

SPANACO SHIPPING SERVICES LTD

FINANCIAL STATEMENTS
Year ended 30 September 2017

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Alexandros Zotiades
Lambros Hajigeorgi
Christina Sarris

SECRETARY

Christina Sarris

REGISTERED OFFICE

9 Tagmatarchou Poulou
Grayoak House
1101 Ayios Andreas
Nicosia, Cyprus

PRINCIPAL PLACE OF BUSINESS

9 Tagmatarchou Poulou
Grayoak House
1101 Ayios Andreas
Nicosia, Cyprus

SOLICITORS

POLAKIS SARRIS & CO.
Nicosia Tower Center
36 Byron Avenue
Nicosia, Cyprus

BANKERS

UBS AG
ECCM Bank PLC

INDEPENDENT AUDITORS

Deloitte Limited
Certified Public Accountants (Cyprus)
24 Spyrou Kyprianou Avenue
1075, Nicosia, Cyprus

MANAGEMENT REPORT

The Board of Directors presents its annual report and audited financial statements of the Company for the year ended 30 September 2017.

PRINCIPAL ACTIVITIES

The principal activities of the company are:

- Shipbroking services.
- Holding of investments in companies specialising in the ownership and operation of dry bulk vessels.

REVIEW OF OPERATIONS

Revenue for the year ended 30 September 2017, at Euro 15.49 million, is 5.03% lower compared to 2016 (Euro 16.31 million).

Operating profit, at Euro 0.93 million, is 19.23% higher compared to 2016 (Euro 0.78 million).

REVIEW OF THE COMPANY'S DEVELOPMENT, PERFORMANCE, CURRENT POSITION AND SIGNIFICANT RISKS

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 23 of the financial statements.

RESULTS AND DIVIDENDS

The Company's results for the year are set out on page 7. The Board of Directors does not recommend payment of dividend and the net profit for the year is retained.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not carry out any research and development activities during the year ended 30 September 2017

SHARE CAPITAL

There were no changes in the share capital of the Company during the year under review.

DIRECTORS

The members of the Company's Board of Directors as at 30 September 2017 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 30 September 2017.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

BRANCHES

The Company did not maintain any branches during the year ended 30 September 2017.

EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.


MANAGEMENT REPORT

INDEPENDENT AUDITORS

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The Independent Auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Lambros Hajigeorgi
Director

Nicosia, 16 January 2018

Independent Auditor's Report

To the Members of Spanaco Shipping Services Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company Spanaco Shipping Services Ltd (the "Company"), which are presented in pages 7 to 28 and comprise the as at 30 September 2017, and the statements of , and for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company Spanaco Shipping Services Ltd as at 30 September 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Board Members: Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Pieris M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Alexis Agathocleous, Alkis Christodoulides, Christakis Ioannou, Panicos Papamichael, Christos Papamarkides, George Martides, Kerry Whyte, Andreas Georgiou, Christos Neocleous, Demetris Papapericleous, Andreas Andreou, Alecos Papalexandrou, George Pantelides, Panayiota Vayianou, Agis Agathocleous, Gaston Hadjianastassiou, Kypros Ioannides, Yiannis Sophianos, Kyriakos Vlachos, Yiannis Leonidou, Michael Christoforou (Chairman Emeritus).

Deloitte Limited is the Cyprus member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.com/about for a detailed description of the legal structure of DTTL.

Deloitte Limited is a private company, registered in Cyprus (Reg. No. 162812). Offices: Nicosia, Limassol, Larnaca.

Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report (continued)

To the Members of Spanaco Shipping Services Ltd

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Independent Auditor's Report (continued)

To the Members of Spanaco Shipping Services Ltd

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We will report separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 30 September 2017.



Christakis Ioannou
Certified Public Accountant and Registered Auditor
for and on behalf of
Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 16 January 2018

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the year ended 30 September 2017

	Note	2017 Euro	2016 Euro
Revenue	3	15,489,177	16,314,107
Direct expenditure	4	(13,750,422)	(14,797,482)
Gross profit		<u>1,738,755</u>	<u>1,516,625</u>
Other operating income		52,701	138,065
Employee benefit costs	6	(474,284)	(408,627)
Other operating expenses		<u>(390,162)</u>	<u>(461,945)</u>
Operating profit	5	927,010	784,118
Finance income	7	258,940	62,147
Finance costs	7	<u>(632,944)</u>	<u>(415,754)</u>
Profit before tax		553,006	430,511
Taxation	8	<u>(76,570)</u>	<u>(62,550)</u>
Profit for the year		476,436	367,961
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>476,436</u></u>	<u><u>367,961</u></u>

All of the profit and comprehensive income for the year is attributable to equity holders of the Company.

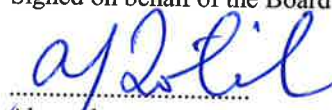
The notes on pages 11 to 28 form an integral part of these financial statements.


STATEMENT OF FINANCIAL POSITION
30 September 2017

		30 September 2017		30 September 2016	
	Note	Euro	Euro	Euro	Euro
ASSETS					
Non-current assets					
Investments in subsidiaries	9	6,706,000		6,006,000	
Long term loans advanced	10	<u>1,350,000</u>		<u>-</u>	
			8,056,000		6,006,000
Current assets					
Trade and other receivables	11	261,938		266,799	
Loans advanced	10	1,593,138		3,972,371	
Refundable taxes	17	-		9,193	
Cash and cash equivalents	12	<u>784,836</u>		<u>449,788</u>	
			<u>2,639,912</u>		<u>4,698,151</u>
TOTAL ASSETS			<u>10,695,912</u>		<u>10,704,151</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Equity attributable to equity shareholders of the Company					
Share capital	13	37,468		37,468	
Share premium	13	463,482		463,482	
Other reserves		782		782	
Retained earnings		<u>1,530,277</u>		<u>1,053,841</u>	
Total equity			2,032,009		1,555,573
Non-current liabilities					
Loans financed or underwritten by the shareholders	15	1,800,000		-	
Bank loans	14	<u>3,920,000</u>		<u>-</u>	
			5,720,000		-
Current liabilities					
Loans financed or underwritten by the shareholders	15	2,090,000		3,500,000	
Trade and other payables	16	350,213		248,578	
Bank loans	14	490,000		5,400,000	
Current tax liabilities	17	<u>13,690</u>		<u>-</u>	
			<u>2,943,903</u>		<u>9,148,578</u>
Total liabilities			<u>8,663,903</u>		<u>9,148,578</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			<u>10,695,912</u>		<u>10,704,151</u>

On 16 January 2018 the financial statements of Spanaco Shipping Services Ltd were approved by the Board of Directors and authorised for issue.

Signed on behalf of the Board of Directors


.....
Alexandros Zotiades
Director


.....
Lambros Hajigeorgi
Director

The notes on pages 11 to 28 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 September 2017

		2017	2016
	Note	Euro	Euro
Cash flows generated from operating activities			
Profit for the year		476,436	367,961
Adjustments for:			
Finance income		(258,940)	(62,147)
Finance expense	7	632,944	415,754
Income tax expense	8	76,570	62,550
		<u>927,010</u>	<u>784,118</u>
Cash flows from operations before working capital changes			
(Increase)/decrease in trade and other receivables		(53,416)	288,620
Increase / (decrease) in trade and other payables		110,635	(157,813)
		<u>984,229</u>	<u>914,925</u>
Cash flows from operations			
Taxation paid		(53,687)	(36,222)
		<u>930,542</u>	<u>878,703</u>
Net cash flows from operating activities			
Cash flows from investing activities			
Investments in subsidiaries		(6,000)	(3,000)
Loans granted		(9,036,783)	(6,205,326)
Loans repayments received		9,372,016	2,232,955
Interest received		317,217	3,870
		<u>646,450</u>	<u>(3,971,501)</u>
Net cash flows from / (used in) investing activities			
Cash flows from financing activities			
Repayments of bank borrowings		(5,890,000)	(600,000)
Repayment of loans from related companies		(8,000,000)	(2,610,000)
Proceeds from bank borrowings		4,900,000	-
Proceeds from loans from related companies		6,390,000	2,610,000
Proceeds from loans from shareholders		2,000,000	3,500,000
Finance expense paid		(641,944)	(415,808)
		<u>(1,241,944)</u>	<u>2,484,192</u>
Net cash flows (used in) / from financing activities			
Net increase / (decrease) in cash and cash equivalents		335,048	(608,606)
Cash and cash equivalents:			
At beginning of the year		449,788	1,058,394
At end of the year	12	<u>784,836</u>	<u>449,788</u>
Cash and cash equivalents are represented by:			
Cash at bank and in hand	12	<u>784,836</u>	<u>449,788</u>
		<u>784,836</u>	<u>449,788</u>

The notes on pages 11 to 28 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2017

	Share capital Euro	Share premium Euro	Other reserve Euro	Retained earnings Euro	Total Euro
Changes in equity for 2017					
At 1 October 2016	37,468	463,482	782	1,053,841	1,555,573
Profit for the year	-	-	-	476,436	476,436
At 30 September 2017	<u>37,468</u>	<u>463,482</u>	<u>782</u>	<u>1,530,277</u>	<u>2,032,009</u>
Changes in equity for 2016					
At 1 October 2015	37,468	463,482	782	685,880	1,187,612
Profit for the year	-	-	-	367,961	367,961
At 30 September 2016	<u>37,468</u>	<u>463,482</u>	<u>782</u>	<u>1,053,841</u>	<u>1,555,573</u>

The following describes the nature and purpose of each reserve within shareholders' equity;

Reserve	Description
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	Profit for the year and prior years.
Other reserve	Consist of exchange gain on the conversion of share capital to Euro.

The notes on pages 11 to 28 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 September 2017

1. PRINCIPAL ACTIVITIES

The principal activities of the company are:

- Shipbroking services.
- Holding of investments in companies specialising in the ownership and operation of dry bulk vessels.

Country of incorporation

The Company Spanaco Shipping Services Ltd (the "Company") was incorporated in Cyprus on 4 March 1997 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at 9 Tagmatarchou Pouliou, Grayoak House, 1101 Ayios Andreas, Nicosia, Cyprus.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, including International Accounting Standards (IAS) and Interpretations issued by the International Accounting Standards Board (IASB), (collectively IFRSs) and also in accordance with the requirements of the Cyprus Companies Law, Cap. 113.

The Directors are of the opinion that the preparation of the financial statements on a going concern basis is appropriate.

The principal accounting policies adopted for dealing with items which are considered material or critical in determining the results for the year and in stating the financial position, are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 30 September 2017 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

A complete list of other accounting policies is included in note 24.

(a) Significant judgements and estimates

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles (GAAP) under IFRS, requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Company evaluates its estimates on an on-going basis using historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The following paragraphs detail the estimates and judgements the Company believes to have the most significant impact on the annual results under IFRS.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Significant judgements and estimates (continued)

- *Provision for doubtful receivables.* At each statement of financial position date, the Company evaluates the collectability of trade receivables to assess whether there is any objective evidence that a provision for impairment is required. These provisions for impairment are based on, amongst other things, insurance cover, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operational results positively or negatively. Further detail of the level of provisions for doubtful receivables is included in note 11.
- *Income taxes.* Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- *Impairment of investments in subsidiaries.* The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

(b) Consolidated financial statements

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The consolidated financial statements are available from the company's registered office on request.

(c) Revenue recognition

Revenue represents amounts invoiced for services net of discounts, returns and Value Added Tax. Sales revenue is recognised only when the relevant services have been rendered, i.e. when the risk and reward has been transferred to the customer. Profit from operations is stated after charging all operating costs including those separately disclosed by virtue of their size or unusual nature or to facilitate a more helpful understanding of the Company's results. It is stated before investment income and finance costs.

- **Rendering of services**

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

3. REVENUE

	2017	2016
	Euro	Euro
Freight income	15,421,453	16,175,893
Demurrages income	67,724	120,366
Stevedoring income	-	17,848
	<u>15,489,177</u>	<u>16,314,107</u>

4. DIRECT EXPENDITURE

	2017	2016
	Euro	Euro
Freight expense	13,271,182	13,949,227
Slings expenses	294,536	429,906
Demurrage expense	95,064	242,945
Stevendoring expenses	10,288	42,691
Port expenses	2,245	51,837
Sundry expenses	77,107	80,876
	<u>13,750,422</u>	<u>14,797,482</u>

5. PROFIT FROM OPERATIONS

	2017	2016
	Euro	Euro
Profit from operations is stated after the following:		
Employee benefit costs (Note 6)	474,284	408,627
Audit fees	5,500	5,500
Currency translation differences	<u>29,564</u>	<u>16,156</u>

6. EMPLOYEE BENEFIT COSTS

	2017	2016
	Euro	Euro
Cost		
Wages and Salaries	437,134	373,485
Employer's Social Security	28,408	27,672
Social cohesion fund	<u>8,742</u>	<u>7,470</u>
	<u>474,284</u>	<u>408,627</u>

	2017	2016
	Number	Number
Average Number of Employees	<u>8</u>	<u>6</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

6. EMPLOYEE BENEFITS (continued)

Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company.

	2017	2016
	Euro	Euro
Salaries and other short-term employee benefits	<u>161,500</u>	<u>139,000</u>
	<u>161,500</u>	<u>139,000</u>

7. FINANCE INCOME AND EXPENSES

	2017	2016
	Euro	Euro
<i>Finance income</i>		
Loan and other interest from related parties	258,904	62,069
Other	<u>36</u>	<u>78</u>
	<u>258,940</u>	<u>62,147</u>
<i>Finance costs</i>		
Bank borrowing	346,383	346,367
Loans and other interest from related parties	273,452	67,187
Other	<u>13,109</u>	<u>2,200</u>
	<u>632,944</u>	<u>415,754</u>

8. TAXATION

	2017	2016
	Euro	Euro
Corporation tax - current for the year	76,559	59,752
Corporation tax - prior years	-	2,775
Defence contribution - current	<u>11</u>	<u>23</u>
Total expense	<u>76,570</u>	<u>62,550</u>

The charge for the period can be reconciled to the profit per the statement of comprehensive income as follows:

	2017	2016
	Euro	Euro
Profit before tax	<u>553,006</u>	<u>430,511</u>
Taxation calculated at the applicable tax rates	69,126	53,814
Tax effect of expenses not deductible for taxation purposes	7,849	6,983
Tax effect of allowances and income not subject to taxation	(416)	(1,045)
Adjustments for under/(over) provisions in prior years	-	2,775
Defence contribution - current	<u>11</u>	<u>23</u>
Tax expense	<u>76,570</u>	<u>62,550</u>
Effective tax rate for the year	<u>13.85%</u>	<u>14.53%</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

8. TAXATION (continued)

The corporation tax rate is 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax.

9. INVESTMENTS

	Investments in subsidiaries
	Euro
At 1 October 2015	6,003,000
Additions	<u>3,000</u>
At 1 October 2016	6,006,000
Additions	<u>700,000</u>
At 30 September 2017	<u><u>6,706,000</u></u>

The investments included above represent investments in unlisted equity securities held at cost, less provision for impairment in value. They have no fixed maturity or coupon rate.

During the year, the Company incorporated Spanaco Five Limited and Spanaco Six Limited as a 100% subsidiaries and contributed share capital of Euro 3,000 in each company.

On 21 June 2017, the Company capitalised loans receivable from Spanaco Three Ltd and Spanaco Four Ltd, amounting to Euro 347,000 from each respective subsidiary in exchange of ordinary shares of equal value.

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2017 Shareholding %	2016 Shareholding %
Spanaco One Limited	Malta	Ownership and management of dry bulk vessel	100	100
Spanaco Two Limited	Malta	Ownership and management of dry bulk vessel	100	100
Spanaco Three Limited	Malta	Ownership and management of dry bulk vessel	100	100
Spanaco Four Limited	Malta	Ownership and management of dry bulk vessel	100	100
Spanaco Five Limited	Malta	Dormant	100	-
Spanaco Six Limited	Malta	Dormant	100	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

10. LOANS ADVANCED

	2017	2016
	Euro	Euro
Loans to own subsidiaries (Note 18)	<u>2,943,138</u>	<u>3,972,371</u>
Less : Instalments due after more than one year	<u>2,943,138</u>	<u>3,972,371</u>
Loans advanced and due within one year	<u>(1,350,000)</u>	<u>-</u>
	<u><u>1,593,138</u></u>	<u><u>3,972,371</u></u>

The loans are repayable as follows:

	2017	2016
	Euro	Euro
Instalments due after 1 year but not more than 2 years	(150,000)	-
Instalments due after 2 years but not more than 5 years	(450,000)	-
Instalments due after 5 years	<u>(750,000)</u>	<u>-</u>
	<u><u>(1,350,000)</u></u>	<u><u>-</u></u>

Cross currency balances with subsidiaries of Euro 1,4 million bear interest of 3.00% (2016: 3.00%)

Loans amounting to Euro 1.5 million are repayable at half-yearly installments of Euro 75,000 from 31 March 2017 to 30 September 2027.

The interest rate on the loans is 6.35% (2016: 5.35%).

The fair values of loans approximate to their carrying amounts as presented above.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	Euro	Euro
Trade receivables	226,954	136,030
Amounts due from related parties (Note 18)	-	101,419
Refundable VAT	<u>34,984</u>	<u>29,350</u>
	<u><u>261,938</u></u>	<u><u>266,799</u></u>

Trade receivables are further analysed as follows:

	2017	2016
	Euro	Euro
Gross value	<u>226,954</u>	<u>136,030</u>
Net value	<u><u>226,954</u></u>	<u><u>136,030</u></u>
Analysis of trade receivables:		
Not due	<u>226,954</u>	<u>136,030</u>
Total	<u><u>226,954</u></u>	<u><u>136,030</u></u>

Uninsured trade receivables that are due and not impaired represent balances with customers who have no default history.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

11. TRADE AND OTHER RECEIVABLES (continued)

Amounts due from related parties are further analysed as follows:

	2017	2016
	Euro	Euro
Gross value	-	101,419
Net value	-	101,419
Analysis of trade receivables:		
Not due	-	101,419
Total	-	101,419

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 23 of the financial statements.

12. CASH AND CASH EQUIVALENTS

	Cash
	Euro
At 1 October 2015	1,058,394
Movement for the year	(608,606)
At 1 October 2016	449,788
Movement for the year	335,048
At 30 September 2017	784,836

13. SHARE CAPITAL

	2017	2016	2017	2016
	Number	Number	Euro	Euro
Authorised ordinary shares of €1,71 each	25,000	25,000	42,750	42,750
Issued ordinary shares of €1,71 each	21,911	21,911	37,468	37,468
Share premium			463,482	463,482

There are no restrictions attaching to the ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

14. BANK LOANS

	2017	2016
	Euro	Euro
Bank loans (Note 18)	4,410,000	5,400,000
Less instalments due after more than one year	<u>(3,920,000)</u>	<u>-</u>
Bank loans due within one year	<u><u>490,000</u></u>	<u><u>5,400,000</u></u>

Bank loans and overdrafts and other loans due after more than one year are analysed as follows:

	2017	2016
	Euro	Euro
Instalments due after 1 year but not more than 2 years	490,000	-
Instalments due after 2 years but not more than 5 years	1,470,000	-
Instalments due after 5 years	<u>1,960,000</u>	<u>-</u>
	<u><u>3,920,000</u></u>	<u><u>-</u></u>

The weighted average interest rates paid were as follows:

	2017	2016
	%	%
Bank loans	<u>6.00</u>	<u>6.02</u>

The carrying amount of short and long term borrowings approximate their fair value.

	2017	2016
	Euro	Euro
Bank loans	<u><u>4,410,000</u></u>	<u><u>5,400,000</u></u>

On 9 December 2016, the Company effected a Euro 0.5 million repayment on the bank borrowing and restructured the facility into a Euro 4.9 million amortising loan, to be settled at half-yearly installments of Euro 245,000 from 30 March 2017 to 30 September 2026.

Bank borrowing are secured by a 2nd degree ranking mortgage granted by Spanaco One Limited, Spanaco Two Limited and Spanaco Three Limited on m/v Spanaco Loyalty, m/v Spanaco Reliability, Spanaco Simplicity, and a pledge over a term deposit for Euro 3 million provided by Douglas Technical Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

15. LOANS FINANCED OR UNDERWRITTEN BY THE SHAREHOLDERS

	2017	2016
	Euro	Euro
Total loans	3,890,000	3,500,000
Less instalments due after more than one year	<u>(1,800,000)</u>	<u>-</u>
Loans due within one year	<u>2,090,000</u>	<u>3,500,000</u>

Repayment of loans are analysed as follows:

	2017	2016
	Euro	Euro
Due within 1 year	2,090,000	3,500,000
Instalments due after 1 year but not more than 2 years	200,000	-
Instalments due after 2 years but not more than 5 years	600,000	-
Instalments due after 5 years	<u>1,000,000</u>	<u>-</u>
	<u>3,890,000</u>	<u>3,500,000</u>

The interest rate on the loans ranges between 5.00% and 5.78% (2016: 5%)

16. TRADE AND OTHER PAYABLES

	2017	2016
	Euro	Euro
Trade payables	253,307	139,602
Social insurance and other taxes	14,304	13,599
Other payables and accruals	82,602	86,377
Amounts due to related parties (Note 18)	<u>-</u>	<u>9,000</u>
	<u>350,213</u>	<u>248,578</u>

The directors consider that the carrying amount of trade payables approximates to their fair value.

17. TAX LIABILITY /(REFUNDABLE TAX)

	2017	2016
	Euro	Euro
Corporation tax	<u>13,690</u>	<u>(9,193)</u>
	<u>13,690</u>	<u>(9,193)</u>

18. RELATED PARTY TRANSACTIONS

The Company is controlled by Douglas Technical Limited, incorporated in Isle of Man, which owns 100% of the Company's shares. The ultimate controlling party of the Company is Luda Stiftung, a discretionary, irrevocable foundation registered in Liechtenstein, which itself owns all the assets and is controlled by the foundation board.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

18. RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties:

Sales of services and interest income

	Interest income		Sale of services		Amounts owed by related parties	
	2017	2016	2017	2016	2017	2016
	Euro	Euro	Euro	Euro	Euro	Euro
Fellow subsidiaries	250,829	59,869	8,075	2,200	-	58,277
Other related parties	-	-	5,736,471	5,508,103	-	43,142
	<u>250,829</u>	<u>59,869</u>	<u>5,744,546</u>	<u>5,510,303</u>	<u>-</u>	<u>101,419</u>

Purchases of goods and services

	Purchase of goods		Purchase of services		Amounts owed to related parties	
	2017	2016	2017	2016	2017	2016
	Euro	Euro	Euro	Euro	Euro	Euro
Other related parties	-	-	246,024	148,960	-	9,000
	<u>-</u>	<u>-</u>	<u>246,024</u>	<u>148,960</u>	<u>-</u>	<u>9,000</u>

Loans from shareholder

	2017	2016
	Euro	Euro
At beginning of year		
- Principal	-	-
- Interest	-	-
Movements during the year		
Loans advanced during the year	2,000,000	-
Interest charged	95,476	-
Interest paid	(95,476)	-
	<u>2,000,000</u>	<u>-</u>
At year end		
- Principal	2,000,000	-
- Interest	-	-
	<u>2,000,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

18. RELATED PARTY TRANSACTIONS (continued)

Loans from related companies

	2017	2016
	Euro	Euro
At beginning of year		
- Principal	3,500,000	-
- Interest	-	-
	<u>3,500,000</u>	<u>-</u>
Movements during the year		
Loans advanced during the year	6,390,000	6,110,000
Loan repayments	(8,000,000)	(2,610,000)
Interest charged	177,976	67,187
Interest paid	(177,976)	(67,187)
	<u>(1,610,000)</u>	<u>3,500,000</u>
At year end		
- Principal	1,890,000	3,500,000
- Interest	-	-
	<u>1,890,000</u>	<u>3,500,000</u>

Bank loan

	2017	2016
	Euro	Euro
At beginning of year		
- Principal	5,400,000	6,000,000
- Interest	9,000	9,054
	<u>5,409,000</u>	<u>6,009,054</u>
Movements during the year		
Loans advanced during the year	4,900,000	-
Loan repayments	(5,890,000)	(600,000)
Interest charged	296,403	346,367
Interest paid	(305,403)	(346,421)
	<u>(99,000)</u>	<u>(600,054)</u>
At year end		
- Principal	4,410,000	5,400,000
- Interest	-	9,000
	<u>4,410,000</u>	<u>5,409,000</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

18. RELATED PARTY TRANSACTIONS (continued)

Loans to subsidiary companies

	2017	2016
	Euro	Euro
At beginning of year		
- Principal	3,972,371	-
- Interest	58,277	-
	<u>4,030,648</u>	<u>-</u>
Movements during the year		
Loans advanced during the year	9,036,783	6,205,326
Loan repayments received	(9,372,016)	(2,232,955)
Loan principal converted to share capital	(694,000)	-
Interest charged	250,829	59,869
Interest received	(309,106)	(1,592)
	<u>(1,087,510)</u>	<u>4,030,648</u>
At year end		
- Principal	2,943,138	3,972,371
- Interest	-	58,277
	<u>2,943,138</u>	<u>4,030,648</u>

19. CONTINGENT LIABILITIES

As at 30 September 2017, the Company has provided guarantees under joint and several suretyship amounting to Euro 8 million to long term finance providers of Spanaco One Limited, Spanaco Two Limited and Spanaco Three Limited.

20. CAPITAL COMMITMENTS

The Company had no capital or other commitments as at 30 September 2017.

21. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

22. DIVIDENDS

The Company's results for the year are set out on page 5. The Board of Directors did not recommend payment of dividend and the net profit for the year is retained.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

23. RISK MANAGEMENT

General objectives, policies and processes

The Company operates procedures designed to reduce or eliminate financial risk and ensure that funds are available for current and future needs. The policies are approved by the Board and the use of financial instruments is strictly controlled.

Principal financial instruments

A summary of the financial instruments held by category is provided below:

Financial assets

	Loans and receivables	
	2017	2016
	Euro	Euro
Loans advanced (Note 18)	2,943,138	3,972,371
Trade, related party and other receivables (excl. prepayments, VAT, corporate and other taxes, social security, provisions)	226,954	237,449
Cash and cash equivalents	<u>784,836</u>	<u>449,562</u>
Total financial assets	<u>3,954,928</u>	<u>4,659,382</u>

Financial liabilities

	At amortised cost	
	2017	2016
	Euro	Euro
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	253,307	148,602
Loans and borrowings (Note 18)	<u>8,300,000</u>	<u>8,900,000</u>
Total financial liabilities	<u>8,553,307</u>	<u>9,048,602</u>

Fair value of financial liabilities

The table below is an analysis of the book values and fair values of the financial liabilities excluding trade payables.

	Book value		Fair values	
	2017	2016	2017	2016
	Euro	Euro	Euro	Euro
Bank borrowings	4,410,000	5,400,000	4,410,000	5,400,000
Loans financed or underwritten by the shareholders	3,890,000	3,500,000	3,890,000	3,500,000
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	<u>253,307</u>	<u>148,602</u>	<u>253,307</u>	<u>148,602</u>
	<u>8,553,307</u>	<u>9,048,602</u>	<u>8,553,307</u>	<u>9,048,602</u>

Fair values of trade and other payables approximate their book value largely due to the short-term maturities of these instruments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

23. RISK MANAGEMENT (continued)

Fair values of bank borrowings and loans financed or underwritten by the shareholders are evaluated by the Company based on interest rates at the financial year end. Based on this evaluation the book values approximate their calculated fair values as bank borrowings and loans financed or underwritten by the shareholders have variable rates.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the reporting date.

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each receivable.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below.

	Carrying value		Maximum exposure	
	2017	2016	2017	2016
	Euro	Euro	Euro	Euro
Loans advanced (Note 18)	2,943,138	3,972,371	2,943,138	3,972,371
Trade and other receivables (Note 11)	261,938	266,799	261,938	266,799
Cash and cash equivalents	784,744	449,562	784,744	449,562
Total financial assets	<u>3,989,820</u>	<u>4,688,732</u>	<u>3,989,820</u>	<u>4,688,732</u>

Market risk

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

23. RISK MANAGEMENT (continued)

Liquidity risk

Company liquidity risk management aims to ensure that the Company is able to timely obtain the financing required to properly carry on its business activities, implement its strategy, and meet its payment obligations when due, while avoiding the need of having to obtain funding under unfavourable terms.

For this purpose, Liquidity management at the Company comprises:

- consistent financial planning and cash flow forecasting at Company levels with different time horizons; business plans are prepared prior to initial funds raising in relation to new investments.
- diversification of financing sources;
- diversification of the maturities of the debt issued in order to avoid excessive concentration of debt repayments in short periods of time;

Maturity of financial liabilities

The table below summarises the maturity profile of the Company's financial liabilities excluding trade payables (Note 16) based on contractual undiscounted payments.

As at 30 September 2017

	On demand Euro	less than 12 months Euro	1-5 years Euro	>5 years Euro	Total Euro
Bank borrowings	-	734,552	2,641,753	2,167,433	5,543,738
Loans financed or underwritten by the shareholders	-	2,271,926	1,126,667	1,133,067	4,531,660
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	-	253,307	-	-	253,307
	-	3,259,785	3,768,420	3,300,500	10,328,705

As at 30 September 2016

	On demand Euro	less than 12 months Euro	1-5 years Euro	>5 years Euro	Total Euro
Bank borrowings	-	5,482,800	-	-	5,482,800
Loans financed or underwritten by the shareholders	-	3,544,722	-	-	3,544,722
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	-	148,602	-	-	148,602
	-	9,176,124	-	-	9,176,124

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

23. RISK MANAGEMENT (continued)

Capital disclosures

Capital is defined as Total Equity. Adjusted capital is defined as Total Equity plus loans financed or underwritten by the shareholders.

The Company's objectives when maintaining adjusted capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of adjusted capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

24. OTHER ACCOUNTING POLICIES

(a) Changes in accounting policies

(i) New standards, amendments to published standards and interpretations to existing standards effective in the current financial year adopted by the Company.

There have been no standards adopted by the Company for the first time for the financial year beginning on or after 1 October 2016 that will have a material impact on the Company.

(ii) Standards, amendments and interpretations to published standards effective in 2017 but which are not relevant to the Company.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 October 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

(b) Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

(c) Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (Euro), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

24. OTHER ACCOUNTING POLICIES (continued)

(d) Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The Company makes a provision for bonuses where contractual obligations exist for payment.

(e) Dividends

Interim dividends are recognised in equity in the year in which they are paid. Final dividends are recognised in equity in the year in which they are declared. Dividend income is recognised when the right to receive payment is established.

(f) Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company has not classified any of its financial assets as held to maturity.

Other than financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

(i) *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flow associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised, in other operating expenses, in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

24. OTHER ACCOUNTING POLICIES (continued)

(g) Financial liabilities

The Company's financial liabilities comprise:

(i) Bank and other borrowings

Are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(ii) Trade payables and other short-term liabilities

Are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Report of the Independent Auditors on pages 4 and 6