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dvances for vessels under construction (Note 4)

-

(14,400
)

(45,911
)
Decrease in restricted cash

5,949

2,563

1,575

Net proceeds from sale of vessels (Note 5)

-

25,214

-

Net proceeds from disposal of subsidiaries (Note 20)

-

37,552

-

Net proceeds from sale of other fixed assets

60

65

-

Acquisition of other fixed assets

(7
)

-

(114
)

Net Cash provided by/(used in) Investing Activities

6,002

50,994

(44,450
)

Cash Flows from Financing Activities:

Proceeds from debt (Note 11)

500

-

20,125

Principal payments of debt

(16,656
)

(11,120
)

(706
)
Prepayment of debt

(4,975
)

(30,326
)

-

Derivative financial instrument termination payments

-

-

(1,134
)
Proceeds from issuance of common stock, net of underwriters fees

-

-

20,191

Follow-on offering issuance costs
- -
(710
)
Payment of financing costs

-

(2,837
)

(219
)

Net Cash (used in)/provided by Financing Activities

(21,131
)

(44,283
)

37,547

Net increase/(decrease) in cash and cash equivalents

-

9,781

(9,706
)

Cash and cash equivalents at beginning of year

-

-

9,706

Effect of exchange rate changes on cash

-

(75
)

-

Cash and cash equivalents at end of the year

-

9,706

-

SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid net of capitalized interest

6,837

5,621

284

Offering expenses included in liabilities

-

-

752

Shares issued as consideration for acquisition of vessels (Note 1)

-

-

40,833

Advances to shipyards before acquisition of vessels (Note 1)

-

-

22,087

The accompanying notes are an integral part of these consolidated financial statements.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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1. Basis of Presentation and General Information:

The accompanying consolidated financial statements include the accounts of Top Ships Inc. (formerly Top Tankers Inc. and Ocean Holdings Inc.) and its wholly owned subsidiaries (collectively the "Company"). Ocean Holdings Inc. was formed on January 10, 2000, under the laws of Marshall Islands and was renamed to Top Tankers Inc. and Top Ships Inc. in May 2004 and December 2007 respectively. The Company is an international provider of worldwide petroleum products transportation services. From March 10 2014, the Company has outsourced to Central Shipping Monaco SAM ("CSM"), a related party controlled by the Company's Chief Executive Officer, all operational, technical and commercial functions (see Note 6). From July 1, 2010 until March 10, 2014 Central Mare Inc. ("Central Mare"), a related party controlled by the family of the Company's Chief Executive Officer, was responsible for all of the chartering, operational and technical management of the Company's fleet (see Note 6).

As of December 31 2014, the Company was the sole owner of all outstanding shares of the following subsidiary companies:

	Companies	Date of Incorporation	Country of Incorporation	Activity
1	Top Tanker Management Inc.	May 2004	Marshall Islands	Management company
2	Lyndon International Co.	October 2013	Marshall Islands	Non vessel-owning subsidiary company

	Shipowning Companies with vessels in operations during years ended December 31, 2012, 2013 and 2014	Date of Incorporation	Country of Incorporation	Vessel
1	Monte Carlo 71 Shipping Company Limited	June 2014	Marshall Islands	M/T Stenaweco Energy (acquired June 2014) (Notes 4 and 5)
2	Monte Carlo One Shipping Company Ltd	June 2012	Marshall Islands	Hull No 407 (Subsequently renamed to M/T/ Stenaweco Evolution) (acquired March 2014) (Note 4)
3	Monte Carlo Seven Shipping Company Limited	April 2013	Marshall Islands	Hull No S414 (acquired March 2014) (Note 4)
4	Monte Carlo Lax Shipping Company Limited	May 2013	Marshall Islands	Hull No S417 (acquired March 2014) (Note 4)
5	Monte Carlo 37 Shipping Company Limited	September 2013	Marshall Islands	Hull No S418 (acquired March 2014) (Note 4)
6	Monte Carlo 39 Shipping Company Limited	December 2013	Marshall Islands	Hull No S419 (acquired March 2014) (Note 4)
7	Jeke Shipping Company Limited ("Jeke")	July 2007	Liberia	M/V Evian (acquired February 2008, sold October 2013) (Note 5)
8	Warhol Shipping Company Limited ("Warhol")	July 2008	Liberia	M/T Miss Marilena (delivered February 2009, sold October 2013) (Note 5)

9	Lichtenstein Shipping Company Limited ("Lichtenstein")	July 2008	Liberia	M/T Lichtenstein (delivered February 2009, sold October 2013) (Note 5)
10	Indiana R Shipping Company Limited ("Indiana R")	July 2008	Liberia	M/T UACC Shams (delivered March 2009, sold October 2013) (Note 5)
11	Britto Shipping Company Limited ("Britto")	July 2008	Liberia	M/T Britto (delivered May 2009, sold October 2013) (Note 5)
12	Hongbo Shipping Company Limited ("Hongbo")	July 2008	Liberia	M/T Hongbo (delivered August 2009, sold October 2013) (Note 5)
13	Banksy Shipping Company Limited ("Banksy")	July 2008	Liberia	M/T UACC Sila (delivered March 2009 , sold April 2013) (Note 5)

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On October 16, 2013, the Company sold the shipowning subsidiaries which owned the six vessels of the Company's fleet (namely M/T's Miss Marilena, Lichtenstein, UACC Shams, Britto, Hongbo and M/V Evian) to an affiliate of the AMCI Poseidon Fund LP, an unrelated party (see Note 20). Following this sale the Company did not own any operating vessels. On June 20, 2014, Monte Carlo 71 Shipping Company Limited, a wholly owned subsidiary of the Company, acquired Hull No S406, renamed to M/T Stenaweco Energy, from a company affiliated with the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis (see Note 5), as per a Memorandum Of Agreement ("MOA") signed in February 2014. The Company treated the acquisition of the vessel as a purchase of an asset. The vessel was purchased with a time charter attached to Eships Tankers Ltd for two years plus one optional year, for a gross daily rate of $16,000 for the first two years and $17,250 for the optional year. The Company estimated that the rate according to the attached time charter did not significantly differ from prevailing market time charter rates for an equivalent vessel for an equivalent duration and hence has not recognized the attached time charter as an intangible asset.

Hulls No S407 (subsequently renamed to M/T Stenaweco Evolution), S414, S417, S418 and S419 (the "Purchased Vessels") were purchased on March 19, 2014 via share purchase agreements with their shipowning companies (the "Selling Shipowning Companies"), which were affiliated with the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis (see Note 4). The Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis held the majority of shares in each of the Selling Shipowning Companies. Hence, the Company accounted for the acquisition of the Purchased Vessels as a transfer of assets between entities under common control and has recognized the Purchased Vessels at their historical carrying amounts in the accounts of the Selling Shipowning Companies at the date of transfer.

The amount of the consideration given in excess of the Selling Shipowning Companies basis in the net assets is recognized as a reduction to the Company's capital and presented as Excess of consideration over acquired assets in the Company's consolidated statement of stockholders' equity for the year ended December 31, 2014. An analysis of the consideration paid is presented in the table below (also see Note 4):

Consideration in 5,833,214 newly issued common shares	40,833
Consideration in cash	2,500
Consideration already advanced for Hull No S418	7,000
Total consideration	50,333
Less: Net assets of companies acquired	(22,087)
Excess of consideration over acquired assets	28,246

On April 21, 2014, the Company effected a 1-for-7 reverse stock split of its common stock. There was no change in the number of authorized common shares of the Company. All share and per share amounts in these financial statements have been retroactively adjusted to reflect this stock split. As a result of the reverse stock split, the number of outstanding shares as of April 21, 2014 was decreased to 8,309,989 while the par value of the Company's common shares remained unchanged at $0.01 per share (Note 13).

2. Significant Accounting Policies:

(a)

Principles of Consolidation: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), after effect to the transfer of assets from entities under common control in 2014, as described in Note 1 to the consolidated financial statements, and include the accounts and operating results of Top Ships Inc. and its wholly-owned subsidiaries referred to in Note 1. Intercompany balances and transactions have been eliminated on consolidation.

(b) Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Critical estimates mainly include impairment of vessels, vessel useful lives and residual values, provision for doubtful accounts and fair values of derivative instruments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(c) Foreign Currency Translation: The Company's functional currency is the U.S. Dollar because all vessels operate in international shipping markets, and therefore primarily transact business in U.S. Dollars. The Company's books of account are maintained in U.S. Dollars. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies are translated to U.S. Dollars based on the year-end exchange rates and any gains and losses are included in the statement of comprehensive income.

(d) Cash and Cash Equivalents: The Company considers highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

(e) Restricted Cash: The Company considers amounts that are pledged, blocked, held as cash collateral, required to be maintained with a specific bank or be maintained by the Company as minimum cash under the terms of a loan agreement, as restricted and these amounts are presented separately on the balance sheets. In the event original maturities are shorter than twelve months, such deposits are presented as current assets while if original maturities are longer than twelve months, such deposits are presented as non-current assets.

(f) Trade Accounts Receivable, net: Trade receivables are measured at amortized cost using the effective interest method, less any impairment. Normally the interest element could be disregarded since the receivables are short term. The amount shown as trade accounts receivable, net at each balance sheet date, includes estimated recoveries from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually, combined with the application of a historical recoverability ratio, for purposes of determining the appropriate provision for doubtful accounts. Provision for doubtful accounts at December 31, 2013 and 2014 totaled $574 and $0 respectively, and is summarized as follows:

	Provision for doubtful accounts
Balance, December 31, 2012	576
—Additions	18
—Reversals / write-offs	(20)
Balance, December 31, 2013	574
—Additions	-
—Reversals / write-offs	(574)
Balance, December 31, 2014	-

(g) Inventories: Inventories consist of lubricants and stores on board the vessels. Inventories may also consist of bunkers when vessels are unemployed or are operating in the spot market. Inventories are stated at the lower of cost or market. Cost, which consists of the purchase price, is determined by the first in, first out method.

(h)

Vessel Cost: Vessels are stated at cost, which consists of the contract price, pre-delivery costs incurred during the construction of new buildings, capitalized interest and any material expenses incurred upon acquisition (improvements and delivery costs). Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Repairs and maintenance are charged to expense as incurred and are included in Vessel operating expenses in the accompanying consolidated statements of comprehensive (loss)/income.

(i) Impairment of Long-Lived Assets: The Company reviews its long-lived assets held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company evaluates the asset for an impairment loss. If the asset's carrying amount is not recoverable from its probability weighted undiscounted cash flows the asset's carrying amount is reduced to its fair value. In this respect, management regularly reviews the carrying amount of the vessels in connection with the estimated recoverable amount for each of the Company's vessels.

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(j) Vessel Depreciation: Depreciation is calculated using the straight-line method over the estimated useful life of the vessels, after deducting the estimated salvage value. Each vessel's salvage value is equal to the product of its lightweight tonnage and estimated scrap rate which up until March 31, 2014 was estimated to be $160 per lightweight ton. Effective April 1, 2014, the Company revised its scrap rate estimate from $160 to $300 per lightweight ton in order to align the scrap rate estimate with the current historical average scrap prices and to better reflect current market conditions. The change in accounting estimate has been applied prospectively. The effect of the increase in the estimated scrap rate was to increase net income by $32. Earnings per share, basic and diluted, for the year ended December 31, 2014 were not affected. Management estimates the useful life of the Company's vessels to be 25 years from the date of initial delivery from the shipyard. Second hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is adjusted at the date such regulations are adopted.

(k) Long Lived Assets Held for Sale and Discontinued Operations: The Company classifies vessels as being held for sale when the following criteria are met: (a) management, having the authority to approve the action, commits to a plan to sell the asset, (b) the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets, (c) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated, (d) the sale of the asset is probable and transfer of the asset is expected to qualify for recognition as a completed sale, within one year, (e) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Long-lived assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. These vessels are not depreciated once they meet the criteria to be classified as held for sale. The results of operations of a component that either has been disposed of or is classified as held for sale, are reported in discontinued operations if both of the following conditions are met: (a) the operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the Company as a result of the disposal transaction and (b) the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction.

Long-lived assets previously classified as held for sale that are classified as held and used are revalued at the lower of (a) the carrying amount of the asset before it was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the asset been continuously classified as held and used and (b) the fair value of the asset at the date that the Company decided not to sell the asset.

(l) Other Fixed Assets, Net: Other fixed assets, net, consist of furniture, office equipment, cars and leasehold improvements, stated at cost, which consists of the purchase/contract price less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as presented below:

Description	Useful Life (years)
Leasehold improvements	Until the end of the lease term (December 2024)

Cars	6
Office equipment	5
Furniture and fittings	5
Computer equipment	3

(m) Accounting for Dry-Docking Costs: All dry-docking costs are accounted for under the direct expense method, under which they are expensed as incurred and are reflected separately in the accompanying consolidated statements of comprehensive (loss)/income.

(n) Financing Costs: Fees incurred and paid to the lenders for obtaining new loans or refinancing existing ones are capitalized as deferred finance charges and such fees are amortized to interest expense over the life of the related debt using the effective interest method. Unamortized fees relating to loans repaid or refinanced are expensed when a repayment or refinancing is made and charged to interest and finance costs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(o) Pension and Retirement Benefit Obligations—Crew: The ship-owning companies included in the consolidation employ the crew on board under short-term contracts (usually up to nine months) and accordingly, they are not liable for any pension or post-retirement benefits.

(p) Accounting for Revenue and Expenses: Revenues are generated from bareboat charter, time charter, voyage charter agreements and pool arrangements. A bareboat charter is a contract in which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate, which is generally payable monthly in advance, and the customer generally assumes all risks and costs of operation during the charter term. A time charter is a contract for the use of a vessel for a specific period of time and a specified daily charter hire rate, which is generally payable monthly in advance. Such contracts may include profit sharing arrangements under which the excess between an agreed daily base rate and the actual rate generated by the vessel every quarter, if any, is settled and recorded on a quarterly basis. Under a voyage charter, revenue, including demurrage and associated voyage costs, with the exception of port expenses which are recorded as incurred, are recognized on a proportionate performance method over the duration of the voyage. A voyage is deemed to commence upon the latest between the completion of discharge of the vessel's previous cargo and the charter party date of the current voyage and is deemed to end upon the completion of discharge of the current cargo. Demurrage income represents payments by the charterer to the Company when loading or discharging time exceeded the stipulated time in the voyage charter. Vessel operating expenses are expensed as incurred. Unearned revenue represents cash received prior to year-end related to revenue applicable to periods after December 31 of each year. Under a pool arrangement, the pool charters-in a vessel on a time charter basis but the daily charter hire is not fixed but it depends on the total return that the pool is able to achieve by operating all its vessels in the spot market.

When vessels are acquired with time charters attached and the rates on such charters are below market on the acquisition date, the Company allocates the total cost between the vessel and the fair value of below market time charter based on the relative fair values of the vessel and the liability acquired. The fair value of the attached time charter is computed as the present value of the difference between the contractual amount to be received over the term of the time charter and management's estimates of the market time charter rate at the time of acquisition. The fair value of below market time charter is amortized over the remaining period of the time charter as an increase to revenues.

The Company pays commissions to ship brokers associated with arranging our charters. These commissions are recognized over the related charter period and are included in voyage expenses.

(q) Stock Incentive Plan: All share-based compensation related to the grant of restricted and/or unrestricted shares provided to employees and to non-employee directors for their services provided is included in general and administrative expenses in the consolidated statements of comprehensive (loss)/income. The shares that do not contain any future service vesting conditions are considered vested shares and recognized in full on the grant date. The shares that contain a time-based service vesting condition are considered non-vested shares on the grant date and recognized on a straight-line basis over the vesting period. The shares, vested and non-vested, are measured at fair value which is equal to the market value of the Company's common stock on the grant date.

(r) Earnings / (Loss) per Share: Basic earnings/(loss) per share are computed by dividing net income or loss available to common stockholders' by the weighted average number of common shares deemed outstanding during the year.

Diluted earnings/(loss) per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised. For purposes of calculating diluted earnings per share the denominator of the diluted earnings per share calculation includes the incremental shares assumed issued under the treasury stock method weighted for the period the non-vested shares were outstanding, with the exception of the 21,034 shares, granted to the Company's Chief Executive Officer, which will vest in the event of change of control. The computation of diluted earnings per share also reflects the potential dilution that could occur if warrants to issue common stock were exercised, to the extent that they are dilutive, using the treasury stock method.

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(s) Related Parties: The Company considers as related parties: the affiliates of the Company; entities for which investments are accounted for by the equity method; principal owners of the Company; its management; members of the immediate families of principal owners of the Company; and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests. An Affiliate is a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or has common control with the Company. Control is the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an enterprise through ownership, by contract and otherwise. Immediate Family is family members whom a principal owner or a member of management might control or influence or by whom they might be controlled or influenced because of the family relationship. Management is the persons who are responsible for achieving the objectives of the Company and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management normally includes members of the board of directors, the Chief Executive Officer, the Chief Financial Officer, Vice President and Chief Technical Officer in charge of principal business functions and other persons who perform similar policy making functions. Persons without formal titles may also be members of management. Principal owners are owners of record or known beneficial owners of more than 10% of the voting interests of the Company.

(t) Derivatives and Hedging: The Company records every derivative instrument (including certain derivative instruments embedded in other contracts) in the balance sheet as either an asset or liability measured at its fair value, with changes in the derivatives' fair value recognized currently in earnings unless specific hedge accounting criteria are met. The Company has not applied hedge accounting for its derivative instruments during the periods presented.

(u) Financial liabilities: Financial liabilities are classified as either financial liabilities at 'fair value through the profit and loss' ("FVTPL") or 'other financial liabilities'. Financial instruments classified as FVTPL are recognized at fair value in the balance sheet when the Company has an obligation to perform under the contractual provisions of those instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Changes in the financial instruments are recognized in earnings, except in the cases where these financial instruments fall under the guidance in ASC 815-40, where they are initially classified in equity and are initially measured at fair value in permanent equity and subsequent changes in fair value are not subsequently measured. Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest rate method.

(v) Interest rate risk: The Company is subject to market risks relating to changes in interest rates due to debt outstanding under the loan facility with Alpha Bank on which it pays interest based on LIBOR plus a margin. In order to manage part or whole of its exposure to changes in interest rates due to this floating rate indebtedness, the Company might enter into interest rate swap agreements. Furthermore the Company is exposed to floating interest rates in relation to the outstanding balance of the termination fee outstanding.

(w)

Credit risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and trade accounts receivable. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable. The Company places its temporary cash investments, consisting mostly of deposits, with high credit qualified financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions with which it places its temporary cash investments.

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(x) Fair value: The carrying values of accounts receivable, prepaid expenses, other receivables, accounts payable, due to/from related parties and accrued liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments. Cash and cash equivalents and restricted cash are considered Level 1 items as they represent liquid assets with short term maturities. The Company considers its creditworthiness when determining the fair value of the credit facilities. The fair value of bank debt approximates the recorded value due to its variable interest rate, being the LIBOR. LIBOR rates are observable at commonly quoted intervals for the full terms of the loans and, hence, bank loans are considered level 2 items in accordance with the fair value hierarchy. The carrying value of the termination fee outstanding differs from its fair value which the Company derived by employing unobservable inputs that are corroborated by market data (level 2). The fair value of interest rate swaps is determined using a discounted cash flow method taking into account current and future interest rates and the creditworthiness of both the financial instrument counterparty and the Company. The fair value of warrants is determined using the Cox, Ross and Rubinstein Binomial methodology.

(y) Recent Accounting Pronouncements: In April 2014, the FASB issued ASU 2014-08 "Presentation of Financial Statements and Property, Plant and Equipment" changing the presentation of discontinued operations on the statements of income and other requirements for reporting discontinued operations. Under the new standard, a disposal of a component or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component meets the criteria to be classified as held-for-sale or is disposed. The amendments in this update also require additional disclosures about discontinued operations and disposal of an individually significant component of an entity that does not qualify for discontinued operations. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2014. We plan to adopt ASU 2014-08 effective January 1, 2015 and do not expect that the adoption will have a significant effect on our financial statements.

On May 28, 2014, the FASB issued ASU 2014-09, Revenue From Contracts With Customers which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This standard is effective for public entities with reporting periods beginning after December 15, 2016. Early application is not permitted. Management is in the process of accessing the impact of the new standard on Company's financial position and performance.

In August 2014, the FASB issued ASU 2014-15 "Presentation of Financial Statements – Going Concern (Sub-Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern., which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. The ASU applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

On April 7, 2015, the FASB issued Accounting Standard Update 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. For public business entities, the standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

(z) Segment Reporting: The Chief Operating Decision Marker ("CODM") receives financial information and evaluates the Company's operations by charter revenues and not by the length, type of vessel or type of ship employment for its customers (i.e. time or bareboat charters) or by geographical region as the charterer is free to trade the vessel worldwide and as a result, the disclosure of geographic information is impracticable. The CODM does not use discrete financial information to evaluate the operating results for each such type of charter or vessel. Although revenue can be identified for these types of charters or vessels, management cannot and does not identify expenses, profitability or other financial information for these various types of charters or vessels. As a result, management, including the CODM, reviews operating results solely by revenue per day and operating results of the fleet, and thus the Company has determined that it operates as one reportable segment.

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3. Going Concern:

As at December 31, 2014, the Company has a working capital deficit of $8,107 and its capital commitments for the acquisition of its fleet for the following twelve months amount to $ 50,365 (see Note 12 for details). The Company will fund its short term capital commitments and it's working capital requirements with a $ 21,000 expected drawdown under senior secured credit facility for which the Company has signed a commitment letter with ABN Bank (see note 11) and the remainder from the net proceeds of the sale and leaseback agreements entered into for the vessels M/T Stenaweco Energy and M/T Stenaweco Evolution (see Note 23) of $37,000 (after repayment of the loan outstanding of $19,419) as well as sale of vessels and other sources such as funds from the Company's major shareholder if required. Therefore, the consolidated financial statements have been prepared on a going concern basis.

4. Advances for Vessels Acquisitions / Under Construction:

On December 5, 2013, the Company agreed to acquire Hull No S418, a 39,000 dwt ECO-type newbuilding product/chemical tanker with a time charter attached from an entity affiliated with the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis and with scheduled delivery in the third quarter of 2015. The purchase price of the newbuilding was $35,000 and the initial deposit was paid in two installments, the first on December 5, 2013 and the second on December 19, 2013 bringing the total to $7,000 which is included in Advances for vessels acquisitions / under construction, in the Company's balance sheet as of December 31, 2013. On March 17, 2014, the Company agreed to terminate this MOA, as described below.

On December 16, 2013, the Company agreed to acquire Hull No S407 (subsequently renamed to M/T Stenaweco Evolution), a 50,000 dwt ECO-type newbuilding product/chemical tanker with a time charter attached from an entity affiliated with the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis and with a scheduled delivery from Hyundai Mipo Dockyard Co., Ltd. in the first quarter of 2015. The purchase price of the newbuilding was $37,000 and the initial deposit was paid in two installments, the first on December 16, 2013 and the second on December 19, 2013, bringing the total to $7,400 which is also included in Advances for vessels acquisitions / under construction in the Company's balance sheet as of December 31, 2013. On February 6, 2014, the Company agreed to terminate this MOA and entered into a new MOA to purchase Hull No S406, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from Hyundai Mipo Dockyard Co. in the second quarter of 2014, with a time charter attached, from Million Hope Maritime S.A., an entity affiliated with the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis. The Company took delivery of the vessel on June 20, 2014 and the vessel was renamed to M/T Stenaweco Energy. The purchase price of the newbuilding was $38,250, paid as follows: $7,400 paid in December, 2013 under the MOA dated December 16, 2013; $3,500 paid in February 2014 and $27,350 paid in June 2014. This last installment was financed through the Alpha Bank facility (see Note 11) of a total amount of $20,125 and $7,225 was paid from funds received from the follow-on offering the Company priced on June 6, 2014 (see Note 13).

On March 19, 2014, pursuant to four separate share purchase agreements the Company entered into with affiliates of the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis, along with unaffiliated third parties, the Company acquired the five vessel-owning companies which are party to the shipbuilding contracts for Hulls No S407 (subsequently renamed to M/T Stenaweco Evolution), S418, S419, S414 and S417, in exchange for a total consideration of $43,333, paid in the form of $2,500 in cash and 5,833,214 newly-issued common shares.

Pursuant to the share purchase agreements the Company acquired:

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• 100% of the share capital of Monte Carlo 37 Shipping Company Limited and Monte Carlo One Shipping Company Limited, entities affiliated with the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis, which are party to shipbuilding contracts with Hyundai Mipo Dockyard Co. for the construction of Hull No S418, a 39,000 dwt newbuilding product/chemical tanker scheduled for delivery in the third quarter of 2015, and Hull No S407 (subsequently renamed to M/T Stenaweco Evolution), a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery in the first quarter of 2015, respectively, for an aggregate purchase price of $14,693. Monte Carlo 37 Shipping Company Limited and Monte Carlo One Shipping Company Limited are each party to a time charter agreement to commence upon the respective vessel's delivery. Upon its delivery Hull No S407 will enter into a time charter agreement with Stena Weco A/S and Hull No S418 will enter into a time charter agreement with BP Shipping Limited. Concurrently, the Company agreed to terminate the MOA entered into on December 5, 2013, described above, with Monte Carlo 37 Shipping Company Limited for the acquisition of Hull No S418, and to apply the full amount of the deposit paid under the MOA, in the amount of $7,000, to reduce the purchase price under the share purchase agreement.

• 100% of the share capital of Monte Carlo Seven Shipping Company Limited, an entity affiliated with the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis, which is party to a shipbuilding contract with Hyundai Mipo Dockyard Co. for the construction of Hull No S414, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery in the second quarter of 2016, for a purchase price of $10,990.The vessel upon its delivery will enter into a time charter agreement with Stena Weco A/S.

• 100% of the share capital of Monte Carlo Lax Shipping Company Limited, an entity affiliated with the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis, which is party to a shipbuilding contract with Hyundai Mipo Dockyard Co. for the construction of Hull No S417, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery in the third quarter of 2016, for a purchase price of $10,820. The vessel will enter upon delivery into a time charter agreement with Dampskibsselskabet NORDEN A/S.

• 100% of the share capital of Monte Carlo 39 Shipping Company Limited, an entity affiliated with the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis, which is party to a shipbuilding contract with Hyundai Mipo Dockyard Co. for the construction of Hull No S419, a 39,000 dwt newbuilding product/chemical tanker scheduled for delivery in the first quarter of 2016, for a purchase price of $6,830. Upon its delivery Hull No S419 will enter into a time charter agreement with BP Shipping Limited.

The advances paid to the shipyard by the ship-owning companies that the Company acquired via the abovementioned share purchase agreements for the purchase of Hulls No S407 (subsequently renamed to M/T Stenaweco Evolution), S414, S417, S418 and S419 as of December 31, 2014 amounted to $32,912 together with $1,463 of capitalized expenses (see table below), which comprise the advances for vessels acquisitions / under construction.

Vessel	Yard Installments	Capitalized Expenses	Carrying Amount
Hull No S407 (M/T Stenaweco Evolution)	8,050	894	8,944
Hull No S418	7,825	430	8,255
Hull No S419	7,825	120	7,945
Hull No S414	4,590	10	4,600

Hull No S417	4,622	9	4,631
Total	32,912	1,463	34,375

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The Company's President, CEO and Director, Evangelos J. Pistiolis, owned the majority of the shares of each of the vessel-owning companies the Company acquired pursuant to these share purchase agreements. Pursuant to the share purchase agreements with respect to Hulls No S407 (subsequently renamed to M/T Stenaweco Evolution), S418, S419 and S417, until September 19, 2014, the Company had the right to buy back 2,046,342 common shares issued to the unaffiliated parties to the agreements at a price of $8.40 per share. The Company didn't exercise the buyback right. The Company treated this buyback option as a freestanding financial instrument settled in the Company's common stock that provided for a physical settlement in shares which was classified in stockholders' equity according to guidance under ASC 815-40-25-4.

5. Vessels, net:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2012	177,292	-	177,292
— Depreciation	-	(6,429)	(6,429)
— Disposals	(177,292)	6,429	(170,863)
Balance, December 31, 2013	-	-	-
— Depreciation	-	(757)	(757)
— Additions	38,957	-	38,957
Balance, December 31, 2014	38,957	(757)	38,200

During 2012, vessel oversupply decreased charter rates and further decreased vessel values that were conditions that the Company considered to be indicators of potential impairment for its vessels. In December 2012, the Company tested the M/T Miss Marilena, M/T Lichtenstein, M/T UACC Shams, M/T Britto and M/T Hongbo for impairment and assigned a medium probability to sell them. This assumption, together with the deteriorating charter rates, significantly reduced the probability weighted undiscounted expected cash flows, which were determined to be lower than the vessels carrying values. Consequently, the Company wrote the vessels down to their fair values and recognized an impairment charge of $46,592.

In December 2012, the Company reclassified the M/V Evian as held and used resulting from its assessment that the vessel would not be sold and that it would continue to earn revenue within the following year and measured the vessel at its fair value, resulting in a write-up of $2,086.

In December 2012, the Company classified the M/T UACC Sila as held for sale and wrote the vessel down to fair value less costs to sell, resulting in an impairment charge of $16,978. The vessel was sold on March 27, 2013 to an unrelated third party for a price of $26,000 and was delivered to its new owners on April 30, 2013. A gain of $14 was recognized upon vessel's delivery, which is included in the Company's consolidated statement of comprehensive (loss)/income.

In October 2013, the Company sold the shipowning companies of the M/T's Miss Marilena, Lichtenstein, UACC Shams, Britto, Hongbo and M/V Evian to an affiliate of the AMCI Poseidon Fund LP (see Note 20).

On June 20, 2014, Monte Carlo 71 Shipping Company Limited, a wholly owned subsidiary of the Company, acquired from Million Hope Maritime SA, a company affiliated with the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis, Hull No S406, for an aggregate purchase price of $38,250, as per a Memorandum of Agreement signed in February 2014. The Company renamed Hull No S406 to M/T Stenaweco Energy. The Company capitalized expenses of $707, including 1% brokerage commission, relating to the acquisition of the vessel.

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6. Transactions with Related Parties:

(a) Central Mare Inc. ("Central Mare") – Letter Agreement and Management Agreements: From July 1, 2010 to March 10, 2014, Central Mare had been performing all operational, technical and commercial functions relating to the chartering and operation of the Company's vessels, pursuant to a letter agreement, or the Letter Agreement, concluded between Central Mare, a related party controlled by the family of the Company's Chief Executive Officer, and the Company, as well as management agreements concluded between Central Mare and the Company's vessel-owning subsidiaries. Furthermore, the Letter Agreement provided for the provision of services in connection with compliance with Section 404 of the Sarbanes-Oxley Act of 2002, services rendered in relation to the Company's maintenance of proper books and records, services in relation to the financial reporting requirements of the Company under SEC and NASDAQ rules and regulations and information-system related services.

Pursuant to an amendment of the Letter Agreement on January 1, 2013, the Company paid a management fee of $250 per day per vessel up to June 30, 2013 and $258 per day per vessel up to October 16, 2013. That fee included all the abovementioned services. On October 16, 2013, the Letter Agreement was amended again and it provided for a fixed monthly fee of $15 for the provision of all the abovementioned services for the period when the Company did not have any operating vessels.

Also Central Mare received a chartering commission of 1.25% on all freight, hire and demurrage revenues; a commission of 1.00% of all gross sale proceeds or the purchase price paid for vessels; a commission of 0.2% on derivative agreements and loan financing or refinancing and a newbuilding supervision fee of Euro 437, or approximately $531, per newbuilding vessel. All the abovementioned commissions and fees would apply only in the case that the service was provided.

On March 7, 2014, the Company terminated the Letter Agreement with Central Mare. No penalty was paid in connection with this termination.

(b) Central Mare– Executive Officers and Other Personnel Agreements: On September 1, 2010, the Company entered into separate agreements with Central Mare pursuant to which Central Mare provides the Company with its executive officers (Chief Executive Officer, Chief Financial Officer, Chief Technical Officer and Executive Vice President).

On March 1, 2011, the Company entered into an agreement with Central Mare pursuant to which, Central Mare furnishes certain administrative employees. Under the terms of this agreement the Company is obligated to pay an annual base salary. On July 1, 2012 the Executive Officers and Other Personnel Agreements were amended and the salaries of the executive officers were reduced as was the number of administrative employees provided. On January 1, 2014, the Executive Officers and Other Personnel Agreements were amended and the salaries of the executive officers were further reduced. On July 1, 2014, the Executive Officers and Other Personnel Agreements were amended and the salaries of the executive officers were increased.

As of December 31, 2014 the amount due from Central Mare was $25 and is presented in Due from related parties, which is separately presented on the accompanying consolidated balance sheets. The amount mainly concerns prepaid administrative expenses. At December 31, 2013, the amount due to Central Mare was $807 and is presented in Due to

related parties.
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The fees charged by Central Mare for the years ended December 31, 2012, 2013 and 2014 are as follows:

	Year Ended December 31,			
	2012	2013	2014	Presented in:
Management fees	2,345	505	33	Management fees - related party - Statement of comprehensive (loss)/income
Executive officers and other personnel expenses	2,349	1,760	840	General and administrative expenses - Statement of comprehensive (loss)/income
Superintendent fees	29	-	-	Vessel operating expenses - Statement of comprehensive (loss)/income
Commission for sale of vessels	-	260	-	Gain on sale of vessels - Statement of comprehensive (loss)/income
Commission on charter hire agreements	275	150	-	Voyage expenses - Statement of comprehensive (loss)/income
Management agreement termination fees	-	846	-	Management fees - related party - Statement of comprehensive (loss)/income
Total	4,998	3,521	873	

(c) Newbuilding vessel acquisitions from affiliated entities: From December 5, 2013 to March 19, 2014 the Company entered into a series of transactions with a number of entities affiliated with our President, Chief Executive Officer and Director, Evangelos J. Pistiolis that led to the purchase of our fleet of newbuilding vessels (see Note 4).

(d) Central Shipping Monaco SAM ("CSM") – Letter Agreement and Management Agreements: On March 10, 2014, the Company entered into a new letter agreement, or the New Letter Agreement, with CSM, a related party controlled by President, Chief Executive Officer and Director, Evangelos J. Pistiolis, and on March 10, 2014 and June 18, 2014 the Company entered into management agreements, or Management Agreements, between CSM and our vessel-owning subsidiaries respectively. The New Letter Agreement can only be terminated subject to an eighteen-month advance notice, subject to a termination fee equal to twelve months of fees payable under the New Letter Agreement.

Pursuant to the New Letter Agreement, as well as Management Agreements concluded between CSM and the Company's vessel-owning subsidiaries, the Company pays a technical management fee of $550 per day per vessel for the provision of technical, operation, insurance, bunkering and crew management, commencing three months before the vessel is scheduled to be delivered by the shipyard and a commercial management fee of $300 per day per vessel, commencing from the date the vessel is delivered from the shipyard. In addition, the Management Agreements provide for payment to CSM of: (i) $500 per day for superintendent visits plus actual expenses; (ii) a chartering commission of 1.25% on all freight, hire and demurrage revenues; (iii) a commission of 1.00% of all gross vessel sale proceeds or the purchase price paid for vessels and (iv) a financing fee of 0.2% on derivative agreements and loan financing or refinancing. CSM also performs supervision services for all of the Company's newbuilding vessels while the vessels are under construction, for which the Company pays CSM the actual cost of the supervision services plus a fee of 7% of such supervision services.

CSM provides, at cost, all accounting, reporting and administrative services. Finally, the New Letter Agreement provides for a performance incentive fee for the provision of management services to be determined at the discretion of the Company. The Management Agreements have an initial term of five years, after which they will continue to be in effect until terminated by either party subject to an eighteen-month advance notice of termination. Pursuant to the terms of the management agreements, all fees payable to CSM are adjusted annually according to the US Consumer Price Inflation of the previous year.

As of December 31, 2014 the amount due to CSM was $608 and is presented in Due to related parties, which is separately presented on the accompanying consolidated balance sheets. The amount concerns $400 of incentive fees, $155 of supervision services costs and fees, $49 of superintendent fees and $4 of management fees. As of December 31, 2013, there was no amount due to/from CSM.

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On December 31, 2014, the Board of Directors granted to CSM a performance incentive fee for the provision of management services throughout 2014 amounting to $400, in accordance with the management agreement between the Company and CSM dated March 10, 2014. This performance incentive fee is included in Management fees - related parties in the consolidated statements of comprehensive (loss)/income for the year ended December 31, 2014.

The fees charged by CSM for the years ended December 31, 2012, 2013 and 2014 are as follows:

	Year Ended December 31,			
	2012	2013	2014	Presented in:
Technical management fees	-	-	50	Capitalized under Vessels, net – Balance sheet
	-	-	166	Management fees - related parties -Statement of comprehensive (loss)/income
Supervision services costs and fees	-	-	500	Capitalized under Advances for vessels acquisitions / under construction –Balance sheet
Superintendent fees	-	-	31	Vessel operating expenses -Statement of comprehensive (loss)/income
	-	-	18	Capitalized under Advances for vessels acquisitions / under construction –Balance sheet
Accounting and reporting cost	-	-	104	Management fees - related parties -Statement of comprehensive (loss)/income
	-	-	10	Capitalized under Prepayments and other – Balance sheet
Financing fees	-	-	40	Capitalized under Deferred charges – Balance sheet
Commission for sale and purchase of vessels	-	-	383	Capitalized under Vessels, net – Balance sheet
Commission on charter hire agreements	-	-	46	Voyage expenses - Statement of comprehensive (loss)/income
Performance incentive fee	-	-	400	Management fees - related parties - Statement of comprehensive (loss)/income
Total	-	-	1,748	

7. Leases:

A. Lease arrangements, under which the Company acts as the lessee

Office lease:

In January 2006, the Company entered into an agreement to lease office space in Athens, Greece, with an unrelated party. In September 2010 and in September 2011 the agreement was amended and the monthly rent was renegotiated and it was agreed to give up occupancy of certain areas of the leased office space. On January 1, 2013, the agreement was amended again and the new monthly rent was renegotiated down to Euro 2.5 (or $3, based on the U.S. Dollar/Euro exchange rate as of December 31, 2014) and the annual adjustment for inflation increase plus 1% clause was removed. It was also agreed to further give up occupancy of an even larger area of the leased office space and to extend the duration of the lease to December 31, 2024. All other terms of the lease remained unchanged. General and administrative expenses for the years ended December 31, 2012, 2013 and 2014 include $127, $40 and $40 respectively, for rent expense. As a result of the above mentioned agreements for the abandonment of occupancy in certain areas of the leased office space, the Company made a revision in the useful life of certain leasehold improvements that would have been amortized over the life of the lease, resulting in accelerated depreciation of $621 in 2012 which is included in the consolidated statement of comprehensive (loss)/income.

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In September 2010, the Company entered into a lease agreement for office space in London. The lease agreement was valid from September 2010 and would continue until either party gave to the other one calendar month written notice. The annual lease was GBP 12 (or $19, based on the U.S. Dollar/GBP exchange rate as of December 31, 2014). This agreement was terminated in September 30, 2012. General and administrative expenses for the years ended December 31, 2012, 2013 and 2014 include $14, $0 and $0, respectively, for rent expense.

In November 2009, the Company entered into a lease agreement for office space in London. The initial agreement was signed on November 15, 2009 and expired on November 14, 2010. The agreement was extended for another year and a further year after that and was terminated on June 30, 2012. The monthly rent was GBP 26 (or $40, based on the U.S. Dollar/GBP exchange rate as of December 31, 2014). General and administrative expenses for the year ended December 31, 2012, 2013 and 2014 include $247, $0 and $0 for rent expense.

In September 2011, the Company entered into a lease agreement for office space in Monaco with Central Shipping Monaco SAM, a Company which is controlled by the Company's Chief Executive Officer and President. The monthly rent was Euro 5 (or $6, based on the U.S. Dollar/Euro exchange rate as of December 31, 2014). This agreement was extended up to December 2012 and then terminated. This termination did not result in any additional fees. General and administrative expenses for the year ended December 31, 2012, 2013 and 2014 include $87, $0 and $0 for rent expense respectively.

Future minimum lease payments:

The Company's future minimum lease payments required to be made after December 31, 2014, related to the existing at December 31, 2014 office lease are as follows:

Year ending December 31,	Office Lease
2015	36
2016	36
2017	36
2018	36
2019	36
2020 and thereafter	180
Total	360

B. Lease arrangements, under which the Company acts as the lessor

i) Charter agreements:

In 2014, the Company operated one vessel (M/T Stenaweco Energy) under a time charter with Stena Weco A/S which is classified as an operating lease. Future minimum time-charter receipts (excluding any off hire days), based on the vessel's commitment to this non-cancellable time charter contract, as of December 31, 2014, are as follows:

Year ending December 31,

	Time Charter receipts
2015	6,023
2016	6,039
2017	6,023
2018	3,267
Total	21,352

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8. Prepayments and other:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

	December 31, 2013	December 31, 2014
Prepaid expenses	54	293
Interest receivable	124	-
Guarantees	21	399
Other receivables	319	94
Total	518	786

9. Inventories:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

	December 31, 2013	December 31, 2014
Lubricants	-	308
Consumable stores	-	16
	-	324

10. Other fixed assets:

As of December 31, 2014, other fixed assets represent mainly office equipment and furniture, art works, leasehold improvements and vehicles with a cost of $5,727 (December 31, 2013: $5,674) and accumulated depreciation of $4,326 (December 31, 2013: $4,207). Depreciation expense for the year ended 2014 amounted to $120 (2013: $ 335, 2012: $1,052) which is included in general and administrative expenses in the consolidated statements of comprehensive (loss)/income.

11. Debt:

As of December 31, 2013, the Company had no indebtedness.

On June 19, 2014, the Company entered into a credit facility with Alpha Bank of Greece for $20,125 ("the credit facility") for the financing of the vessel M/T Stenaweco Energy. The credit facility is repayable in 20 consecutive semi-annual installments of $706 each, commencing November 28, 2014 plus a balloon installment of $6,005 payable together with the last installment in May 2024.

As at December 31, 2014, the outstanding balance of the credit facility is $19,419, presented in the accompanying consolidated balance sheets as follows:

Current portion of long term debt	1,412

Long term debt	18,007
Total	19,419

The credit facility bears interest at LIBOR plus a margin of 3.75%. The applicable one-month LIBOR as of December 31, 2014 was 0.17%.

The credit facility contains various covenants, including (i) an asset cover ratio of 125%, (ii) a ratio of EBITDA to net interest expenses of not less than 2:1, (iii) a ratio of total liabilities to market-adjusted total assets of not more than 70% and (iv) minimum free liquidity of $1,000. Additionally, the credit facility prohibits the shipowning company to incur further indebtedness or guarantees and also prohibits the payment of dividends, without the prior consent of the lender.

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As at December 31, 2014, cash and cash equivalents amounted to $164 and are presented as restricted cash due to the minimum liquidity covenant.

The credit facility is secured as follows:

- First priority mortgage over M/T Stenaweco Energy;
- Assignment of insurance and earnings of the mortgaged vessel;
- Specific assignment of any time charter with duration of more than 12 months;
- Corporate guarantee of Top Ships Inc.;
- Pledge of the shares of the shipowning subsidiary;
- Pledge over the earnings account of the vessel.

Subsequently, on January 29, 2015, the credit facility was fully repaid with the proceeds from the sale and leaseback of the M/T Stenaweco Energy (see Note 23) and an amount of $208 of related deferred financing fees were written-off.

Scheduled Principal Repayments: The annual principal payments required to be made after December 31, 2014, are as follows:

Years	
December 31, 2015	1,412
December 31, 2016	1,412
December 31, 2017	1,412
December 31, 2018	1,412
December 31, 2019	1,412
December 31, 2020 and thereafter	12,359
Total	19,419

Loan commitment: On October 16, 2014, we signed a commitment letter with ABN Amro Bank for a senior debt facility of up to $42 million to fund, in part, the delivery of Hull Nos. S418 and S419 due in the third quarter of 2015 and first quarter of 2016 ($21 million per vessel) respectively. The credit facility remains subject to the agreement and the execution of customary legal documentation. Each tranche is payable in 24 consecutive quarterly installments of approximately $0.4 million, commencing three months from draw down, and a balloon payment of $11.4 million payable together with the last installment. The credit facility bears interest at LIBOR plus a margin of 3.75% and a commitment fee of 1% per annum is payable quarterly in arrears over the committed and undrawn portion of the facility, starting from the date of signing the commitment letter.

Financing Costs: The additions in deferred financing costs amounted to $724 and $224 during the years ended December 31, 2013 and 2014 respectively. For 2013, the respective amount relates to the successive one-year extensions of the Laurasia, Central Mare and Shipping Financial Services facilities that were fully repaid in October 2013. For 2014, the respective amount relates to a non-recurring arrangement fee of $151 paid to Alpha Bank under the credit facility, non-recurring financing fees of $40 paid to CSM as per the provisions of the New Letter Agreement between the latter and the Company (see Note 6) and $33 of legal expenses relating to the credit facility.

12. Commitments and Contingencies:

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

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From December 5, 2013 to March 19, 2014 the Company entered into a series of transactions with a number of entities affiliated with our President, Chief Executive Officer and Director, Evangelos J. Pistiolis that led to the purchase of our fleet of newbuilding vessels (see Note 4). As a result of these transactions, the Company has remaining contractual commitments for the acquisition of its fleet totaling $119,840, including $20,700, $23,475, $23,475, $26,010 and $26,180 pursuant to newbuilding agreements for Hull No S407 (subsequently renamed to M/T Stenaweco Evolution), Hulls No S418, S419, S414 and S417, respectively. Of these contractual commitments for the acquisition of our fleet, $50,365 is payable in 2015 and $69,475 in 2016, which also reflects amendments signed to the shipbuilding contracts on March 19, 2015.

The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

13. Common Stock, Additional Paid-In Capital and Dividends:

Reverse stock split: On April 21, 2014, the Company effected a 1-for-7 reverse stock split of its common stock. There was no change in the number of authorized common shares of the Company. All share and per share amounts in these financial statements have been retroactively adjusted to reflect this stock split. As a result of the reverse stock split, the number of outstanding shares as of April 21, 2014 was decreased to 8,309,989 while the par value of the Company's common shares remained unchanged at $0.01 per share. As a result of the reverse stock split, 15 fractional shares were cancelled.

Issuance of common stock for the purchase of newbuilding vessels: On March 19, 2014, pursuant to four separate share purchase agreements, the Company issued 5,833,214 newly-issued common shares (see Note 4).

Issuance of common stock and warrants as part of the follow-on offering: On June 6, 2014, the Company priced an underwritten public offering of 10,000,000 shares of common stock, and warrants to purchase 5,000,000 common shares, at $2.00 per common share and $0.00001 per warrant. The warrants have an exercise price of $2.50 per share, are exercisable immediately, and will expire five years from the date of issuance. Each warrant grants the warrant holder the option to purchase one common share of the Company at any time within the abovementioned term (American style option). The Company granted the underwriters a 45-day option to purchase up to an additional 1,500,000 common shares and/or up to 750,000 additional warrants to cover over-allotments, if any of which the underwriters purchased 330,000 warrants (on June 11, 2014) and 660,000 shares (on June 18, 2014). The gross proceeds from this offering, before deducting the underwriting discount and other offering expenses payable by us, were $21,320, of which $6,477 was allocated to the warrant liability, based on the fair value of the warrants (see Note19) and the remainder was allocated to equity.

Issuance of warrants as part of the underwriting agreement: On June 6, 2014, the Company entered into an underwriting agreement in connection with the Company's follow-on offering with AEGIS Capital Corp ("AEGIS"). Pursuant to this agreement the Company granted to AEGIS 300,000 warrants. Each warrant grants AEGIS the option to purchase one common share of the Company, has an exercise price of $2.50, is exercisable at any time (American style option) from June 6, 2015 onwards and will expire five years from the grant date.

Issuance of warrants as part of an agreement for the provision of investor relation services: On June 16, 2014 the Company entered into an agreement for the provision of investor relation services with an unaffiliated party. As part of the consideration for the provision of the above-mentioned services the Company granted the unaffiliated party 80,000 warrants with an exercise price of $2.50 that expire two years after their issuance. The grant date is deemed to be the date of the agreement and as per the latter the warrants are to be issued in two tranches; 40,000 on September 15, 2014 and another 40,000 on March 15, 2015. Each warrant grants the warrant holder the option to purchase one common share of the Company at any time within the abovementioned term (American style option). As of December 31, 2014, no warrants were issued to this unaffiliated party.

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Warrants:

i). Warrants relating to the follow-on offering
The fair value of the 5,000,000 warrants issued on June 6, 2014 and the 330,000 warrants issued on June 11, 2014, was estimated at $1.22 per warrant (or $1.55 without accounting for dilution effect), using the Cox, Ross and Rubinstein Binomial methodology. The assumptions used to calculate the fair value of the warrants were as follows:

a. Underlying stock price of $2.00 being the follow-on share price on June 6, 2014 for the 5,000,000 warrants and $1.85 being the share price on June 11, 2014 for the 330,000 warrants
b. Exercise price of $2.50 based upon the warrant agreement
c. Volatility of 90.49% based upon historical data
d. Time to expiration of 5 years based upon the warrant agreement
e. Risk-free interest rate based on the treasury securities with a similar term
f. No dividends

The warrants issued in connection with our follow-on offering provide for physical settlement requiring the Company to deliver shares to the holder of the warrants in exchange of cash. However the warrants provide for a series of round down protection features (see below) that in accordance with ASC 815-40 led to their classification as a liability since the settlement amount of the warrants may not equal the difference between the fair value of a fixed number of the Company shares and a fixed strike price. As a result, the fair value of the warrants is classified as a derivative liability and subsequent changes in fair value are recognized in the consolidated statement of comprehensive (loss)/income.

Our valuation has taken into account the round down measures embedded in the warrant agreement. These measures provide for a downward adjustment of the exercise price of each warrant in the following cases:

- Issuance of common shares: if the Company issues or sells any common shares for a consideration per share less than the exercise price of the warrants then the latter shall be reduced to match the reduced consideration per share.
- Issuance of options or convertible securities: if the Company issues or sells any options at a strike price that is lower than the exercise price of the warrants then the latter will be reduced to match the strike price of the options. If the Company issues convertibles that end up converting at a price per share that is lower than the exercise price of the warrants then the latter will be reduced to match the conversion price per share.
- Holder's right of alternative exercise price following issuance of certain options or convertible securities: if the Company issues or sells any options or convertible securities that are convertible into or exchangeable or exercisable for common shares at a price which varies or may vary with the market price of the common shares (Variable Price), the warrant holder shall have the right, but not the obligation, to substitute the Variable Price for the exercise price of the warrants.
- Adjustment upon market price decrease: if at any time prior to June 11, 2015, the Company effects a reverse stock split and 125% of the closing market price of the Company's common shares during any three consecutive trading days, after the effective date of the reverse stock split, is less than $2, then the exercise price of the warrants shall be reduced to 125% of the amount of the lowest closing market price of the common shares during such three trading day period. The exercise price of the warrants cannot be reduced by more than 20%. No adjustment will apply for subsequent reverse stock splits.

<u>Other events:</u> if the Company takes any action that results in the dilution of the warrant holder not covered by the abovementioned round down protection measures (including, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company shall determine and implement an appropriate adjustment in the exercise price so as to protect the rights of the warrant holder.

The effect of the round-down protection measures on the value of the warrants was to increase their value by $0.21 per warrant (or $0.17 accounting for dilution effect).

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ii). Warrants granted to the Underwriter
The fair value of the warrants granted on June 6, 2014 (300,000 warrants) to AEGIS, was estimated at $ 1.34 per warrant (or $1.36 without accounting for dilution effect), using the Cox, Ross and Rubinstein Binominal methodology. The assumptions used to calculate the fair value of the warrants were as follows:

a. Underlying stock price of $2.00 being the share price on June 6, 2014
b. Exercise price of $2.50 based upon the warrant agreement
c. Volatility of 92.82% based upon historical data
d. Time to expiration of 4 years based upon the warrant agreement
e. Risk-free interest rate based on the treasury securities with a similar term
f. No dividends

The warrants issued as part of the underwriting agreement provide for physical settlement requiring the Company to deliver shares to the holder of the warrants in exchange of cash. As a result, these warrants are initially classified in permanent equity at fair value without any subsequent re-measurement.

iii). Warrants relating to the provision of Investor Relation services
The fair value of the warrants granted on June 16, 2014 (80,000 warrants) to the third party investor relations company, was estimated using the Cox, Ross and Rubinstein Binominal methodology as follows: $0.95 per warrant for the first tranche and $1.05 per warrant for second tranche. The assumptions used to calculate the fair value of the warrants were as follows:

a. Underlying stock price of $2.11 being the share price on June 16, 2014
b. Exercise price of $2.50 based upon the warrant agreement
c. Volatility of 87.55% based upon historical data
d. Time to expiration of 2 years based upon the warrant agreement
e. Risk-free interest rate based on the treasury securities with a similar term
f. No dividends

The warrants granted as part of the consideration for the provision of investor relation services provide for physical settlement requiring the Company to deliver shares to the holder of the warrants in exchange of cash. As a result, these warrants are initially classified in permanent equity at fair value without any subsequent re-measurement.

As of December 31, 2014 the Company has 5,330,000 warrants outstanding, relating to the follow-on offering of June 6, 2014. No warrants were exercised in the year ending December 31, 2014.

Dividends:

No dividends were paid in the years ended December 31, 2012, 2013 and 2014.

14. Stock Incentive Plan:

Starting on July 1, 2005 and on various grant dates (the "grant dates") thereafter, as outlined below, the Company granted shares pursuant to the Company's 2005 Stock Incentive Plan as from time to time amended ("the Plan"), which was adopted in April 2005 to provide certain key persons (the "Participants"), on whose initiatives and efforts the successful conduct of the Company's business depends, and who are responsible for the management, growth and protection of the Company's business, with incentives to: (a) enter into and remain in the service of the Company, a Company's subsidiary, or Company's joint venture, (b) acquire a proprietary interest in the success of the Company, (c) maximize their performance, and (d) enhance the long-term performance of the Company (whether directly or indirectly) through enhancing the long-term performance of a Company subsidiary or Company joint venture. The granted shares have no exercise price and constitute a bonus in nature.

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In the case where restricted shares were granted, there were signed "Restricted Stock Agreements" between the Company and the Participants on the respective grant dates. Under these agreements, the Participants have the right to receive dividends and the right to vote the shares, subject to the following restrictions:

i. Grants to Company's Chief Executive Officer. The Company's Chief Executive Officer shall not sell, assign, exchange, transfer, pledge, hypothecate or otherwise dispose of or encumber any of the shares other than to a Company, which is wholly owned by the Company's Chief Executive Officer. The restrictions lapse on the earlier of (a) the time specified in the relevant Restricted Stock Agreement or (b) the termination of the Company's Chief Executive Officer employment with the Company for any reason. As the shares granted to the Company's Chief Executive Officer do not contain any future service vesting conditions, all such shares are considered vested shares on the grant date.

ii. Grants to Other Participants. The Participants (officers, independent and executive members of the Board, Company's employees and consultants) shall not sell, assign, exchange, transfer, pledge, hypothecate or otherwise dispose of or encumber any of the shares. The restrictions lapse on the time specified in the relevant Restricted Stock Agreement conditioned upon the Participant's continued employment with the Company from the date of the agreement until the date the restrictions lapse (the "vesting period").

In the event the Participant's employment with the Company terminates for any reason before the end of the vesting period, that Participant shall forfeit all rights to all shares that have not yet vested as of such date of termination. Dividends earned during the vesting period will not be returned to the Company, even if the unvested shares are ultimately forfeited.

The following table presents grants pursuant to the Plan's issuance from 2012 onwards which vested immediately:

Grant Date	Number of Shares	Issued to	Vesting Period
February 12, 2013	7,142	Chief Executive Officer	on the grant date
September 26, 2013	7,142	Executive Vice President	on the grant date
September 26, 2013	5,714	Chief Technical Officer	on the grant date
December 18, 2013	7,142	Chief Executive Officer	on the grant date

A summary of the status of the Company's non-vested shares relating to the Company's stock incentive plan as of December 31, 2014 and movement during the year ended December 31, 2014, is presented below:

	Non-vested Shares	Weighted average

		grant date fair value
As of January 1, 2014 and December 31, 2014	21,034	$ 366.24

The compensation expense recognized in the years ended December 31, 2012, 2013 and 2014 was $378, $345 and $0 respectively and is included in General and administrative expenses in the consolidated statements of comprehensive (loss)/income. As of December 31, 2014, the total unrecognized compensation cost related to non-vested share awards is $0. The weighted average grant date fair value of shares relating to the Company's stock incentive plan that were granted, vested and forfeited for the years 2012 and 2013 was $52.25 and $52.32 respectively. The total fair value of shares relating to the Company's stock incentive plan vested during the year ended December 31, 2013 was $309. No shares relating to the Company's stock incentive plan were granted, vested or forfeited in 2014.

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15. (Loss)/Earnings Per Common Share:

All shares issued (including non-vested shares issued under the Company's Stock Incentive Plan) are the Company's common stock and have equal rights to vote and participate in dividends and in undistributed earnings. Non-vested shares do not have a contractual obligation to share in the losses. Dividends declared during the period for non-vested common stock as well as undistributed earnings allocated to non-vested stock are deducted from net income attributable to common shareholders for the purpose of the computation of basic earnings per share in accordance with two-class method as required by relevant guidance. The denominator of the basic earnings per common share excludes any non-vested shares as such are not considered outstanding until the time-based vesting restriction has elapsed.

For purposes of calculating diluted earnings per share the denominator of the diluted earnings per share calculation includes:

- any incremental shares assumed issued under the treasury stock method weighted for the period the non-vested shares were outstanding, with the exception of the 21,034 shares granted to the Company's Chief Executive Officer which will vest in the event of change of control and, consequently, those shares are excluded from the remaining non-vested shares,
- the potential dilution that could occur if warrants to issue common stock (see Note 13) were exercised, to the extent that they are dilutive, using the treasury stock method, and
- any shares granted and vested but not issued up to the reporting date.

The components of the calculation of basic and diluted earnings per share for the years ended December 2012, 2013 and 2014 are as follows:

	Year Ended December 31,		
	2012	2013	2014
Income:			
Net (loss)/ income	(63,984)	1,408	2,896
Earnings per share:			
Weighted average common shares outstanding, basic	2,427,084	2,437,361	12,958,111
Effect of dilutive securities:			
Warrants	-	-	2,785,339
Shares granted to the CEO	-	7,143	-
Weighted average common shares outstanding, diluted	2,427,084	2,444,504	15,743,449
Basic (loss)/earnings per share	(26.36)	0.58	0.22
Diluted (loss)/earnings per share	(26.36)	0.58	0.18

For the years ended December 31, 2012, 2013 and 2014, 21,034 non vested shares as at the end of the each period were not included in the computation of diluted earnings per share because to do so would have been antidilutive for the periods presented.

16. Voyage and Vessel Operating Expenses:

The amounts in the accompanying consolidated statements of comprehensive (loss)/income are as follows:

Voyage Expenses	Year Ended December 31,		
	2012	2013	2014
Port charges	24	18	15
Bunkers	177	125	-
Commissions	822	520	98
Total	1,023	663	113

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Vessel Operating Expenses	Year Ended December 31,		
	2012	2013	2014
Crew wages and related costs	361	-	744
Insurance	83	47	52
Repairs and maintenance	179	689	106
Spares and consumable stores	184	-	247
Taxes (Note 18)	7	9	(6)
Total	814	745	1,143

During 2013, the bareboat charterer of the M/V Evian failed to pay the operating expenses of the vessel, as per the bareboat charter party. Hence, the Company, in order to avoid the detention of M/V Evian, paid a portion of the operating expenses that the bareboat charterer incurred in 2013 relating mainly to repairs and maintenance expenses

17. Interest and Finance Costs:

The amounts in the accompanying consolidated statements of comprehensive (loss)/income are analyzed as follows (expressed in thousands of U.S. Dollars):

Interest and Finance Costs	Year Ended December 31,		
	2012	2013	2014
Interest on debt (Note 11)	7,240	4,505	290
Delos termination fee interest (Note 21)	-	139	116
Bank charges	297	964	28
Amortization and write-off of financing fees	1,437	1,835	16
Amortization of debt discount	371	-	-
Total	9,345	7,443	450

Capitalized interest included in the Advances for vessels acquisitions/under construction, in the accompanying consolidated balance sheets for the year ended December 31, 2014 amounted to $208.

18. Income Taxes:

Marshall Islands, Cyprus and Liberia do not impose a tax on international shipping income. Under the laws of Marshall Islands, Cyprus and Liberia, the countries of the companies' incorporation and vessels' registration, the companies are subject to registration and tonnage taxes, which have been included in vessel operating expenses in the accompanying consolidated statements of comprehensive (loss)/income.

The Company and its subsidiaries were not subject to United States federal income taxation in respect of income that is derived from the international operation of ships and the performance of services directly related as they qualified for the exemption of Section 883.

19. Financial Instruments:

The principal financial assets of the Company consist of cash on hand and at banks, restricted cash, accounts receivable due from charterers, prepaid expenses and other receivables. The principal financial liabilities of the Company consist of long-term loans, accounts payable due to suppliers, accrued liabilities and termination fee outstanding (see Note 21) and warrants granted to third parties (see Note 13).

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The Company follows the accounting guidance for Fair Value Measurements and Disclosures. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

Interest rate swap agreements
The Company entered into interest rate swap transactions to manage interest costs and the risk associated with changing interest rates with respect to its variable interest rate loans and credit facilities. These interest rate swap transactions fixed the interest rates based on predetermined ranges in current LIBOR rates.
The Company entered into an agreement with Alpha Bank relating to an interest rate swap ("the Alpha Bank Swap"), according to which the Company had pledged an amount of $1,739 as of December 31, 2013 to an account controlled by Alpha Bank as a cash collateral for the repayment of interest of the Alpha Bank Swap and which is presented as restricted cash as on the consolidated balance sheet. The details of the Alpha Bank Swap was as follows:

Counterparty	Notional Amount December 31, 2013	Period	Effective Date	Interest Rate Payable	Fair Value – Liability (Level 2) December 31, 2103
ALPHA BANK	$ 20,000	7 years	March 30, 2008	10.85 %	(1,697)

On August 5, 2014, the Company terminated the Alpha Bank Swap. The termination fee amounted to $1,034 and was paid on the termination date. As of December 31, 2014, the Company did not have any interest rate swap agreement in place.
The fair value of the Alpha Bank Swap was considered by the Company to be classified as level 2 in the fair value hierarchy since its value was being derived by observable market based inputs. The Company paid a fixed rate and received a fixed rate for the Alpha Bank Swap. The fair values of this derivative determined through level 2 of the fair value hierarchy was derived principally from, or corroborated by, observable market data. Inputs included quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allowed values to be determined.
Warrant liability
The estimated fair value of the Company's derivatives outstanding as of December 31, 2014, are recorded at their fair values. As of December 31, 2014 the Company's derivatives consisted of 5,330,000 warrants outstanding, issued in connection with the Company's follow-on offering that closed on June 11, 2014 (see Note 13), as depicted in the following table:

Warrants Outstanding December 31, 2014	Term	Warrant Exercise Price	Fair Value – Liability December 31, 2014
5,330,000	5 years	$2.50	(2,599)

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The following table presents the fair value of those financial liabilities measured at fair value on a recurring basis, analyzed by fair value measurement hierarchy level as of December 31, 2013 and 2014 respectively:

As of December 31, 2013		Fair Value Measurement at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Interest rate swap	1,697	-	1,697	-

As of December 31, 2014		Fair Value Measurement at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Warrants	2,599	-	-	2,599

The following table sets forth a summary of changes in fair value of the Company's level 3 fair value measurements for the year ended December 31, 2014:

Beginning balance – January 1, 2014	-
Issuance of warrants	6,477
Change in fair value of warrants, included in Statement of Comprehensive (Loss)/Income	(3,878)
Closing balance – December 31, 2014	2,599

Derivative Financial Instruments not designated as hedging instruments:
The Company's interest rate swap did not qualify for hedge accounting. The Company marks to market the fair market value of its financial instruments measured at fair value at the end of every period and reflects the resulting unrealized gain or loss during the period in (Loss)/gain on derivative financial instruments in the statement of comprehensive

(loss)/income as well as presents the fair value at the end of each period in the balance sheet. The major unobservable input in connection with the valuation of the Company's warrants is the volatility used in the valuation model (see Note 13), which is approximated by using a 5-year weekly historical observations of the Company's share price. The annualized 5-year weekly historical volatility that has been applied in the warrant valuation as of December 31, 2014 was 86.71%. A 5% increase in the volatility applied would lead to an increase of 4.6% in the fair value of the warrants. The fair value of the Company's warrants is considered by the Company to be classified as level 3 in the fair value hierarchy since its value derives by significant to the valuation of the instrument in its entirety unobservable inputs.
Information on the location and amounts of derivative financial instruments fair values in the balance sheet and derivative financial instrument losses in the statement of comprehensive (loss)/income are presented below:

As of December 31, 2013:

	Balance Sheet Location	Fair Value
Interest rate swaps	Current liabilities – Derivative financial instruments	1,135
Interest rate swaps	Non-Current liabilities –Derivative financial instruments	562

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As of December 31, 2014:

	Balance Sheet Location	Fair Value
Warrants	Non-Current liabilities –Derivative financial instruments	2,599

	Amount of (Loss)/ Gain Recognized in Statement of Comprehensive (Loss)/Income Located in (Loss)/Gain on Derivate Financial Instruments		
	2012	2013	2014
Interest rate swaps- change in fair value	2,656	2,313	651
Interest rate swaps– realized loss	(3,103)	(2,484)	(664)
Warrants- change in fair value	-	-	3,879
Total	(447)	(171)	3,866

20. Gain on disposal of subsidiaries:

On October 16, 2013 the Company sold the shipowning subsidiaries which owned the six vessels of the Company's fleet (namely M/T's Miss Marilena, Lichtenstein, UACC Shams, Britto, Hongbo and M/V Evian) to an affiliate of the AMCI Poseidon Fund LP, an unrelated party, for an aggregate cash consideration of $173,000 less $135,448 in net debt and swap obligations of the shipowning companies that were assumed by the buyers. A gain from the disposal of subsidiaries of $1,591 was recognized, which is included in the Company's consolidated statement of comprehensive (loss)/income.

21. Other Non Current Liabilities

On October 1, 2010, the Company entered into a bareboat charter agreement to lease vessel M/T Delos until September 30, 2015 for a variable rate per year. On October 15, 2011, the Company terminated the bareboat charter agreement resulting in a termination expense of $5,750 that remained outstanding until December 31, 2012. On January 1, 2013, the Company entered into an agreement with the owner of M/T Delos by which the termination fee outstanding as of December 31, 2012 was divided into two tranches, "Tranche A" ($4,500) that bears interest of 3% plus Libor and "Tranche B" ($806) that does not bear interest. This agreement provides for the repayment of Tranche A and Tranche B according to the following schedule.

Year ending December 31,	Tranche A of the Termination Fee	Tranche B of the Termination Fee
2015	1,120	-

2016	800	-
2017	1,500	806
Total	3,420	806

Finally, according to this agreement the Company pays monthly interest. As of December 31, 2014, the non-current part of the termination fee is $3,106 ($3,906 as at December 31, 2013) while the current portion of the termination fee of $1,120 ($800 as at December 31, 2013) is included in accounts payable in the accompanying consolidated balance sheets. The fair value of the termination fee is estimated by the Company to be $3,814. The Company used a discounted cash flow valuation model for determining the fair value of the liability and the discount rate applied for discounting the expected cash flows includes an assumption for the Company's own credit risk which is significant to the valuation of the liability in its entirety. Hence, the financial instrument is classified in level 2 of the fair value hierarchy.

22. Other Operating Income:

Other operating income for the year ended December 31, 2014, includes a non-recurring gain of $361 from a favorable settlement of vessel sale commissions relating to the sale of M/T Ioannis P and M/V Pepito in November 2011 and December 2011 respectively and another non-recurring gain of $500 from a termination fee which the Company charged to Eships Tankers Ltd for the termination of the charter of M/T Stenaweco Energy.

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23. Subsequent Events

On January 29, 2015 and March 31, 2015, agreements were consummated for the sale and leaseback of M/T Stenaweco Energy and M/T Stenaweco Evolution respectively. The sale and leaseback agreements were entered into with a non-related party and generated gross proceeds of $57,000. The vessels have been chartered back on a bareboat basis for 7 years at a bareboat hire of $8,586 per day and $8,625 per day respectively. In addition, the Company has the option to buy back each vessel from the end of year 3 up to the end of year 7 at a purchase price depending on when the option is exercised. Indicatively, if the option is exercised at the end of year 3, the purchase price of either one of the vessels will be $25,850. The Company will treat the sale and leaseback of the abovementioned vessels as an operating lease.

On January 2, 2015, the Company entered into an unsecured credit facility with Atlantis Ventures Ltd, a related party ultimately controlled by our Chief Executive Officer, for $2,250 that was used to pay the penultimate shipyard installment for Hull No S407 (subsequently renamed to M/T Stenaweco Evolution). The Company had undertaken to repay the loan within 12 months of its receipt. The drawdown of the loan took place on January 5, 2015 and was repaid on January 30, 2015. The loan bears interest at a rate of 8% per annum, with the first six months being interest-free.

Schedule I- Condensed Financial Information of Top Ships Inc. (Parent Company Only)
Balance Sheets
December 31, 2013 and 2014
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	December 31,	
	2013	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	9,581	-
Due from subsidiaries	239,948	216,515
Other current assets	48	115
Total current assets	249,577	216,630
NON CURRENT ASSETS		
Investments in subsidiaries	14,400	54,420
Restricted cash	-	79
Total non-current assets	14,400	54,499
Total assets	263,977	271,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Due to subsidiaries	247,502	224,002
Due to related parties	806	583
Current portion of derivative financial instruments	-	2,599
Other current liabilities	879	1,416
Total current liabilities	249,187	228,600
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value; 20,000,000 shares authorized; none issued	-	
Common stock, $0.01 par value; 1,000,000,000 shares authorized; 2,469,648,and 18,969,989 shares issued and outstanding at December 31, 2013 and 2014	25	190
Additional paid-in capital	293,453	318,125
Accumulated deficit	(278,687)	(275,786)
Total stockholders' equity	14,791	42,529
Total liabilities and stockholders' equity	263,978	271,129

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Schedule I- Condensed Financial Information of Top Ships Inc. (Parent Company Only)
Statements of Operations
For the years ended December 31, 2012, 2013 and 2014
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	December 31,		
	2012	2013	2014
EXPENSES			
General and administrative expenses	5,635	2,865	2,369
Foreign currency gains, net	59	23	(32)
Gain on sale of vessels	-	(1,591)	-
Operating loss	(5,694)	(1,297)	(2,337)
OTHER (EXPENSES) / INCOME			
Interest and finance costs	(2,059)	(1,919)	(17)
Gain / (loss) on derivative financial instruments	24	(2)	3,877
Interest income	0	56	63
Other, net	688	(2)	-
Total Other (expenses)/income, net	(1,347)	(1,867)	3,923
Equity in earnings / (loss) of subsidiaries	(56,943)	4,571	1,310
Net Income / (loss)	(63,984)	1,407	2,896
(Loss)/earnings per common share, basic	(26.36)	0.58	0.22
(Loss)/earnings per common share, diluted	(26.36)	0.58	0.18

Schedule I- Condensed Financial Information of Top Ships Inc. (Parent Company Only)
Statements of Cash Flows
For the years ended December 31, 2012, 2013 and 2014
(Expressed in thousands of U.S. Dollars)

	December 31,		
	2012	2013	2014
Net cash (used in) / provided by Operating Activities	(844)	32,633	(1,845)
Cash flows from Investing Activities			
Investment in subsidiaries	-	(14,400)	(27,138)
Decrease/(increase) in restricted cash	788	164	(79)
Net proceeds from sale of fixed assets	56	50	-
Net cash provided by / (used in) Investing Activities	844	(14,186)	(27,217)
Cash flows from Financing Activities			
Proceeds from debt	500	-	-
Principal payments of debt	(500)	(6,029)	-
Issuance of common stock	-	-	20,191
Follow-on offering issuance costs	-	-	(710)
Payment of financing costs	-	(2,837)	-
Net cash (used in)/provided by Financing Activities	-	(8,866)	19,481
Net increase / (decrease) in cash and cash equivalents	-	9,581	(9,581)
Cash and cash equivalents at beginning of year	-	-	9,581
Cash and cash equivalents at end of year	-	9,581	-

Schedule I- Condensed Financial Information of Top Ships Inc. (Parent Company Only)
(Figures in thousands of U.S. Dollars)

In the condensed financial information of the Parent Company, the Parent Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries less equity in undistributed loss of subsidiaries, distributions from subsidiaries as return on investment and return of investment.

The Parent Company's subsidiaries made the following distributions to the Parent Company during the years ended December 31, 2012, 2013 and 2014:

	2012	2013	2014
Return on Investment	475	168	809
Return of Investment	-	62,766	-
Total cash from subsidiaries	475	62,934	809

The Parent Company is a guarantor under the loan outstanding at December 31, 2014. Refer to Note 11 to the consolidated financial statements.

The vessel-owning subsidiary company with the outstanding loan had restricted net assets amounting to $0 and $1,213 as of December 31, 2013 and 2014, respectively.

The condensed financial information of the Parent Company should be read in conjunction with the Company's consolidated financial statements.