

Epic Gas Crewing Inc. is incorporated in the Philippines and its principal activity is provision of crew manning services.

There are no contingent liabilities relating to the Group's interest in the associated company.

Summarised financial information of the associated company, as at 31 December 2014 is as follows:

	2014 **US$**
Assets and liabilities	
Total assets	**767,597**
Total liabilities	**(861,609)**
Revenue for the year	**462,355**
Loss for the year	**57,090**

20. **Intangible assets**

	2014 **US$**	2013 US$
Goodwill	**12,917,408**	12,917,408

On 28 December 2012, Epic Gas Ltd acquired 44.5%, 44.5% and 55.5% interest in Epic Vessels (Singapore) Pte Ltd, Epic Shipping Holdings Limited and Epic Shipping Pte Ltd, respectively, in exchange for equity from Chase Holdco Ltd and Skylar Holdco Ltd, respectively. This acquisition is collectively referred to as the 'Epic Acquisition'.

On 28 December 2012, Epic Gas Ltd acquired 60% and 40% interest in 'Pantheon Special Purpose Vehicles ("SPVs")', in exchange for equity, from Archipelago Investment Holdings Inc., and Shipping and Intermodal Investment Management Fund I LLC, respectively. Pantheon SPVs include Macedonian Enterprises Inc, Olympian Enterprises Inc, Lagonisi Enterprises Inc, Oinoussian Enterprises Inc, Saronic Enterprises Inc and Aegan Enterprises Inc. Further, Epic Gas Ltd also acquired 100% interest in Epirus Enterprises Inc., from Shipping and Intermodal Investment Management Fund I LLC in exchange for equity. Collectively, this acquisition is referred to as 'Pantheon Acquisition'.

20. **Intangible assets** (continued)

These acquisitions have been treated as business combinations and were initially recorded at fair value.

The principal activity of the subsidiaries acquired is that of vessel owning and chartering. The goodwill arising from the Epic Acquisition and Pantheon Acquisition, of $11,344,973 and $1,572,435, respectively, is attributable to the synergies expected to arise from the economies of scale in combining operations of the larger fleet of vessels from the two acquisitions.

The following table summarises the fair value of the consideration paid and assets/(liabilities) acquired.

	Epic acquisition	Pantheon acquisition	Total
Total consideration			
Equity - common shares in Epic Gas Ltd at $1,000 per share	79,341,358	36,411,642	115,753,000
Fair value of identifiable assets and liabilities acquired:			
Cash and cash equivalents	39,131,600	8,782,680	47,914,280
Bank overdraft	(620,000)	-	(620,000)
Inventories	872,083	264,117	1,136,200
Trade and other receivables	5,663,255	1,269,759	6,933,014
Property, plant and equipment	141,976,420	86,235,520	228,211,940
Trade and other payables	(7,276,291)	(2,695,879)	(9,972,170)
Current income tax liabilities	(182,219)	-	(182,219)
Deferred income tax liabilities	(9,410)	-	(9,410)
Borrowings	(111,559,053)	(59,016,990)	(170,576,043)
Net assets acquired - fair value	67,996,385	34,839,207	102,835,592
Goodwill	11,344,973	1,572,435	12,917,408

The fair value of the common shares in Epic Gas Ltd was determined to be US$1,000 per share on acquisition date.

The vessels were acquired with attached charters. The attached charters for each vessel was evaluated by the Company based on market charter rates on the acquisition date and were found to be at market values, and thus none of the purchase consideration was allocated to the attached time charters or voyage charter.

20. Intangible assets (continued)

The fair value of the vessels, on the date of acquisition, was determined by the Company based on valuations from independent brokers. The appraised value was determined using recent transactions involving comparable vessels as adjusted for age and features. The appraisal was performed on "willing Seller and willing Buyer" basis and based on the sale and purchase market condition prevailing at the acquisition date subject to the vessel being in sound condition and made available for delivery.

The fair value of property, plant and equipment (other than vessels, as disclosed above), cash, inventories, trade and other current receivables, prepayment and other current assets, trade and other payables, current income tax liabilities and borrowing cash was determined to be its face value.

The carrying amount of goodwill as at 31 December 2014 was $12,917,408 (2013: $12,917,408). The Company conducted its annual goodwill impairment assessment arising from the business combination and concluded that no impairment had occurred. No impairment charge was required to be recorded.

21. Trade and other payables

	2014	2013
	US$	US$
Trade payables to:		
- Third parties	**6,583,146**	2,439,311
Accrued operating expenses	**5,236,310**	6,048,483
Accrued staff costs	**1,026,510**	1,106,528
Others	**-**	4,660
	12,845,966	9,598,982

22. Deferred income

The amounts shown in the accompanying consolidated balance sheets represent time charter revenues received in advance as of balance sheet dates.

23. Capital lease liabilities

The Group leases vessels from third parties under capital leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values on every charter in payment date. At the end of the lease period, the Group is required to purchase the vessels.

The interest rates of the lease payments are at a floating rate of LIBOR + 4.25% per annum, and the maturity of the leases ranges from June to September 2019.

	2014	2013
	US$	US$
Minimum lease payments due		
- 1st Year	**10,356,850**	5,196,730
- 2nd Year	**10,356,850**	5,196,729
- 3rd Year	**10,356,850**	5,196,729
- 4th Year	**12,261,721**	5,196,729
- 5th Year	**46,707,527**	7,101,701
- After 5th Year	**-**	13,412,526
	90,039,798	41,301,144
Less: Future finance charges	**(14,805,144)**	(7,188,815)
	75,234,654	34,112,329

The present value of capital lease liabilities under Level 3 fair value inputs are analysed as follows:

	2014	2013
	US$	US$
- 1st Year	**6,415,708**	3,422,511
- 2nd Year	**6,773,459**	3,613,491
- 3rd Year	**7,151,694**	3,815,147
- 4th Year	**9,546,881**	4,028,070
- 5th Year	**45,346,912**	6,248,796
- After 5th Year	**-**	12,984,314
	75,234,654	34,112,329

(a) Capital lease liabilities of the Group are effectively secured over the leased vessels, as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the capital lease liabilities.

(b) The accumulated amortisation of the leased vessels at the end of the year is US$3,292,320 (2013: US$621,430).

24. Borrowings

	2014	2013
	US$	US$
Not later than one year	**40,689,289**	17,442,354
Between one and five years	**161,526,139**	119,717,803
	202,215,428	137,160,157

As part of the acquisition (described in Note 20), the Group acquired the outstanding loans associated with the vessels on acquisition date. The loan facilities, made available in 2 tranches, of up to US$148,281,250 were issued on 21 December 2012 for the purpose of financing the acquisition of 16 vessels held by the Group.

Tranche A is made available with a principal amount of up to US$122,606,250 for the purpose of refinancing relating to 11 vessels. Tranche A carries an interest of 3.8% per annum over LIBOR. It is repaid over 20 fixed consecutive quarterly instalments, plus a balloon repayment as final settlement of the loan.

Tranche B is made available with a principal amount of up to US$25,675,000 for the purpose of refinancing relating to 5 vessels. Tranche B carries an interest of 3.8% per annum over LIBOR. It is repaid over 12 fixed consecutive quarterly instalments, plus a balloon repayment as final settlement of the loan.

The Group entered into two loan agreements on 18 December 2013 and 23 July 2014 for facilities totalling US$77,965,000 to partially finance the acquisition of additional 7 vessels. The term loans have been drawn down in six tranches upon the delivery of each vessel with one tranche remaining to be drawn for a vessel delivery in March 2015, as disclosed in Note 34. These loan facilities carry interest from LIBOR plus 3.8% to 4.2% per annum. They are repayable over 20 fixed consecutive quarterly instalments, plus a final lump sum repayment as settlement of the loan.

The Group entered into a loan agreement on 25 March 2014 for facilities totalling US$29,200,000 to partially finance the acquisition of 3 new vessels. The term loans have been drawn down in two tranches upon the delivery of each vessel with one tranche remaining to be drawn for a vessel delivery in February 2015, as disclosed in Note 34. This loan facility carries interest of LIBOR plus 3.55% per annum. It is repaid over 20 fixed consecutive quarterly instalments, plus a final lump sum repayment as settlement of the loan.

24. Borrowings (continued)

These facilities are secured by the following:

(i) First and second priority cross-collateralised mortgages over the vessels;
(ii) First and second priority assignment of the vessels' earnings, insurances and requisition compensation;
(iii) Share charges creating security over the share capital of the borrowing entities;
(iv) Account security deeds creating security over the earnings, operating and retention accounts of the borrowing entities;
(v) Intra-Group loan assignments creating security over intercompany loans;
(vi) First and second priority undertakings of the commercial and technical managers of the vessels; and
(vii) Unconditional and irrevocable on demand guarantees from Epic Gas Ltd, Epic Gas OPCO I Ltd and Epic Gas Shipholding Pte Ltd and the borrowing entities covering all amounts outstanding under the loan agreements.

The movement of borrowings during the year is as follows:

	2014 **US$**
At the beginning of the year	**137,160,157**
Additions	**86,268,710**
Repayments	**(21,213,439)**
At the end of the year	**202,215,428**

The respective maturity dates of the term loans as at 31 December 2014 are:

Issue date	Maturity date	**Balance at 31 December 2014 US$**
21 December 2012	28 December 2017	**103,979,903**
21 December 2012	28 December 2015	**19,017,781**
21 April 2014	30 April 2019	**10,295,977**
27 June 2014	28 June 2019	**8,247,733**
13 January 2014	13 January 2019	**7,920,000**
21 January 2014	21 January 2019	**5,360,000**
27 January 2014	27 January 2019	**10,540,000**
08 August 2014	08 August 2019	**8,847,222**
24 July 2014	24 July 2019	**14,156,250**
26 November 2014	26 November 2019	**13,850,562**
		202,215,428

24. Borrowings (continued)

The average interest rates on the above outstanding loans for the applicable periods were:

Year ended 31 December 2013: 4.08% per annum
Year ended 31 December 2014: 3.98% per annum

Some of the Group's loan agreements are subjected to covenant clauses whereby the Group is required to meet certain key financial ratios. Under the terms of the credit agreement with one of the Group's borrowers, the Group's fixed charge coverage ratio requirement is tested on a semi-annual basis using financial statements prepared for the interim periods ending 30 June and 31 December for each year during the term of the loan agreement.

Prior to the 31 December 2014 test date; the Group sought a waiver of the fixed charge coverage ratio for both the December 31, 2014 and June 30, 2015 test dates. The waiver of the covenant was granted as of 13 March 2015, thus being in place prior to the submission of financials that would have resulted in a breach of the covenant in question.

The bank is contractually entitled to request for immediate payment of the outstanding loan amount in an event where financial covenants required under the terms of the credit agreement are not fulfilled and not cured. The next test date for the covenant is 31 December 2015. The Group has until 30 June 2016 for the submission of the covenant test. Should the Group not be able to meet the fixed charge coverage ratio requirement, it will have until 30 June 2016 to either cure the requirement or seek additional financing to repay the outstanding balance. On this basis, the portion of the loan where repayment is not contractually due before 31 December 2015 of US$ 17.3 million is presented within non-current borrowings as at 31 December 2014.

Management is in the process of renegotiating the terms of the loan agreement with the bank and expects that a revised loan agreement will be in place subsequent to 30 June 2015.

As of 31 December 2014, the undrawn loan credit facility amounted to US$20,896,290 (2013: US$ nil).

As of 31 December 2014 and 31 December 2013, the fair values of non-current bank borrowings approximate their carrying amounts.

24. **Borrowings** (continued)

The annual principal payments to be made for the loans as set out above, after 31 December 2014 are as follows:

	2014	2013
	US$	US$
- 1st Year	**40,689,289**	17,442,354
- 2nd Year	**21,950,158**	17,680,000
- 3rd Year	**83,252,655**	17,680,000
- 4th Year	**6,921,806**	84,357,803
- 5th Year	**49,401,520**	-
	202,215,428	137,160,157

25. Derivative financial instruments

Group

	Contract notional amount	Fair value asset	Fair value liability
	US$	US$	US$
2014			
Cash flow hedges			
- Currency forwards	10,028,090	-	(1,082,584)
Derivatives held for hedging		-	(1,082,584)

26. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement in deferred income taxes is as follows:

Group

	Accelerated tax depreciation	Provisions	Total
	US$	US$	US$
2014			
At the beginning of year	22,918	(5,104)	17,814
Charged/(credited) to			
- profit or loss	37,552	2,647	40,199
At the end of the year	60,470	(2,457)	58,013

26. Deferred income taxes (continued)

Group (continued)

	Accelerated tax depreciation US$	Provisions US$	Total US$
2013			
At the beginning of year	10,532	(1,122)	9,410
Currency translation differences	432	(226)	206
Charged/(credited) to			
- profit or loss	11,954	(3,756)	8,198
At the end of the year	22,918	(5,104)	17,814

27. Share capital

	No. of ordinary shares	Amount	
	Issued share capital	Share capital US$	Additional paid-in capital US$
Group and Company			
2014			
At the beginning of year	203,806	203,806	187,665,586
Issuance of shares on 27 January 2014	5,302	5,302	-
1:100 stock split on 30 January 2014	20,731,492	-	-
Cancellation of shares on 30 January 2014	(29,800)	-	-
Issuance of shares on 4 February2014	9,375,000	93,750	70,899,526
Forfeiture of shares on 1 April 2014	(530,200)	(5,302)	-
At the end of the year	29,755,600	297,556	258,565,112
2013			
At the beginning of year	114,415	114,415	110,418,977
Issuance of shares			
25 March 2013	1,339	1,339	1,337,661
4 June 2013	14,001	14,001	13,986,999
30 July 2013	6,001	6,001	5,994,999
9 September 2013	7,775	7,775	7,767,225
28 November 2013	60,275	60,275	48,159,725
At the end of the year	203,806	203,806	187,665,586

27. Share capital (continued)

The amounts shown as share capital and additional paid-in capital, represent payments made by the stockholders for the acquisitions of the Company's vessels, or investments in the Company's common stock.

All issued ordinary shares are fully paid.

The total authorised common stock of the Company is 200,000,000 shares. On date of incorporation, the Company issued 1 share at par value of US$0.01. The holders of the shares are entitled to one vote on all matters submitted to a vote of stockholders and to receive all dividends, if any.

On 28 December 2012, 25 March 2013, 4 June 2013, 30 July 2013, 9 September 2013 and 28 November 2013, the Company issued a total of 203,806 common shares for a total net consideration of US$187,869,392 to provided funds for expansion of the Group's operations.

On 30 January 2014, the Company underwent a 1 for 100 share split exercise to issue a maximum of 200,000,000 authorised shares of one class of US$0.01 par value. The current issued ordinary shares each of US$1 par value was divided into an aggregate number which is a multiple of 100 of the current number of issued ordinary shares, such ordinary share each to have US$0.01 par value.

On 4 February 2014, a private placement of 9,375,0000 newly issued shares of the Company's common stock was completed at a subscription price of US$8 per share. The gross proceeds from the private placement amounted to US$75,000,000 while the net proceeds after the underwriters' discounts and commissions and other related expensed amounted to US$70,899,526. This is to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all respects with the previously issued shares.

On 31 March 2014, 530,200 ordinary shares allocated to Archipelago Investment Holdings Inc. ("Archipelago") was forfeited and cancelled due to the outstanding amount not being paid on or before the call payment date.

Pursuant to the subscription deed dated 22 January 2014, Archipelago had granted the Company an option to acquire 29,800 ordinary shares in the Company registered in the name of Archipelago.

The Company has exercised the Call Option on 16 April 2014 to acquire the 29,800 ordinary shares for a share option fee of US$1 and for a total consideration of US$0. The acquired 29,800 ordinary shares were subsequently cancelled on 16 April 2014.

28. Share option reserve

	2014	2013
	US$	US$
Group		
2014		
At the beginning of the finance year	**357,581**	-
Epic Gas Ltd Share Option Plan		-
- Value of employee services	**1,127,200**	357,581
At the end of the year	**1,484,781**	357,581

Employee Share Options

Pursuant to the Epic Gas Ltd Share Option Plan, the Company granted share options to key management personnel and employees who are in service at the date of grant.

The vesting schedule for the share options is as follows:
40% on the Second anniversary of the Grant Date;
20% on the Third anniversary of the Grant Date;
20% on the Fourth anniversary of the Grant Date; and
20% on the Fifth anniversary of the Grant Date;

The vesting of the share options is conditional on the key management personnel and employees continuing to be in employment by the Group or Company during the vesting period.

Once they have vested, the options are exercisable during the contractual option term of ten years from grant date.

Prior to delivery of the shares (as evidenced by the entry in the shareholders' register), no right to vote or receive dividends or any rights as member shall exist with respect to the options, notwithstanding the exercise of the option.

28. Share option reserve (continued)

Movements in the number of unissued common shares under option and their exercise prices are as follows:

	Number of ordinary shares under award					
	At the beginning of the year	Granted during the year	Forfeited / expired during the year	Vested during the year	At the end of the year	Weighted-average exercise price US$
2014						
(Post Stock Split 1:100)						
March 2013 Awards	3,593	355,707*	-	-	359,300	10
December 2013 Awards	15,602	1,544,598*	-	-	1,560,200	8
Total	19,195	1,900,305	-	-	1,919,500	
2013						
March 2013 Awards	-	3,593	-	-	3,593	1,000
December 2013 Awards	-	15,602	-	-	15,602	800
Total	-	19,195	-	-	19,195	

* Due to share split on 30 January 2014

	2014	2013
Number of share options to be vested		
- 1st Year	**877,180**	-
- 2nd Year	**347,440**	877,180
- 3rd Year	**347,440**	347,440
- 4th Year	**347,440**	347,440
- 5th Year	-	347,440
	1,919,500	1,919,500

The Company estimated the fair value of the share options using the Binomial Option Pricing model, which incorporated subjective assumptions including expected volatility, expected term and interest rates.

The expected volatility was based on the historical volatility and trading history of the shares of comparable companies in similar industry over the most recent years that commensurate with the estimated expected term of the share options. Estimates of fair value are not intended to predict actual future events or the value ultimately realised by persons who receive equity awards.

Expected terms for the above plain vanilla options were determined by the simplified method.

28. Share option reserve (continued)

The assumptions used for the estimation of fair value of the share options at grant date are as follows:

Weighted average expected term	6.31 years
Dividend yield	0%
Risk-free interest rate	0.15 - 2.01%
Weighted average volatility	32.1%

The fair value of the share granted was estimated to be $3.2 million (2013: $3.2 million) under Level 3 Fair Value inputs. This is recognised on straight-line basis over the vesting period.

29. Other reserves

(a) Composition:

	2014 US$	2013 US$
Group		
Currency translation reserve	**(102,494)**	(46,579)
Hedging reserve	**(1,082,584)**	-
	(1,185,078)	(46,579)

(b) Movements:

(i) Currency translation reserve

	2014 US$	2013 US$
At the beginning of the year	**(46,579)**	-
Net currency translation differences of financial statements of foreign subsidiaries	**(55,915)**	(46,579)
At the end of the year	**(102,494)**	(46,579)

(ii) Hedging reserve

	2014 US$	2013 US$
At the beginning of the year	**-**	-
Fair value losses	**(1,082,584)**	-
At the end of the year	**(1,082,584)**	-

30. Commitments

(a) Capital commitments

The Group has entered into ship building contracts, supervision agreements and other agreements to purchase supplies. The Group has contracted but not provided for JPY16,922,693,000 (equivalent of US$141,101,458) under the ship building contracts, payable during the stages of construction of the vessels.

(b) Operating lease commitments - where the Group is a lessee

The Group leases vessels, office premises, office equipment, and staff accommodation from non-related parties under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

Rent expense under operating leases is accounted for on a straight-line basis. Rent expense under the Group's operating leases for the financial year are as follows:

	2014 **US$**	2013 US$
Leasing of vessels	**11,060,407**	8,412,000
Leasing of office premises and equipment	**881,386**	581,290
Leasing of employees' accommodation	**368,719**	392,989

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	2014 **US$**	2013 US$
1st Year	**13,469,412**	5,529,236
2nd Year	**10,948,930**	3,534,408
3rd Year	**10,074,561**	7,041
4th Year	**8,103,000**	-
5th Year	**7,098,000**	-
More than 5 years	**14,120,750**	-
	63,814,653	9,070,685

30. Commitments (continued)

(c) Operating lease commitments - where the Group is a lessor

The Group lease out its vessels to non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	2014 **US$**	2013 US$
1st Year	**71,528,466**	34,657,561
2nd Year	**32,994,550**	623,324
	104,523,016	35,280,885

31. Consolidated valuation and qualifying accounts and reserve

	Balance at beginning of year US$	Additions charged to operations US$	Deductions/ (write-off) US$	Translation US$	Balance at end of year US$
Allowance for doubtful debts					
2014	**-**	**173,670**	**-**	**-**	**173,670**

32. Fair value measurements

The Group applies ASC 820, "Fair Value Measurements", with respect to fair value measurements of (a) all financial assets and liabilities and (b) non financial assets and liabilities that are recognized or disclosed in the financial statements at fair value on a recurring basis (at least annually). Under ASC 820, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

32. Fair value measurements (continued)

ASC 820 specifies a hierarchy of inputs to valuation techniques based on the extent to which inputs used in measuring fair value are observable in the market. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's assumptions about the assumptions that market participants would use in pricing the asset or liability. ASC 820 requires the use of observable market data if such data is available without undue cost and effort. Each fair value measurement is reported in one of three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

(a) <u>Valuation technique</u>

Level 1 - Inputs are unadjusted quoted prices for identical assets and liabilities in active markets. Level 1 assets and liabilities include equity securities and derivative contracts that are traded in an active market.

Level 2 - Inputs are based on observable inputs other than level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category includes the majority of government debt securities, corporate debt securities and derivative contracts.

Level 3 - One or more significant inputs are unobservable. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow techniques, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation of assumptions that market participants would use in pricing the asset or liability. This category primarily includes certain private equity investments and certain hybrid financial instruments not classified within level 1 or 2.

32. Fair value measurements (continued)

(a) Valuation technique (continued)

The Group measures fair value as an exit price using the procedures described below for assets and liabilities subject to the fair value measurements of ASC 820. When available, the Group uses unadjusted quoted market prices in active markets to measure fair value and classifies such items within level 1. If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Items valued using internally generated models are classified according to the lowest level input that is significant to the valuation. Additionally, the Group considers both counterparty credit risk and its own creditworthiness in determining fair value. The Group attempts to mitigate credit risk to third parties by actively monitoring the creditworthiness of counterparties and its exposure to credit risk through the use of credit limits and by selecting major international banks and financial institutions as counterparties.

Under the Financial Instruments Topic of the Codification, ASC 825, entities are permitted to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value measurement option under ASC 825 for any of its financial assets or liabilities.

The following table presents the fair values for assets and liabilities measured on a recurring basis categorized into a Level based upon the lowest level of significant input to the valuations as of 31 December 2014:

		Fair Value Measurements Using		
Description	Fair value as of 31 December 2014	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US$	US$	US$	US$
Liabilities				
Derivative finance instruments	(1,082,584)	-	(1,082,584)	-
Total	(1,082,584)	-	(1,082,584)	-

32. Fair value measurements (continued)

(b) Financial instruments

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and trade and other payables approximated their fair values due to their short-term nature. For non-current bank borrowings and notes payables, the fair value is estimated based on current interest rates available to the Company for issuance of debts of similar terms and remaining maturities.

Apart from the borrowings, derivative financial instrument and share option reserve as set out in Notes 24, 25 and 28, respectively, the Group does not have financial instruments carried at fair value as of 31 December 2014 and 31 December 2013.

33. Listing of subsidiaries in the Group

Name of subsidiaries	Principal activities
Epic Gas OPCO I Ltd	Investment Holding
Epic Shipping Holdings Ltd	Intermediate Investment Holding
Epic Shipping (Singapore) Pte Ltd	Investment Holding
Epic Singapore (Chartering) Pte Ltd	Provision of Commercial Management Services
Epic Ship Management Pte Ltd	Provision of Technical Management Services
Epic Ship Management Gmbh	Provision of Technical Management Services
Epic Vessels Ltd	Provision of Crew Manning Services
Global Maritime Supplies Ltd	Procurement
Epic Gas (UK) Limited	Provision of Commercial and Technical Management Services
Epic Gas Shipholding Pte Ltd	Investment Holding
Ennerdale Shipping Pte Ltd	Vessel owning and chartering
Cefalu Shipping Pte Ltd	Vessel owning and chartering
Minorca Shipping Pte Ltd	Vessel owning and chartering
Elba Shipping Pte Ltd	Vessel owning and chartering
St Vincent Shipping Pte Ltd	Vessel owning and chartering
St Lucia Shipping Pte Ltd	Vessel owning and chartering
St Martin Shipping Pte Ltd	Vessel owning and chartering
St Kitts Shipping Pte Ltd	Vessel owning and chartering
Botany Shipping Pte Ltd	Vessel owning and chartering
Macedonian Enterprises Inc.	Vessel owning and chartering
Epirus Enterprises Inc.	Vessel owning and chartering
Saronic Enterprises Inc.	Vessel owning and chartering
Oinoussian Enterprises Inc.	Vessel owning and chartering
Lagonisi Enterprises Inc.	Vessel owning and chartering
Olympian Enterprises Inc.	Vessel owning and chartering
Epic Vessels (Singapore) Pte Ltd	Vessel owning and chartering
Epic Shipping Pte Ltd	Vessel owning and chartering
Epic OPCO II Ltd	Vessel owning and chartering
Epic Salina Pte. Ltd.	Vessel owning and chartering

33. Listing of subsidiaries in the Group (continued)

Name of subsidiaries	Principal activities
Aegean Enterprises Inc.	Vessel owning and chartering
Epic St. Thomas Pte. Ltd.	Vessel owning and chartering
Epic St. Croix Pte. Ltd.	Vessel owning and chartering
Epic York Pte. Ltd.	Vessel owning and chartering
Epic Camelot Pte. Ltd.	Vessel owning and chartering
Epic Super League Pte. Ltd.	Vessel owning and chartering
Epic Curacao Pte. Ltd.	Vessel owning and chartering
Epic Caledonia Pte. Ltd.	Vessel owning and chartering
Epic St. Agnes Pte. Ltd.	Vessel owning and chartering
Epic St. Ivan Pte. Ltd.	Vessel owning and chartering
Epic St. George Pte. Ltd.	Vessel owning and chartering
Epic Barbados Pte. Ltd.	Vessel owning and chartering
Epic Sentosa Pte. Ltd.	Vessel owning and chartering
Epic Shikoku Pte. Ltd.	Vessel owning and chartering
Epic Sicily Pte. Ltd.	Vessel owning and chartering
Epic Samos Pte. Ltd.	Vessel owning and chartering
Epic Bonaire Pte. Ltd.	Vessel owning and chartering
Epic Borinquen Pte. Ltd.	Vessel owning and chartering
Epic Bali Pte. Ltd.	Vessel owning and chartering
Epic Borneo Pte. Ltd.	Vessel owning and chartering
Epic Manhattan Pte. Ltd.	Vessel owning and chartering
Epic Madeira Pte. Ld.	Vessel owning and chartering
Epic Baluan Pte. Ltd.	Vessel owning and chartering

34. Subsequent events

On 10 February 2015, the Group acquired and took delivery of the vessel – Epic St. Agnes for a final consideration of JPY1,071,000,000 (US$10,126,159). The consideration was paid by cash and a term loan.

On 27 March 2015, the Group acquired and took delivery of the vessel – Epic St Ivan for a final consideration of JPY1,071,000,000 (US$8,999,613). The consideration was paid by cash and a term loan.

On 27 March 2015, the Group sold two vessels – Epic Cebu and Cefalu for a net consideration of US$6,769,999. The consideration was paid in cash and used for repayment of the term loan.