

Contships Management Inc.



Reliable Services



Our Team
is
Dedicated
Exclusively
to the
Management
of
Container Ships
Worldwide



“Protect the Environment”



Introduction to Container Shipping

Malcom P. McLean (1913 - 2001) fundamentally transformed the liner business. He is attributed to being **the pioneer of container ships**.

The idea for shipping large cargo boxes came to him one day in 1937 in Hoboken, N.J., as he watched longshoremen loading and unloading goods. It dawned on him that sorting and packing goods into containers for shipment would make the process faster, safer and cheaper.

In the early 1950s, he had 1,776 trucks and thirty-seven transport terminals along the eastern seaboard, he had built the largest trucking fleet in the Southern States and the fifth-largest in the USA.

He finally went on to pursue his idea of containerizing cargo in 1955 when he sold his share of McLean Trucking and bought the Pan Atlantic Steamship Company of Mobile, Alabama.



First ever converted Container ship, "Ideal-X", 1956

In 1956, he developed the metal shipping container, which replaced the traditional break bulk method of handling dry goods and revolutionized the transport of goods and cargo worldwide.

On 26 April 1956, Malcolm McLean's converted World War II tanker, the Ideal X, made its maiden voyage from Port Newark to Houston in the USA. It had a reinforced deck carrying 58 metal container boxes as well as 15,000 tons of bulk petroleum. By the time the container ship docked at the Port of Houston six days later the company, later became known as Sea-Land Service, was already taking orders to ship goods back to Port Newark in containers.

McLean was named "Man of the Century" by the International Maritime Hall of Fame.

Container shipping has been the driving force in globalization for the past 50 years. Its standardization has allowed for integration with the onshore transport systems and has led to a great reduction of costs in international trade and increased its efficiency.

First a shipper fills a container with cargo, then it is transported by truck, rail or barge to a container port where it is loaded onto a container vessel. It is then shipped either to its destination port directly or via a hub port and then on a feeder vessel to its final destination. At its destination port it is off-loaded and delivered to its receiver by truck, rail or barge.

Advantages of container shipping compared with other shipping modes include: less cargo handling, efficient port turnaround, highly developed intermodal network and reduced shipping time.

Container shipping companies operate scheduled or liner services, using owned or chartered-in vessels, aiming to attain an optimal frequency and utilization level. Major container shipping companies have been increasingly chartering-in a greater portion of their fleet from third party owners on competitive charters rather than purchasing vessels outright.

Container shipping has a fundamental position in global trade; it is one of the fastest growing sectors in shipping, benefiting from a shift in cargo transport to unitization.

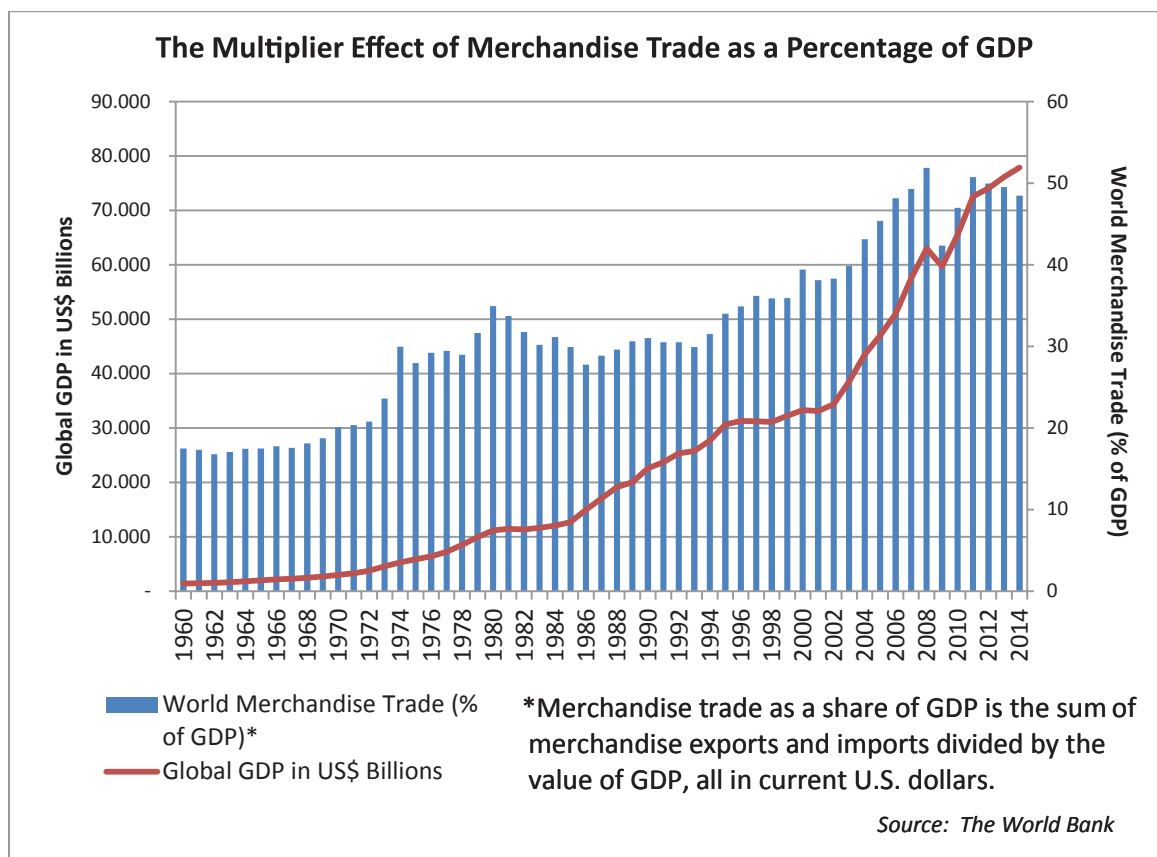
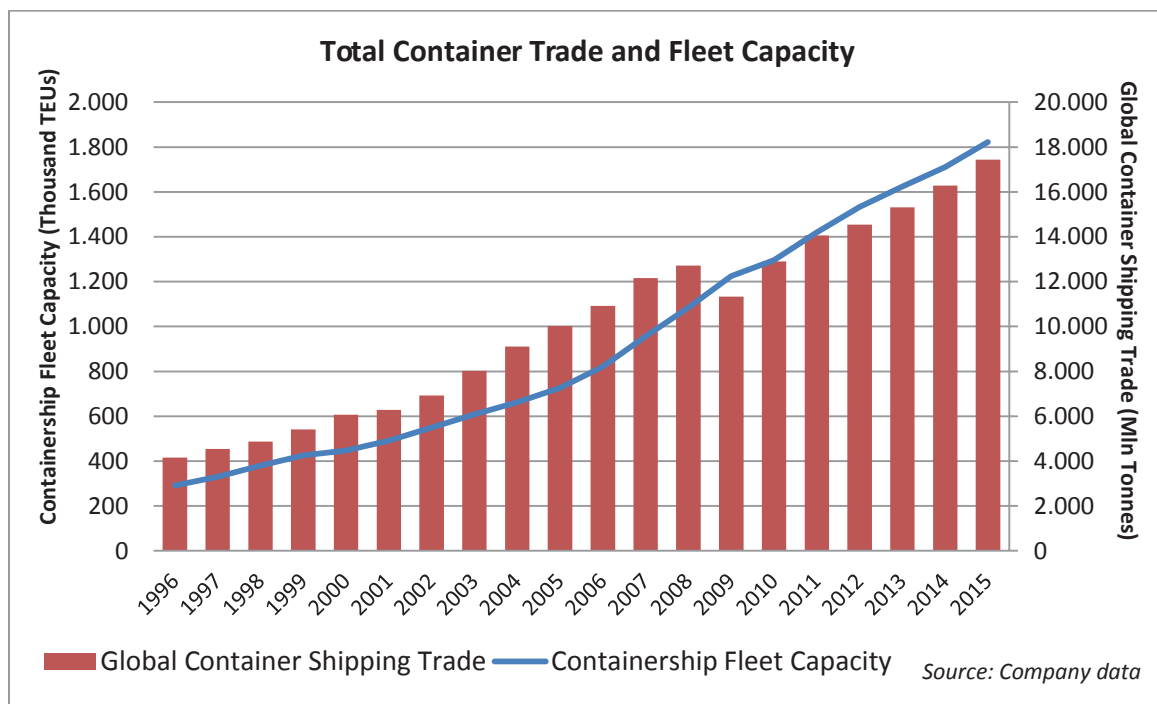
The type of vessel deployed on a certain route depends on the size and type of trade as well as the port infrastructure. Typically large vessels serve routes between major ports, while feeder vessels make connections between the major hub ports and regional ports.

The containers have standard dimensions and are made of steel. The standard measure of units are the TEU, 20-foot Equivalent Unit which represents a 20 foot long container, and the FEU, 40-foot Equivalent Unit which represents a 40 foot long container, both are typically 8.5 feet high and 8 feet wide. There are also high cube 40 and 45 foot containers, which have the same width as the standard containers but are 9.5 feet high. Specialized containers of all the sizes listed above exist: refrigerated containers are used for perishable goods and tank containers are used to carry liquids such as liquefied gases, spirits or chemicals.

The use of high cube FEUs has increased as shippers can transport more lightweight consumer goods in a single container at an overall lower cost. There are also 10-foot long containers with the standard width and height, however they are less commonly used.

The growth of containerization over the past quarter century has been exponential.

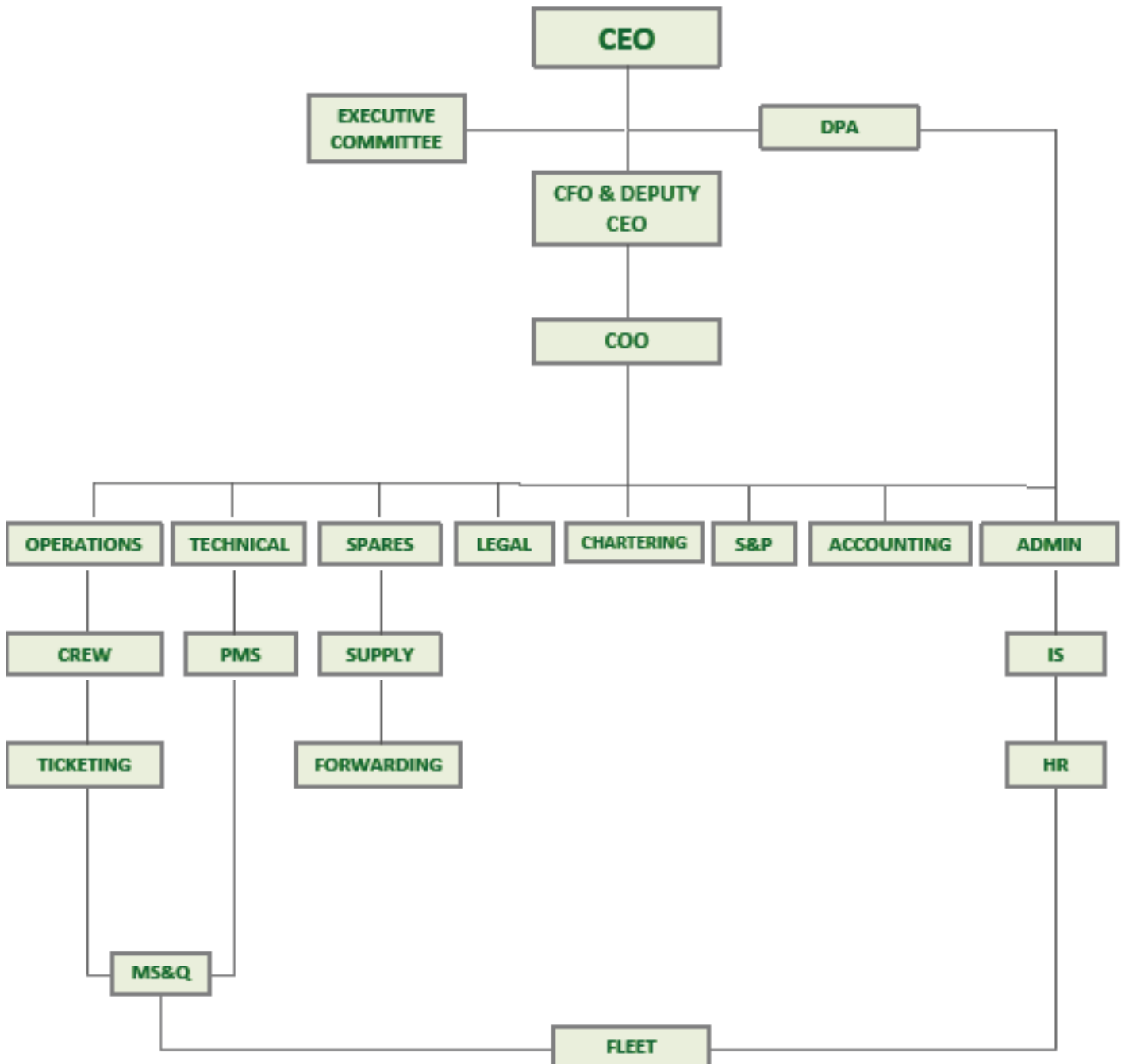
Below are two graphs illustrating the increase in container trade and the growth of the container fleet capacity.



The Ship Management Company

- 1  **The Scope of Ship Management**
- 2  **Operations Department**
- 3  **Crewing and Ticketing Department**
- 4  **Supplies and Spares Department**
- 5  **Marine, Safety & Quality Department**
- 6  **Technical Department**
- 7  **Chartering Department**
- 8  **Sale & Purchase Department**
- 9  **Finance Department**
- 10  **Accounting Department**
- 11  **Legal Department**
- 12  **Insurance Department**
- 13  **Administration & HR Department**
- 14  **Information Systems Department**

Contships Management Inc.





The Ship Management Company

1. The Scope of Ship Management

SHIP MANAGEMENT is the function that coordinates the shore-based and ship-based operations of a vessel so as to ensure compliance with customer and regulatory requirements relating to safety, security, and environmental protection, using the available resources efficiently and effectively. The key goals and objectives of quality ship management are to manage vessels safely and efficiently, to ensure the well-being of the crews, to carry the cargoes promptly and safely to their destinations, to respect the environment, and to safeguard the investment and interests of the principals.

In the last few decades it has become customary for ship-owners to employ third-party managers for a number of ship-management functions. This is the result of new regulations being introduced each year in connection to vessel manning and marine personnel training, vessel maintenance and inspections, insurance, communications, safety, pollution, and certification. The trend has been accelerated by non-traditional investors entering shipping without management experience and by the owners of smaller companies who find it difficult to survive in the present competitive business environment. The management functions outsourced to third-party ship management companies can vary from technical management of the vessels to crewing and crew training, compliance with requirements for certification, insurance, new construction supervision, chartering, accounting, sale and purchase of vessels, bunkering, provisioning, consultation, financial services, and others.

Contships Management Inc. (“Contships Management” or the “Company”) is a ship management company with the required experience, skills, and resources to render all these services. The Company is registered in the Marshall Islands and has established its operating office in Greece pursuant to the provisions of Law 89/1967 which provide special dispensations for foreign companies operating in Greece. A ship-management agreement is signed between each ship-owning company and **Contships Management** detailing the governing terms and conditions.

Contships Management consists of the following departments: Operations, Crewing and Ticketing, Supplies and Spares, Safety and Quality, Technical, Chartering, Sale and Purchase, Administration and HR, Information Systems, Finance, Accounting, Legal, and Insurance.

Each department within **Contships Management** is headed by a Manager, responsible for planning, directing and coordinating the operations of the department, being accountable for the efficient performance of the department. The corresponding Managers are responsible for adhering to and carrying out the goals and objectives of the Company, utilizing resources efficiently and effectively and where possible, improving systems and mentoring departmental members in managing their career development and progression. Income producing departments are responsible for increasing the resources of the Company and developing policies.

The Managers of each department assume a key role in promoting cooperation between the departments and the marine personnel onboard the vessels.



The **Executive Committee (“EXCOM”)** is comprised of ten key Managers and convenes at least once a week to discuss important operational, technical or other matters relating to the trading of the vessels, the implementation of the Company’s policies by the shore-based and ship-based personnel.

The Chairman of the Executive Committee is the CEO. The other nine members are:

- i. CFO
- ii. COO
- iii. Operations Manager
- iv. Technical Manager
- v. Chartering Manager
- vi. Supplies & Spares Manager
- vii. Accounting Manager
- viii. Administration Manager
- ix. Legal Manager



Operations Department



2. Operations Department

The Operations department has the responsibility for the safe and efficient operation of the vessels, ensuring they perform without delays and off-hires (i.e. loss of income), damages, etc. and that the cargo is delivered in a safe and efficient manner. The Operations department is client-oriented and provides also post-fixture services to charterers.

The Operations department has the key task of coordinating all the departments, the vessels, the charterers, the shippers, the consignees, the agents, the shipbrokers, and any other party involved in the operation of the vessels who attend to the various matters may arise at the ports of call of the vessels.

Efficiency in all cargo-related matters is the foundation of profitable vessel operations. The Operations department provides the vessels with general information about their trade, and liaises with other appropriate parties to ensure efficient cargo transportation and operations. Vessels are also provided with guidelines for handling loss of cargo, cargo claims, and other charter party disputes.

Prior to the conclusion of a charter party, the Operations department provides support to the Chartering department on commercial, marine, and technical matters. All relevant feedback is passed on to the Chartering department with the aim to assist in-house brokers in seeking, negotiating, and concluding charter parties and other relevant agreements for the employment of the vessels.

After the charter party is concluded, it is the duty of the Operations department to transmit all necessary voyage instructions to the vessel in order to perform the obligations of the ship-owner under the charter party.

The Operations department includes two additional sub-divisions: **Bunkering** and **Disbursements**.

The Operations department is also responsible for (i) scheduling and planning the bunker replenishment of the vessels i.e. the bunker quantity and purchase port for the bunkers needed, conducting negotiations, and concluding the contracts of bunker supply, and (ii) checking the pro-forma port disbursements and invoices of port expenses, as well as fees and expenses for passages through canals, rivers or straits which require pilotage, whether the vessel is on charter or not, or is being re-positioned by the owners.



Crewing and Ticketing Department



3. Crewing and Ticketing Department

The Crewing and Ticketing Department in coordination with the Operations department and the Safety & Quality department is responsible for:

- i. Recruiting and appointing fully qualified, medically fit, and experienced seafarers onboard the managed vessels, in conformity with relevant provisions and procedures set by **Contships Management**;
- ii. Maintaining a pool of suitable, qualified, and medically fit seafarers on leave for rotation;
- iii. Ensuring that the training procedures of the Company are properly and fully implemented;
- iv. Maintaining and updating proper records of the seafarers i.e. personal data, qualifications, training, evaluation, and appraisal.

In addition, the department monitors the developments relating to international rules and regulations, conventions, industry requirements, environmental issues, updating relevant instructions and/or manuals as required, and communicating the above information to shore-based and ship-based personnel for familiarization and compliance purposes.

The **Operations Managers** are responsible for appointing the marine personnel to vessels according to the relevant MLC, STCW and flag requirements. Crew members have a fixed term contract with the ship-owning company of a vessel and usually originate from Greece, Philippines, and Eastern Europe. Additionally, operators need to maintain a group of auxiliary crew members on standby in case a person onboard needs to be replaced. Finally, they are responsible for identifying and resolving potential crew member matters.

The department is responsible for the scheduling and purchasing of airplane tickets at economical prices for the transportation of the crew members from their home country to the embarkation/destination port and vice versa. The department is also responsible for obtaining visas and coordinating with port and manning agents.

The **MS&Q Crew Training Coordinator** coordinates the on-going training and development plan of ship-based personnel and collaborates with the Safety and Quality department and the Superintendent Engineers of the Technical department so as to organize training seminars onboard and ashore.



Supplies and Spares Department



4. Supplies and Spares Department

The Supplies and Spares department is responsible for purchasing and freight forwarding all stores, provisions, supplies, equipment, spares and services needed by the vessel and its crew, in the most cost-efficient and expedient manner, while ensuring necessary quality standards are maintained.

These requisitions are procured from around the world and from various approved suppliers in order to achieve competitive prices. The range of products needed is large so the products are classified according to the following three sections: the ***Ship-supply section***, the ***Contracted items section*** and the ***Spares section***.

The Supplies and Spares Manager reviews the terms and charges of every invoice, which is submitted for final approval and forwarded to the Accounting department for executing the payment. For each requisition, the Supplies and Spares Manager ensures that a number of different quotations for the same quality and delivery are obtained when possible in order to achieve a competitive bidding process.

Market research, including negotiation for the best terms and discounts, interviewing and meeting with suppliers, are all routine tasks for the Supplies and Spares Department. The Supplies and Spares Manager is responsible for producing the relevant budgets and KPI's to monitor and assess performance.

All material needs are originally generated from the respective vessel, reviewed and approved by the Manager of each relevant department and then passed on to the Supplies and Spares department for processing.



The requisition, ordering, and approval process by the Technical and MS&Q departments must be separated from the commercial enquiry and supply process, thus increasing the transparency and improving efficiency through specialization.



Marine, Safety & Quality Department



5. Marine, Safety & Quality Department

The Marine, Safety and Quality (**MS&Q**) department is responsible for implementing the Safety, Health, and Environmental Protection Policy of **Contships Management**. The department consists of Certified Officers with marine background, each of whom is responsible for a number of vessels. **The Head of the department is the Designated Person Ashore (DPA) under the International Safety Management Code (ISM) and he is the direct link between vessels and top management.**

In particular, the MS&Q department coordinates and controls the implementation of the **Safety Management System (SMS)**, which includes:

- i. Instructions and procedures for crews to ensure safe operation and protection of the environment at all times;
- ii. Instructions and procedures for proper ship and equipment maintenance and operation;
- iii. Instructions and procedures for effective monitoring of cargo operations, cargo protection, and voyage management;
- iv. Instructions and procedures for effective communication and document control;
- v. Defined levels of authority and responsibility and required crew qualifications onboard;
- vi. Procedures for handling and reporting emergency, accident, and non-conformity situations, including preparation for and response to emergency situations;
- vii. Procedures for carrying out safety inspections and audits;
- viii. Procedures for review and improvement, incorporating analysis of third party inspections feedback;
- ix. Oversight and alignment of procedures within the SMS and compliance thereto;
- x. Arranging and coordinating certification audits and issuance of the relevant DOC, SMC, ISSC, MLC certificates;
- xi. Carrying out safety, security audits, and drills onboard the vessels and onshore by means of desktop exercises;
- xii. Planning and authorization of inspections of the vessels by classification societies, flag authorities, and potential vetting on behalf of the charterers;
- xiii. Identifying training needs and implementation of a training plan for onboard and onshore personnel.
- xiv. Monitoring all forthcoming legislation and requirements and prepare staff on board and ashore accordingly.

The dedicated departmental team oversees the vessels to ensure they comply with the SMS of the Company along with all national and international rules and regulations at least twice a year.

Areas of improvement identified during the attendance of the vessels are investigated and followed up promptly in order to promote continued improvement and minimization of risk during their daily operations. The MS&Q department is responsible for collecting all necessary information required for the preparation and implementation of the Management Review of the Company which is carried out at least once a year. The department is also responsible for the follow up and the implementation of the set goals defined by the Management Review. Also Safety Meetings are conducted at frequent intervals.

The DPA performs a central function within the organization in supporting, promoting, and administering the effective implementation of the SMS. He has direct access to the EXCOM and to the CEO. His responsibilities and duties are as follows:

- i. To ensure that the SMS of the Company is effectively implemented and maintained;
- ii. To promote awareness to all seagoing staff of the need to operate the vessels to the industry standards consistent with International and National Legislation and according to the SMS of the Company;
- iii. To ensure that the requirements of the ISM Code are implemented and maintained;
- iv. To serve as the communication link between the ship and the Head Office with regards to all matters of Safety, Health, and Environmental Protection;
- v. To monitor all Safety and Pollution Prevention aspects of the operation of each ship;
- vi. To report to the Management all safety problems identified in the implementation of the SMS of the Company;
- vii. To ensure all the shore-based and ship-based staff understand, accept, and implement the policies and the SMS of the Company;
- viii. To ensure adequate resources and shore-based support are available and supplied by the Company for the implementation of the SMS of the Company;
- ix. To ensure full investigations of all accidents and dangerous occurrences reported, and prepare periodic evaluation of such occurrences and present these to the Management of the Company;
- x. To monitor and record non-conformities and deficiencies identified so as to ensure the timely close-out of non-conformities and report them or any other problem of the implementation of the SMS to the Management of the Company;

- xi. To monitor whether corrective and preventive actions are correctly applied and verify effectiveness of such actions;
- xii. To periodically analyze all audit results and present the findings to the Management of the Company;
- xiii. To improve the SMS of the Company;
- xiv. To organize and coordinate the Management Review Meetings, prepare the agenda, and keep minutes during the meetings;
- xv. To monitor regulatory and practical developments in matters of safety, health and environmental protection for timely implementation by the Company;
- xvi. To prepare the schedules for drills and internal audits according to documented procedures and ensure that responsible parties are notified in advance;
- xvii. To supervise the program of Internal and External Audits within the office and onboard all vessels, to monitor the timely implementation of all drills and audits of the Company and the vessels and to ensure that audit results are reported to the Management of the Company;
- xviii. To ensure that the controlled documents of the Company are properly approved and authorized prior to issue;
- xix. To carry out revisions and amendments to controlled documents;
- xx. To organize and monitor distribution of the controlled documents of the Company;
- xxi. To monitor all the reporting requirements of the SMS for the vessels.

The **Emergency Response Team** is comprised of the CEO, CFO, COO, DPA the Operations Manager, the MS&Q Manager, the Technical Manager, the Insurance Manager and the Legal Manager and convenes in case of emergency so as to intervene immediately and protect the vessel, the crew, the cargo, the charterers and any other party involved in the operation of the vessel. The team coordinates the interaction of the departments and liaises with insurers, authorities, the classification society, flag state, lawyers, surveyors, experts and any other third party, as the case may be, so as to overcome any emergency or incident involving a managed vessel.



Technical Department



6. Technical Department

The Technical department is responsible for monitoring and advising both deck and engine crew in order to maintain the main engine, auxiliary machineries and electrical equipment of the vessels in satisfactory working condition, so that the vessels are always seaworthy and able to perform their main function of carrying goods safely and cost-efficiently while minimizing the cases where the vessels are not available for operation (off-hire). Due to the tough schedule of container ships, time required for deck, gear and cargo hold maintenance is challenging and therefore it is usually carried out during dry dock or special survey.

In particular, the Technical department coordinates and has responsibility for the following areas:

- i. Ensuring compliance with National and International legislation, industry standards as well as with Company's policies and procedures;
- ii. Planning required maintenance of machineries and carrying them out promptly and efficiently. This is directly affected by the time available for maintenance as well as spare parts availability;
- iii. Monitoring the efficiency of the vessels fuel and lube oil consumptions and analyse the operational performance in order to further improve and minimize adverse variances, always in cooperation with the Operations department;
- iv. Vetting the technical condition of second-hand vessels which are candidates for coming under the management of **Contships Management**;
- v. Assessing and amending the technical specifications of the new-build vessels, approving their plan, and following up on their construction and delivery;
- vi. Monitoring all the classification certificates of the vessels, arranging and planning surveys in order to re-issue and renew the relevant certificates that are due to expire.

Every Technical Manager is responsible for a number of container vessels. Some of the responsibilities of the Technical department are shared with the MS&Q department, in particular for issues associated with safety certificates and safety awareness of the vessel and the crew.

Specifically, the responsibilities of the Technical Managers include:

- i. Communicating and dealing with issues of repairs or replacements (i.e. problems with hull and machinery), spare parts, and with the renewal of certificates for each vessel. They are responsible for reviewing and analyzing data received from the Chief Engineer and his team. This enables the identification of potential technical issues which require further attention, such as cleaning the hull and propeller, increased fuel and lubricant consumptions, etc;
- ii. Attending to the onboard surveys from Classification Societies for both hull and machinery condition inspections and for procedures like ISM. Discussing with attending class surveyors possible solutions for identified issues. Major repairs and modifications should be discussed and approved by the Classification Societies. The latter is a pre-requisite in order to maintain the trading certificates and insurance policy of the vessels;
- iii. Participating in seminars to inform officers about regulatory updates, experience gained, major incidents and break-downs, procedure amendments, industry trends, etc;
- iv. Performing internal audits and assessing the condition of the vessels through visits at least biannually and being on-site in emergency situations;
- v. Preparing and monitoring the budget and the schedule of the repairs carried out during the dry docking or afloat. Comparing cost analysis from various shipyards and suppliers, evaluating the quality of services and the spare parts offered and cross-checking with the attending Superintendent Engineers that works are carried out according to the agreements. In the event that works are not carried out as agreed or the supplied spare parts are found defective and fail during operation, the Technical Managers must prepare and draw up claims against shipyards and suppliers in cooperation with the Legal department;
- vi. Co-operating with the Legal department in gathering evidence and all necessary items in order to draw up claims and recover repair expenses from insurance companies;
- vii. Advising on issues regarding engine performance and review. Preparing crew appraisal for both deck and engine departments;

Planned Maintenance System (PMS) team being a division of the Technical department reports to the Technical Manager. This system is put in place so as to improve the planning, scheduling, and reviewing of the maintenance intervals according to the requirements of the manufacturers and the Classification Societies.



The PMS team is responsible for creating and maintaining the PMS database on a Technical Control Application (TCA) according to the Company policy. They create new systems, sub-systems, and jobs as required, as well as check and review already existing jobs on TCA for the main auxiliary machineries and safety items of the vessels according to the maintenance schedule of the manufacturers, the recommendations of the Superintendent Engineers, and the Company policy. They maintain a log of the main machineries' total running hours. They update the jobs performed as reported in VM-forms (vessel messages), reports of the Superintendent Engineers, or by shore-based technicians that visit the vessels for repairs. The team follows-up on the correspondence with the vessels in case of missing forms or incorrect input.

Contships Management's technical superintendents are well trained and have extensive experience in the technical management of container vessels.



Chartering Department



7. Chartering Department

The Chartering department is responsible for the chartering of the vessels under management, which involves:

- i. Fixing a vessel on period contract (time charter);
- ii. Charter hire collection.

It is the duty of the Chartering department to ensure that employment provided for the vessels is generating the maximum possible revenue, always taking into consideration the position, the size and the specifications of each vessel along with the market conditions. The department has the additional responsibility of negotiating and agreeing all charter party terms and conditions of all fixtures concluded, when necessary requesting the support of other departments (i.e. Operations which links Chartering with other support departments). The Operations department plays a key role for Chartering, as the service offered to clients is not only the vessel but also its smooth and cost effective operation.

A number of container vessels are allocated to each in-house broker. The expertise of the brokers is not limited to specific geographical regions. Brokers continuously seek to retrieve information and follow closely all market regions.

The Chartering department is also responsible for the charter hire collection. The charter hire collection function includes the follow-up and handling of the hire collection and any other charter party disputes or claims.

Contships Management's "in-house" brokers have:

Good knowledge of the characteristics of the vessels which they are responsible for i.e. TEU capacity (Twenty Foot Equivalent Unit), Deadweight ("Dwt"), reefer capacity, fuel consumption, speed, etc.

- i. Excellent marketing skills to successfully promote the vessel;
- ii. The ability to assess and compare different trades on the basis of calculation of daily earnings, while taking into account the final destination of the vessel, duration of the charter and current market conditions;
- iii. In depth understanding of charter parties and their clauses.

The Chartering department also provides guidelines to other departments, especially to the Operations and Legal departments regarding the policy of handling matters or disputes related to the performance of charters.



Sale & Purchase Department



Finance Department



9. Finance Department

The Finance department is headed by the Chief Financial Officer (CFO) and is responsible for the following functions:

- i. Implementing the **financial strategy** of the Company, evaluating the capital requirements, maintaining relationships with banks, financial institutions, investment funds and keeping up with developments in the capital markets, as well as supporting shareholders in shipping investment decisions and monitoring the development of policies, procedures and supporting information systems of the budgeting, accounting and financial risk management functions;
- ii. Executing **financial reporting** that is reporting to management, shareholders, financial institutions and authorities. The reports of the Finance department include, among other things, valuation and investment analysis for vessels, performance analysis of financial results, etc;
- iii. Carrying out **treasury and financial risk management**, providing guidance to the Accounting department on cash management, negotiating and procuring financing for new projects, monitoring financial risk areas and implementing the hedging strategy of the Company;
- iv. Carrying out the **budgeting process** which includes interpreting budget guidelines from shareholders, assisting departments to prepare the annual budgets, preparing and monitoring the performance of budgeted figures versus actual results, following-up on significant variances and recommending improvements and making revisions to the budgets;
- v. Overseeing the **Accounting department in the preparation of the financial statements**, encouraging departmental improvement initiatives, monitoring accounting policies, recommending and approving the financial statements and liaising with the auditors;
- vi. Implementing **tax strategy** which includes tax planning and management, including keeping up-to-date with international and local shipping tax related aspects, adhering to tax regulations, monitoring and implementing the tax strategy of the Company;
- vii. Compliance with the provisions of the **loan agreements** and other financing documentation.



Accounting Department



10. Accounting Department

The Accounting department provides accounting services to the ship-owning companies and maintains the books of the Company, in accordance with accounting standards applied in the shipping industry. The major business functions of the Accounting department are the following:

- i. Purchases and Payables;
- ii. Revenue and Receivables;
- iii. Property and Equipment;
- iv. Payroll;
- v. Inventory;
- vi. Treasury Operations;
- vii. Banks Reconciliation;
- viii. Loan Administration;
- ix. Taxes and Contributions;
- x. Masters' General Account ("MGA");
- xi. Financial Statements;
- xii. Greek Law 89/1967 Books.

Under the provisions of the Law 89/1967 and other related laws, ship management companies and ship-owning companies operate under a specific fiscal framework of the tonnage tax system and the income-tax exemption regime.

The Accounting department is responsible for the processing of worldwide economic transactions expressed in various currencies, depending on the country where the transaction took place. The base currency of the book keeping and reporting is the US Dollar, however other currencies may be used.

The main source of income of the ship-owning companies is the charter hire from shipping transportation, as well as other income deriving from the charter parties executed between the charterer and the ship-owning company. Expenses related to the operation of the vessels include marine personnel wages and contributions, insurance expenses, repairs and maintenance, consumable, supplies and spares.

The income of the ship management company is the management fee which is charged to the ship-owning companies on a monthly basis. Expenses related to the operation of the ship management company include personnel wages and contributions, building expenses, telecommunication expenses, general administrative expenses, etc.

The Accounting department is also responsible for the **preparation of the financial statements** of the vessels under management on a monthly, quarterly or annual basis. The monthly and quarterly reports are produced for internal management purposes and for the shareholders of the ship-owning companies and the annual financial statements are produced for the shareholders and financial institutions including banks. Annual financial statements are usually audited by one of the major auditing firms. The Accounting department provides assistance to the auditors.

The Accounting department also provides a **reconciliation of the charter results** produced by the Chartering department which calculates the operating profit of the vessels per charter, which equals the gross income of each charter reduced by the owners' expenses (i.e. commissions, bunkers and port disbursements for owners' account) and by the running expenses (i.e. crew wages, insurance premiums, repairs, maintenance, certificates, stores, spares, etc.) related to each charter.

The Accounting department is also responsible for the **payroll** and all other compensation matters.

In terms of compliance with the provisions of Law 89/1967 and the other related laws and regulations, the Accounting department reports the financial transactions performed by the Company in Greece in the **"Income and Expenses Book"**. This accounting book shows the USD/EUR currency conversions and the expenses that are incurred in Greece, being either administrative expenses of Contships Management or operating expenses of the vessels such as spares supplied or services rendered to vessels by Greek suppliers at Greek ports.



Legal Department



11. Legal Department

The lawyers of the Company provide legal advice and deal often in collaboration with external lawyers, with legal matters related to the activities of the ship management company and the vessels under management. They handle disputes, claims and other issues associated with contracts i.e. freight, demurrage and defense, Bills of Lading, sale-purchase agreements (MOA) and with accidents and other incidents that require legal handling such as collisions, general average, salvage, arrests, loss of cargo, labour disputes, injuries and any other dispute, claim or issue. Contractual disputes are usually governed by English law and referred to Arbitration Tribunals in London. The lawyers of the Company maintain relationships with major national and international law firms, with insurers and with technical experts.

The lawyers of the Company also deal with ship financing, corporate matters, tax matters and any other legal matter and court case or administrative proceeding brought in Greece or any other country. If needed, the lawyers of the Company also provide advice to the departments of the Company. The Company lawyers also assist the Insurance Manager in dealing with any insurance related matter.

The lawyers of the Company rely on information and records provided by all the departments involved.

In some cases the lawyers require the active participation and assistance of employees or seamen who need to provide written statements or testify before a court, or procure expert reports, or review documentation produced by counterparties or opponents.

The Legal department is responsible for administering the corporate documents and the relevant corporate certificates of the ship-owning companies of the vessels managed by the Company. In this respect, the lawyers of the Company draft minutes of the board of directors and the general meeting of shareholders sometimes assisted by external lawyers.

The vessels are owned by separate companies which are registered either in the Marshall Islands, Malta, Cyprus or any other jurisdiction. The vessels may fly the flag belonging to the country of registry of the ship-owning Company or any other country, subject to the limitations that the country of registration may impose. As far as the vessel is concerned, the ship-owning company is taxed in the country of the flag of the vessel.



Insurance Department



12. Insurance Department

The Insurance department is responsible for insuring the vessels against risks that might cause damage, costs, expenses and delays to the vessels or may give rise to liabilities for the ship-owners and the Company. The department primarily handles the following insurances:

i. **Protection and Indemnity (P&I):**

- a. Compensates the members of P&I clubs i.e. associations of ship-owners, for expenses incurred in respect to third party liabilities such as cargo shortages, injuries to crew, cost of repairs for damages to docks or to floating objects, damage to other ships, pollution and damage of cargo;
- b. Freight Demurrage and Defense (FD&D) cover to reimburse the members for defense costs including legal fees, experts' fees etc. required to defend a legal claim against them;

ii. **Hull and Machinery (H&M) insurance:**

Insures the vessel for damage to its hull, machinery and equipment caused by certain risks, excluding natural wear and tear. H&M insurance is usually placed through one or more insurance brokers by allocating a percentage of the fleet to each of them, so as to achieve the most optimum premiums. Each broker contacts numerous reputable insurance companies or Lloyd's Underwriters, requesting them to underwrite part of the fleet. In the event of a claim, the underwriter holding the largest percentage of the insurance of the respective vessel is usually known as "the leading underwriter" and is responsible for performing surveys and taking decisions with regards to claims;

iii. **War risks:**

Insures the vessels for any damages caused to the vessel's hull, machinery and equipment as a result of war and war-like situations. Further, the department may arrange additional insurance for loss of hire cover due to war risks, depending on the circumstances. This insurance is usually provided by the Hellenic Mutual War Risks Association.

Overall, the Insurance department takes steps to defend, in cooperation with the claims handlers and the insurers, any claim of the above nature, whenever it occurs. It also arranges the collection of compensation for claims under the insurance policies, from the insurers with the assistance of the Legal Department.



Administration & HR Department



13. Administration & HR Department

The Human Resources of **Contships Management** is identified as the cornerstone of its corporate identity and success. The aim of the Administration and HR department is to effectively and consistently optimize the interaction of the shore-based personnel and the achievement of individual shore-based employee targets and the fulfillment of corporate objectives, always within the framework of the corporate culture of **Contships Management**.

The department is responsible for supporting shore-based personnel throughout their employment as follows:

- i. **Recruitment:** Planning, organizing and supporting all recruitment projects by searching for a permanent or for a temporary employee;
- ii. **Induction:** Establishing and continuously improving the induction process, ensuring a friendly, efficient and targeted introduction of each new member to the staff;
- iii. **Performance and Development Management:** Establishing and maintaining a well-designed process, along with promoting the culture of continuous learning and development. This is one of the most challenging objectives of the department and is accomplished through annual performance evaluation combined with development-focused career dialogues, continuous on the job training and career development initiatives;
- iv. **Employee Administration Support:** Handling on an ongoing basis, all employee administration related needs including leave management, facilities management related issues, etc;
- v. **Internal controls** audits and reports.



At the same time, the Administration and HR department is responsible for creating and maintaining communication channels, both internally and externally, that allows it to have at all times an updated view of the existing workforce profile (roles, responsibilities, and mix of skills) in the Company as well as of the anticipated corporate future needs. Such needs result from the business strategy of the Company and from the evolving market conditions both in the shipping industry and in the local and global labor market in general.



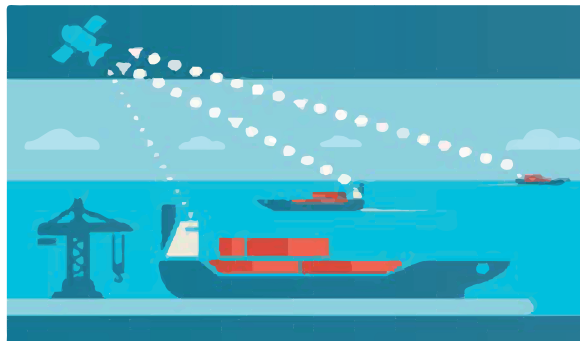
Information Systems Department



14. Information Systems Department

The aim of the Information Systems (IS) department is to support the information systems of the Company, as well as the systems of its managed fleet, with regards to daily operations, maintenance, software development and training.

Daily operations are supported by a number of services provided to end-users such as email, backup and the intranet portal server. Maintenance services include software and hardware installations and repairs. Software development includes both in-house and off-the-shelf computer application solutions, as well as collaborative efforts to develop systems such as the unified ERP system, which contains many modules being used by many departments (i.e. Accounting, Operations, Technical, Chartering, etc.) and support departments working together by integrating processes and information flows. The training services refer to the introduction of current systems to new shore and vessel personnel as well as new technologies such as business intelligence and the support in leveraging current services, for instance, document management in the intranet portal server of the Company.



The Information Systems department is also responsible for shore-to-ship and ship-to-shore communications between the Company and the vessels under its management. This requires negotiating satellite tele-communication rates, as well as monitoring and checking invoices.

Overall, the IS department promotes the use of technology so as to improve and optimize operational tasks and decision making.

The Information Systems department is also responsible for the training and the familiarization of the shore-based staff with the ERP system of the Company including audits and the preparation of reports related to the performance of the ERP system.



“Protect the Environment”

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