OCM Njord Holdings S.à r.l. (formerly River HT5 Debtco S.à r.l.)

Consolidated financial statements
for the year ended 31 December 2014

26A, Boulevard Royal
L-2449 Luxembourg
R.C.S. Luxembourg : B 176 516
Subscribed capital : USD 18,982

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Corporate information

Registered office

The Company's registered office is 26A, Boulevard Royal, L- 2449 Luxembourg.

Bankers

The Company's bankers are ING Luxembourg 52, route d'Esch, L – 2965 Luxembourg

Auditors

The Company's auditors are Deloitte Audit Société à responsabilité limitée.

Managers

The Managers in office during the period were as follows:

- Katherine Margaret Ralph (appointed on 6 August, 2013)
- Szymon Dec
- Figen Eren
- Jabir Chakib
- Christopher Boehringer
- Hugo Neuman
- Franck Laval

Consolidated manager's report

Introduction

The managers are pleased to present their report to the shareholders together with the audited consolidated financial statements of OCM Njord Holdings S.à r.l. (the "Group") for the financial year ended 31 December 2014.

Financial review

Investing activities

As at 31 December 2014, the Group owned 25 product tankers (22 MR and 3 LR2 vessels) with a net book value of USD 502 million. The average age of the fleet is 9 years (2013: 5.9 years, flexed). During the year to 31 December 2014, the Group purchased 17 vessels for a combined purchase price of USD 343 million. A bank loan from Danish Ship Finance of USD 150 million was used to purchase 13 of the vessels. As at 31 December 2014 the outstanding loan was USD 142 million.

In 2013, entities within the Group entered into contracts to build six new product tankers with the Sungdong shipyard, for a combined purchase price of USD 204 million. In 2014 construction began for the 6 vessels. As at 31 December 2014 the Group had paid USD 35 million to the shipyard. At 31 December 2014, the Group had a contractual obligation to pay a further USD 169 million to the shipyard. OCM Njord Holdings S.à.r.l. acts as guarantor for the unfunded commitments. Delivery of the six vessels is expected between Q3 2015 and Q1 2016.

Trading performance

Below is a summary of the Group's trading performance since inception:

	2014	2013
N° of vessels	25	8
Days on hire	6,475	831
Days off hire	96	0
TC daily rate (USD)	14,589	13,900
Opex daily rate (USD)	7,632	7,012

All 25 vessels are commercially managed by TORM A/S ("TORM"). For the majority of 2014, 20 of the vessels operated in the TORM MR/LR2 pools. This arrangement was terminated on 29 September 2014. The vessels then entered a commercial management arrangement via OCM Njord Charterting Inc with TORM as the commercial agent. The remaining 5 vessels were on time charter to TORM (3 vessels) and Stena Weco (2 vessels).

The average daily time charter equivalent ("TC") rate for the year to 31 December 2014 was USD 14,589 for the 25 vessels (2013: 13,900, 8 vessels). During the year there were 96 off hire days.

Of the 25 trading vessels, 22 were technically managed by TORM, 2 by Bernard Shulte Marine and 1 by Fleet. During the year to 31 December 2014 the Group's fleet was managed at an average daily rate of USD 7,632 (2013: USD 7,012). Opex increased in 2014 due to increased age profile of the fleet. Management are focused on reducing daily opex rates and off hire days.

Financial risk management objectives, policies and exposure

Please refer to note 3 – Financial risk management for a description to the Group's financial risk management objectives, policies and exposures.

Subsequent events

No further vessel purchases have been made in 2015. The Group continues to pay instalments to the Sungdong shipyard regarding the six new builds, in 2015 a further USD 40 million had been paid. The remaining instalments will be funded via recycled Group earnings and equity from the parent owning companies.

In 2015, the 3 vessels on time charter to TORM entered the new commercial management arrangement.

In April 2015, a restructuring agreement between the OCM Njord Holdings S.à r.l., TORM and TORMs lenders was signed. OCM Njord Holdings S.à r.l. will contribute OCM (Gibraltar) Njord Midco Ltd and all of its subsidiaries to TORM in exchange for shares in TORM. OCM Njord Holdings S.à r.l. will own approximately 60% of TORM. The transaction is expected to complete on 13 July 2015.

The upturn in TC rates seen in Q4 2014 continued into 2015 with strong trading, the Q1 2015 TC rate was USD 19,344.

On behalf of the board of managers,

Jabir CHAKIB
Manager
Manager

Hugo Neuman
Manager

Consolidated statement of comprehensive income
for the year ended 31 December 2014

	Notes	Period from 01/01/2014 to 31/12/2014 USD	Period from 08/04/2013 to 31/12/2013 USD
Revenue	16	179,872,997	23,211,744
Port expenses, bunkers and commisions	17	(81,208,474)	(11,990,124)
Time charter equivalent		**98,664,523**	**11,221,620**
Operating expenses	18	(50,253,620)	(5,580,272)
Gross profit (Net earnings from shipping activities)		**48,410,903**	**5,641,348**
Administrative expenses	19	(7,828,578)	(1,016,329)
EBITDA		**40,582,325**	**4,625,019**
Depreciation and amortisation	5	(24,750,665)	(3,043,846)
Operating profit (EBIT)		**15,831,660**	**1,581,173**
Finance income	20	-	2,194
Finance expenses	20	(3,545,740)	(27,992)
Net finance expenses		**(3,545,740)**	**(25,798)**
Profit before income tax		**12,285,920**	**1,555,375**
Income tax expense	12	(3,897)	(4,427)
Profit for the period		**12,282,023**	**1,550,948**
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		**12,282,023**	**1,550,948**

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

Consolidated statement of financial position
as at 31 December 2014

	Notes	31/12/2014 USD	31/12/2013 USD
Assets			
Non-current assets			
Vessels and capitalised dry-docking assets	5	536,869,171	183,706,154
Total non-current assets		**536,869,171**	**183,706,154**
Current assets			
Inventories	6	13,330,225	4,501,042
Trade and other receivables	7	35,956,421	9,020,819
Prepayments	8	1,696,131	3,182,443
Receivable from related parties	9	16,911	86,068
Cash and cash equivalents (excluding bank overdrafts)	10	38,330,284	1,695,866
Total current assets		**89,329,972**	**18,486,238**
Total assets		**626,199,143**	**202,192,392**
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bank Loans	15	125,325,379	-
Total non-current liabilities		**125,325,379**	**-**
Current liabilities			
Trade and other payables	11	13,400,938	586,046
Current income tax liabilities	12	8,324	4,427
Bank Loans	15	16,225,984	-
Deferred income		1,596,406	-
Total current liabilities		**31,231,652**	**590,473**
Total liabilities		**156,557,031**	**590,473**
Equity			
Share capital	13	18,982	18,982
Other reserves	14	455,790,159	200,031,989
Retained earnings		13,832,971	1,550,948
Total equity		**469,642,112**	**201,601,919**
Total equity and liabilities		**626,199,143**	**202,192,392**

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

Consolidated statement of changes in equity
for the period ended 31 December 2014

	Issued capital USD	Other reserves USD	Retained earnings USD	Total equity USD
Balance as at 8 April 2013 (Date of incorporation)	17,186	-	-	17,186
Transactions with owners of the Company				
Issue of share capital	1,796	-	-	1,796
Contribution to other reserves	-	200,031,989	-	200,031,989
Total comprehensive income				
Comprehensive income	-	-	1,550,948	1,550,948
Balance as at 31 December 2013	**18,982**	**200,031,989**	**1,550,948**	**201,601,919**
Transactions with owners of the Company				
Issue of share capital	-	-	-	-
Contribution to other reserves	-	255,758,170	-	255,758,170
Total comprehensive income				
Comprehensive income	-	-	12,282,023	12,282,023
Balance as at 31 December 2014	**18,982**	**455,790,159**	**13,832,971**	**469,642,112**

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

Consolidated statement of cash flows
for the period ended 31 December 2014

	Notes	Period from 01/01/2014 to 31/12/2014 USD	Period from 08/04/2013 to 31/12/2013 USD
Net profit before income tax		**12,814,562**	**1,603,680**
Depreciation of vessels	5	24,750,665	3,043,846
Total adjusted net income		**37,565,227**	**4,647,526**
Increases of working capital			
Inventories		(8,829,183)	(4,501,042)
Prepayments		1,486,312	(3,182,443)
Trade and other receivables		(26,935,602)	(9,020,819)
Receivables from related parties		69,157	(86,068)
Trade and other payables		14,411,298	586,046
Total increases of working capital		**(19,798,018)**	**(16,204,326)**
Net cash flows from operating activities		**17,767,209**	**(11,556,800)**
Investing activities			
Acquisitions of vessels - cost	5	(377,913,682)	(186,750,000)
Net cash flows from investment activities		**(377,913,682)**	**(186,750,000)**
Financing activities			
Bank Loans	15	141,551,363	
Shareholders' equity contributions	14	255,758,170	200,050,971
Net cash flows from financing activities		**397,309,533**	**200,050,971**
Increase of cash		**37,163,060**	**1,744,171**
Cash balance as of the beginning of the period		1,695,866	-
Cash balance as of the end of the period		**38,330,284**	**1,695,866**

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

Note 1 - Corporate information

OCM Njord Holdings S.à r.l. (the 'Company') and its subsidiaries (together the 'Group') is a shipping Group with a portfolio of vessels registered in Singapore and another portfolio registered in the Marshall Islands. The Group invests in product tankers, mandates a business partner to operate them and collects revenue from the rental of the vessels.

The Company is a 'Société à responsabilité limitée' incorporated on 8 April 2013 for an unlimited duration and registered in Luxembourg under B 176.516. The Company has its registered office at 26A, Boulevard Royal, L-2449 Luxembourg.

The object of the Company is the acquisition of participations, in Luxembourg or abroad, in any companies or enterprises in any form whatsoever and the management of such participations. The Company may in particular acquire by subscription, purchase, and exchange or in any other manner any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and more generally any securities and financial instruments issued by any public or private entity whatsoever. It may participate in the creation, development, management and control of any company or enterprise. It may further invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin whatsoever

These consolidated financial statements have been approved for issue by the board of managers on 9 July 2015. Under Luxembourg law the financial statements are approved by the shareholders at the annual meeting.

Note 2 – Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB") and as adopted by the European Union.

The Group has elected to present a single statement of comprehensive income and presents its expenses by nature.

The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Note 2 – Summary of significant accounting policies (cont.)

2.2 Consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- Is exposed, or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

Subsidiaries are fully consolidated from the date on which control is assumed by the Group. They are deconsolidated from the date that control ceases.

All the Group companies have 31 December as their year end. Consolidated financial statements are prepared using uniform accounting policies for the transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intercompany transactions, balances, income and expenses and unrealised gains on transactions between Group companies are eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3 Foreign currency translation

(a) Functional and presentation currency

The functional currency of all entities is USD, because the Group's vessels operate in international shipping markets, in which income and expenses are settled in USD and the Group's assets and liabilities are denominated in USD.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 the consolidated statement of comprehensive income.

2.4 Vessel and capitalised dry-docking

(a) *Vessel*

The Company owns a fleet of LR2 and MR tanker vessels. The vessels are measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises of acquisition cost only. All major components of vessel except for dry-docking costs are depreciated on a straight-line basis to the estimated residual value over their estimated useful lives, estimated to be 25 years. The Company considers that a 25-year depreciable life is consistent with that used by other ship-owners with comparable tonnage. Depreciation is based on cost less the estimated residual value. Residual value is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton.

The useful life and the residual value of the vessel is reviewed at least at each financial year-end based on market conditions, regulatory requirements and the Company's business plans. The Company also evaluates the carrying amounts to determine if events have occurred that indicate impairment and would require a modification of their carrying amounts.

Note 2 – Summary of significant accounting policies (cont.)

2.4 Vessel and capitalised dry-docking (cont. and end)

(b) *Dry-docking*

Approximately every 2 to 5 years, depending on the nature of work and external requirements, the vessel is required to undergo planned dry-dockings for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessel is operating. These dry-docking costs are capitalized and depreciated on a straight-line basis over the estimated period until the next dry-docking. The residual value of such components is estimated at nil. The useful lives of the dry-docking costs are reviewed at least at each financial year-end based on market conditions, regulatory requirements and business plans.

At subsequent dry-dockings, the costs comprise the actual costs incurred at the dry-docking yard. Dry-docking costs may include the cost of hiring crews to effect replacements and repairs and the cost of parts and materials used, cost of travel, lodging and supervision of Company personnel and the cost of hiring third-party personnel to oversee a dry-docking. Dry-docking activities include, but are not limited to, the inspection, service on turbo charger, replacement of shaft seals, service on boiler, replacement of hull anodes, applying of antifouling and hull paint, steel repairs and refurbishment and replacement of other parts of the vessel.

2.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

Note 2 – Summary of significant accounting policies (cont.)

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for using the on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The company's inventories consist of bunkers, fuel for powering the ship, and essential lubricating oils.

2.7 Financial assets

Financial assets in the scope of IAS 39 are classified based on their nature and their characteristics in one of the following four categories:

- financial assets at fair value through profit and loss,
- loans and receivables,
- held to maturity investments, and
- available for sale financial assets

Financial assets are recognized initially at cost, which represents their fair value (plus, in certain cases, directly attributable acquisition/transaction costs).
The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The main category of financial asset as defined in IAS 39 which is relevant in the Company's financial statements is Trade receivables.

2.8 Trade receivables

Receivables are recognized as assets when the Group becomes a party to the contractual provisions of the financial transaction and are measured initially at fair value adjusted for transaction costs. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Receivables are derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a receivable in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.9 Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

Note 2 – Summary of significant accounting policies (cont.)

2.10 Cash and cash equivalents

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. Cash and cash equivalent also includes restricted cash.

2.11 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.13 Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognized for all taxable temporary differences except:

- where the deferred income tax liability arises of an asset or liability in a transaction that at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all, or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Note 2 – Summary of significant accounting policies (cont.)

2.14 Financial liabilities

Financial liabilities in the scope of IAS 39 are classified based on their nature and their characteristics in one of the following categories:

- Financial liabilities at fair value through profit and loss, and
- Loans and borrowings

Financial liabilities are recognized initially at cost which represents their fair value, and in case of loans and borrowings net of directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company's financial liabilities include borrowings and trade and other payables.

2.15 Provisions

Provisions for legal claims are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

2.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

(a) *Charter revenue*

The Company generates its revenue from shipping activities, which until 30 September 2014 were conducted through a revenue sharing scheme (pool) with TORM and with TORM as commercial manager. The revenue sharing scheme was considered a joint operation of the commercial employment of the vessels. Total pool revenue is generated from each vessel participating in the pool in which the vessel participates and is based on either voyage or time charter parties. The pool measures net revenues based on the contractual rates and the duration of each voyage, and net revenue is recognised upon delivery of services in accordance with the terms and conditions of the charter parties.

The Company's share of the income in the pool was primarily dependent on the number of days the Company's vessel has been available for the pool in relation to the total available pool earning days during the period.

Note 2 – Summary of significant accounting policies (cont.)

2.17 Accounting standards and amendments issued but not yet adopted

New and revised standards that are effective for annual periods beginning on or after 1 January 2014

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below that potentially could have effect:

IFRS 9, 'Financial instruments', the standard and subsequent amendments will substantially change the classification and measurement of financial instruments and hedging requirements. IASB has tentatively decided that the mandatory effective date of the standard will be no earlier than annual periods beginning on or after 1 January 2018.

IFRS 15 "Revenue from Contracts with Customers": IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

This standard will become effective for annual periods beginning on or after 1 January 2017.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

The impact on the consolidated financial statements has not yet been determined on a sufficiently reliable basis.

Note 3 - Financial risk management

3.1 Financial risk factors

The risk management function within the Group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Note 3 - Financial risk management (cont.)

3.1 Financial risk factors (cont.)

3.1.1. Market risk

(i) Foreign exchange risk:

The Group has a very limited exposure to foreign exchange risk. The vessels are purchased in USD, revenue received is in USD and cash paid are in USD as well as financing:

The only risk is in relation to operational expenditure, where items may be purchased wherever the ship is docked/sailing in local currency or where the supplier is not providing services dominated in USD, where the spot rate would apply. The Group does not believe that this would have a material effect on its results.

(ii) Price risk

The product tanker market is a volatile market and as such the Group is exposed to fluctuations in freight rates. However, the Group has contracted TORM to be the commercial manager, which has significant market experience, hence minimising the risk.

One of the Group's main outgoings is the fluctuation of bunker costs. The Group is also therefore exposed to variations in bunker prices.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group is not covered against variable interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on borrowings. With all other variables held constant, the Group's profit before tax and equity are affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in basis points	**Effect on profit before tax and equity** USD
2014		
Bank loan	+ 25	(232,397)
Bank loan	- 25	232,397

Note 3 - Financial risk management (cont. and end)

3.1 Financial risk factors (cont. and end)

3.1.2. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has no significant concentrations of credit risk.

The Group believes that there are two elements to credit risk. Firstly, there is the risk that the third parties who hire out the vessels do not pay. In this instance, the Group would not receive the cash from the charterer of the vessels. However, arrears have not been a problem thus far and the charterer is responsible for collections. The charterer also includes demurrage in the calculation of the results (additional payments when the vessels take longer to load/unload or there is another reason for the contract period to be extended, e.g. vessel cannot dock, which may affect the next contract).

The second risk is to the charterer. However, they are a large player in the market and the Group's view is that there is no immediate risk to the large receivable. The financial position of the charterer will be carefully monitored throughout the life of the relationship with the Group.

3.1.3. Liquidity risk

Due to the dynamic nature of the underlying activity, there are constant streams of revenue which are used to settle the operational and other expenses as they fall due. The Group can also call on its shareholders in the event that liquidity is required in the short term.

The maturity analysis of assets and liabilities at 31 December 2014 is as follows:

	Not later than 6 months	Between 6 and 12 months	Between 1 and 5 years	2014
	USD	USD	USD	USD
Trade and other receivables	35,956,421	-	-	35,956,421
Receivables from related parties	16,911	-	-	16,911
Cash and cash equivalents	38,330,284	-	-	38,330,284
Trade and other payables	(13,400,938)	-	-	(13,400,938)
Borrowings	(8,112,992)	(8,112,992)	(125,661,024)	(141,887,008)
Accrued interest	(2,555,825)	(2,415,203)	(12,735,060)	(17,706,088)
TOTAL	**50,233,861**	**(10,528,195)**	**(138,396,084)**	**(98,690,418)**

3.1.4. Other risks

The Group safeguards its contract and collection process as follows:

The Group has hired TORM, a listed specialist Danish shipping company, as the charterer of the vessels. The charterer signs a contract with the party hiring the vessel. This will include the rate of hire, duration, destination and payments for demurrage if and when applicable. Each contract will be specific to the hiring party and length of the contract.

There is a chartering team at TORM who manage these contracts and manage the revenue receipts and associated costs. The Group's vessels operate within a revenue sharing scheme and the chartering responsibility is TORM's, to who the Group pays a commission.

Note 3 - Financial risk management (cont. and end)

3.1 Financial risk factors (cont. and end)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Note 4 - Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent assets and liabilities.
Actual amounts may differ from these estimates. In particular, management must make estimates and assumptions in the following areas:

(a) Estimate of the depreciation, useful life and residual value of vessels

The cost of the vessel is depreciated on a straight-line basis over the estimated useful life. Management estimates the useful life of the vessel to be 25 years. These are common life expectancies applied in the shipping industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation changes could be revised.

(b) Other estimations

In addition, the management of the Company and its subsidiaries makes estimations to calculate, at a certain moment, the recoverable amounts of assets.

The carrying values of these estimates are presented on the face of the consolidated statement of financial position.

Note 5 – Vessel and capitalized dry-docking

	Vessels USD	Dry-docking USD	Total USD
Cost:			
Opening balance	179,950,000	6,800,000	186,750,000
Additions during the period	358,177,161	19,736,521	377,913,682
As at 31 December 2014	538,127,161	26,536,521	564,663,682
Accumulated depreciation:			
Opening balance	(2,090,478)	(953,368)	(3,043,846)
Depreciation for the period	(16,473,294)	(8,277,371)	(24,750,665)
As at 31 December 2014	(18,563,772)	(9,230,739)	(27,794,511)
Net carrying amount:			
As at 31 December 2014	519,563,389	17,305,782	536,869,171

	Vessels USD	Dry-docking USD	Total USD
Cost:			
At incorporation	-	-	-
Additions during the period	179,950,000	6,800,000	186,750,000
As at 31 December 2013	179,950,000	6,800,000	186,750,000
Accumulated depreciation:			
At incorporation	-	-	-
Depreciation for the period	(2,090,478)	(953,368)	(3,043,846)
As at 31 December 2013	(2,090,478)	(953,368)	(3,043,846)
Net carrying amount:			
As at 31 December 2013	177,859,522	5,846,632	183,706,154

The above consists of vessels purchased by the Group during the period from incorporation 8 April 2013 to 31 December 2013 and during the year ended 31 December 2014. In total, 25 product tankers (22 MR and 3 LR2 vessels) were purchased during the period ranging in cost from between USD 9,873,000 and USD 24,750,000. The cost of the vessels comprises its purchase price only. In 2013, entities in the Group signed shipbuilding contracts to build 6 MR product tankers. In the year to 31 December 2014, the Group paid installments to the shipyard. These amounts have been capitalized and are included in the above. Other costs, such as supervision costs have also been capitalized.

The useful lives of the Group's vessels are defined as the period over which they are expected to be available for use by the Group.

The Group has also recognized a dry-docking cost associated with each vessel and this is amortized to the date of the next expected dry-docking.

Note 6 - Inventories

	2014 USD	2013 USD
Bunkers	9,916,946	3,544,903
Lube oils	3,413,279	956,139
Total inventories	**13,330,225**	**4,501,042**

Note 7 – Trade and other receivables

	2014 USD	2013 USD
Trade receivables – Torm	7,033,710	7,944,475
Freight receivables	24,454,290	-
Other receivables	4,254,749	200,000
Bernhard Schulte	-	89,464
Other receivables – St Michaelis	-	594,144
Deposits	204,844	188,309
Advance tax	8,828	4,427
Total trade and other receivables	**35,956,421**	**9,020,819**

The receivable from TORM of USD 7,033,710 (2013: USD 7,944,475) consists of net income due to the Group derived from shipping activities which are conducted through a pool (see revenue note) and to lesser extent amounts held on account by TORM for technical management of the Group's vessels. The Freight receivables consist of receivables in the Group subsidiary, Njord Chartering Inc.

In 2014, other receivables consist primarily of receivables under the revenue sharing scheme. In 2013, other receivables consist of a cash float held with TORM while the other receivable held in St. Michaelis is accrued income from the RSS less amounts received.

The carrying value of trade and other receivables approximate their fair values due to their short term maturities. Trade and other receivables are all due within six months. No trade and other receivable is past-due as at 31 December 2014 or 2013.

Note 8 – Prepayments

	2014 USD	2013 USD
Prepayments	1,696,131	3,182,443
Total prepayments	**1,696,131**	**3,182,443**

The prepayments are comprised mainly of operational expenditure paid in advance and also a prepayment to TORM for RSS commission and technical manager fees which is to be reduced as the expenditure is incurred.

Note 9 – Receivables from related parties

	2014 USD	2013 USD
OCM Luxembourg OPPS IX S.à r.l.	10,805	10,805
OCM Luxembourg OPPS VIIIb S.à r.l.	6,003	69,239
OCM Luxembourg OPPS IX (Parallel 2) S.à r.l.	103	6,024
Total receivables from related parties	**16,911**	**86,068**

The amounts above are short term in nature and have had not yet been received at year-end.

Note 10 – Cash and cash equivalents

Cash and cash equivalents only include cash at bank. The fair value of cash and cash equivalents equals their carrying amount.

Note 11 – Trade and other payables

	2014 USD	2013 USD
Trade payables	11,992,220	267,765
Other payables	918,012	18,977
Accrued interest payable	233,924	-
Accruals	256,782	299,304
Total trade and other payables	**13,400,938**	**586,046**

Trade payables include amounts due to the ships technical managers regarding day to day management. Accruals include accrued professional fees.

Note 12 – Current income tax liabilities

	2014 USD	2013 USD
Corporate tax accrual	8,324	4,427
Total current income tax liabilities	**8,324**	**4,427**

A numerical reconciliation between the tax expense and the product of accounting multiplied by the applicable tax rate for Luxembourg for the period ended 31 December 2014 is as follows:

	2014 USD	2013 USD
Net profit before tax	12,285,920	1,555,375
Luxembourg tax rate	29.22%	29.22%
Income tax calculated at the nominal applicable tax rate	3,589,946	454,481
Minimum tax paid	(3,897)	(4,427)
	3,586,049	450,054
Tax losses incurred for the period for which no deferred tax has been recognised	1,773,059	83,473
Income not taxable	(5,363,005)	(537,954)
Income tax expense reported in the income statements	3,897	4,427

The Singaporean entities own Singaporean registered ships from which the qualifying income derived is exempt from tax under Section 13A of the Singapore Income Tax Act.

The Group did not book a deferred tax asset as it is not deemed likely that the asset will be used in future periods. The majority of the deferred tax asset is generated by the Group's Luxembourg entity and it is unlikely that sufficient profits will be generated at this level in the future to utilise the deferred tax asset.

Note 13 – Share capital

The Company was incorporated on 8 April 2013 with a share capital of EUR 12,500.

On 19 December 2013, the Shareholders of the Company resolved to increase the share capital by an amount of EUR 1,306 to EUR 13,806. Also on 19 December 2013, the Shareholders resolved to convert the presentation currency of the Company from EUR to United States Dollars ("USD") thereby converting the then share capital of EUR 13,806 to USD 18,981.87 at an exchange rate of EUR/USD 1.3749.

On 31 December 2014, the share capital of the Company amounts to USD 18,981.87 divided into 110,448 shares without indication of nominal value.

Note 14 – Other reserves

The Company was incorporated on 8 April 2013 and from the date of incorporation until 18 December, 2013 received contributions in cash from its shareholders which it subsequently used to finance its subsidiaries so the underlying vessels could be purchased.

As at 18 December 2013, the shareholders had contributed a total of USD 200,031,989. By way of written resolutions dated 18 December 2013, the shareholders resolved to create a special equity reserve account connected to the share capital of the Company. The shareholders also resolved to contribute an amount of USD 200,031,989 in cash to the special equity reserve account with effect from 18 December 2013.

As at 31 December 2013, the total of other reserves stood at USD 200,031,989 which is represented by the special equity reserve account.

During 2014, the shareholders resolved to contribute a net total amount of USD 255,758,170.00 to the special equity reserve, bringing it to USD 455,790,158.63 as at 31 December 2014.

Note 15 – Financial assets, financial liabilities and fair value measurement

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments.

	Carried at amortised cost		Carried at fair value	2014
	Carrying amount	**Fair value**	**Carrying amount**	**USD**
Financial assets				
Trade and other receivables	35,956,421	35,956,421	-	35,956,421
Receivables from related parties	16,911	16,911	-	16,911
Cash and cash equivalents	38,330,284	38,330,284	-	38,330,284
Total current financial assets	**74,303,616**	**74,303,616**	**-**	**74,303,616**
Financial liabilities				
Borrowings	141,551,363	141,551,363	-	141,551,363
Trade and other payables	13,167,014	13,167,014	-	13,167,014
Total current liabilities	**13,167,014**	**13,167,014**	**-**	**13,167,014**

	Carried at amortised cost		Carried at fair value	2013
	Carrying amount	**Fair value**	**Carrying amount**	**USD**
Financial assets				
Trade and other receivables	9,020,819	9,020,819	-	9,020,819
Receivables from related parties	86,068	86,068	-	86,068
Cash and cash equivalents	1,695,866	1,695,866	-	1,695,866
Total current financial assets	**10,802,753**	**10,802,753**	**-**	**10,802,753**
Financial liabilities				
Trade and other payables	586,046	586,046	-	586,046
Total current liabilities	**586,046**	**586,046**	**-**	**586,046**

Note 15 – Financial assets, financial liabilities and fair value measurement (cont. and end)

Interest-bearing loans and borrowings

	Interest rate %	Maturity	2014 USD
Non-current interest-bearing loans and borrowings			
Secured bank loan	LIBOR + 3.25	15/06/2019	125,325,379
Total non-current interest-bearing loans and borrowings			**125,325,379**
Total interest-bearing loans and borrowings			**125,325,379**

The fair value equals the book value.
The secured bank loan has been subscribed with DSF (Danish Ship Finance A/S) with a commitment of up to USD 150,000,000 as described in the Secured Loan Agreement.

Note 16 - Revenue

	2014 USD	2013 USD
Charter income	179,872,997	23,211,744
TOTAL REVENUE	**179,872,997**	**23,211,744**

Note 17 – Port expenses, bunker and commissions

	2014 USD	2013 USD
Bunkers	43,592,160	8,201,568
Commission fees	73,326	453,727
Consumption compensation	12,350,295	(127,008)
Port fees	25,192,693	3,461,837
Total port expense, bunker and commissions	**81,208,474**	**11,990,124**

Note 18 - Operating expenses

	2014 USD	2013 USD
Lube oils	3,015,003	357,875
Crewing costs	25,485,146	2,922,106
Class fees	909,210	113,584
Insurance	3,095,531	241,433
Costs outside budget	2,485,700	601,294
Repairs and maintenance	7,961,691	502,286
Inspection fees	349,778	62,914
Stores	3,434,816	277,306
Pre-delivery expenses	-	77,039
Transportation costs	1,126,218	91,633
Tonnage tax	528,642	48,305
Water charges	89,628	3,830
Survey fees	-	1,763
Other operating expenses	1,772,257	278,904
Total operating expenses	**50,253,620**	**5,580,272**

Operating expenses are incurred by the Group for the day to day running of the ship by the technical shipping manager.

Note 19 - Administrative expenses

	2014 USD	2013 USD
Management fees	4,134,397	403,248
Technical fees	2,414,920	34,580
Legal fees	385,809	225,723
Accounting fees	230,236	106,760
Audit fees	141,272	111,965
Tax consulting fees	73,645	38,665
Notary fees	1,659	4,623
Manager's fees	38,461	14,090
Incorporation expenses	178,632	40,742
Secretarial expenses	85,915	35,453
Professional organisations	2,321	480
Other fees	141,311	-
Total administrative expenses	**7,828,578**	**1,016,329**

Note 20 – Finance income and expenses

The 2014 finance expenses of the Group total USD 3,545,740 and consist of interest charges on bank loans. In 2013 the finance expenses of the Group amount to USD 27,992 and consist of losses on foreign exchange transactions and bank charges.

The Group did not have any finance income in 2014. In 2013 the finance income of the Group totals USD 2,194 and consists of interest income of USD 1,356 and gains from foreign exchange transactions of USD 838.

Note 21 – Guarantees and commitments

In the year to 31 December 2014, the Group purchased thirteen product tankers. To purchase these vessels the Group subsidiary company, OCM Holdings MRS inc, entered into a loan agreement with Danish Ship Finance. The thirteen vessels are pledged as security for the loan and OCM Holdings MRS inc acts as guarantor for the loan. The company is not currently in breach of any current covenants.

In 2013, entities within the Group signed contracts with a Chinese Shipyard (Sundgong) for the construction of 6 MR product tankers. The vessels are due to be delivered between Q3 2015 and Q1 2016. As at 31 December 2014 the remaining commitments were:

Vessel nai	Subsiduary vessel owning company	Vessel purchase price	Funded	Remaining commitment	Expected delivery	Commitment < 1 year	Commitment > 1 year but < 2 years
Valdemar	OCM Singapore Njord Holdings Valdemar, Pte. Ltd.	34,080,000	6,816,000	27,264,000	3-Sep-15	27,264,000	-
Harald	OCM Singapore Njord Holdings Harald, Pte. Ltd.	34,080,000	6,816,000	27,264,000	20-Oct-15	27,264,000	-
Gorm	OCM Singapore Njord Holdings Gorm, Pte. Ltd.	34,080,000	6,816,000	27,264,000	3-Nov-15	27,264,000	-
Knut	OCM Singapore Njord Holdings Knut, Pte. Ltd.	34,080,000	3,408,000	30,672,000	7-Dec-15	30,672,000	-
Leif	OCM Singapore Njord Holdings Leif, Pte. Ltd.	34,080,000	3,408,000	30,672,000	19-Jan-16	13,632,000	17,040,000
Rolf	OCM Singapore Njord Holdings Rolf, Pte. Ltd.	34,080,000	6,816,000	27,264,000	17-Sep-15	27,264,000	-
Total		204,480,000	34,080,000	170,400,000		153,360,000	17,040,000

OCM Njord Holdings S.à.r.l. entered an agreement at act as guarantor for each shipbuilding contract.

In the year to 31 December 2014, the Group established a chartering company (OCM Njord Chartering Inc). This company entered into normal bunker credit line facilities with various bunker suppliers. OCM Holdings MRS Inc, a Group subsidiary company, acts as guarantor for all credit line facilities.

Note 22 - Group companies

The detailed list of the consolidated entities is as follows:

Name of the company	Country	% Control	% Interest	Consolidation method
OCM Njord Holdings S.à r.l.	Luxembourg	Parent	Parent	Full
OCM Njord Chartering Inc.	Marshall Islands	100%	100%	Full
OCM (Gibraltar) Njord Midco Ltd	Gibraltar	100%	100%	Full
OCM Singapore Njord Holdings Alice, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Agnes, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Aslaug, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Almena, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Amalie, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Hardrada, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings St. Michaelis, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings St. Gabriel, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Gorm, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Harald, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Knut, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Valdemar, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Leif, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Rolf, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Agnete, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Alexandra, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Anabel, Pte. Ltd	Singapore	100%	100%	Full
OCM Singapore Njord Holdings Arawa, Pte. Ltd	Singapore	100%	100%	Full
OCM Holdings Mrs Inc.	Marshall Islands	100%	100%	Full
OCM Njord Anne Inc.	Marshall Islands	100%	100%	Full
OCM Njord Freya Inc.	Marshall Islands	100%	100%	Full
OCM Njord Gerd Inc.	Marshall Islands	100%	100%	Full
OCM Njord Gertrud Inc.	Marshall Islands	100%	100%	Full
OCM Njord Gunhild Inc.	Marshall Islands	100%	100%	Full
OCM Njord Helene Inc.	Marshall Islands	100%	100%	Full
OCM Njord Helvig Inc.	Marshall Islands	100%	100%	Full
OCM Njord Ingeborg Inc.	Marshall Islands	100%	100%	Full
OCM Njord Mary Inc.	Marshall Islands	100%	100%	Full
OCM Njord Ragnhild Inc.	Marshall Islands	100%	100%	Full
OCM Njord Thyra Inc.	Marshall Islands	100%	100%	Full
OCM Njord Valborg Inc.	Marshall Islands	100%	100%	Full
OCM Njord Vita Inc.	Marshall Islands	100%	100%	Full

Note 23 – Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services:

	2014 USD	2013 USD
Fees payable for the audit of the parent and Group financial statements	43,994	62,060
Fees payable for local statutory audits of subsidiaries	97,278	49,905
Taxation services fees	73,645	18,270
Total auditor fees	**214,917**	**130,235**

Note 24 – Related party transactions

During the financial year, the Group did not carry out any other transactions with related parties than those already mentioned in this financial statements. Fees to the managers of the Group are disclosed in note 19.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Note 25 – Subsequent events

No further vessel purchases have been made in 2015. The Group continues to pay instalments to the Sungdong shipyard regarding the six new builds, in 2015 a further USD 40 million had been paid. The remaining instalments will be funded via recycled Group earnings and equity from the parent owning companies.

In 2015, the 3 vessels on time charter to TORM entered the new commercial management arrangement.

In April 2015, a restructuring agreement between the OCM Njord Holdings S.à.r.l., TORM and TORMs lenders was signed. OCM Njord Holdings S.à.r.l. will contribute OCM (Gibraltar) Njord Midco Ltd and all of its subsidiaries to TORM in exchange for shares in TORM. OCM Njord Holdings S.à.r.l. will own approximately 60% of TORM. The transaction is expected to complete in July 2015.

The upturn in TC rates seen in Q4 2014 continued into 2015 with strong trading, the Q1 2015 TC rate was USD 19,344.