Britmar (UK) Limited

Annual Report and
Consolidated Financial Statements

For the year ended 31 December 2016

Company Registered No. 06225520

Contents

Directors	Alan Bekhor (Chief Executive Officer) Peter Johnson (Chief Financial Officer)
Secretary	Peter Johnson
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU
Registered office	5th Floor Millbank Tower 21-24 Millbank London SW1P 4QP

Group strategic report

The strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to matters that are significant to Britmar (UK) Limited and its subsidiaries when viewed as a whole.

Principal activities

The principal activity of the Group during the year was that of vessel owning and operation. The Group also enters into derivative financial instruments as necessary to reduce exposure to shipping costs, vessels fuel costs ("bunker costs") and interest rate movements as part of its risk management procedures.

Business review

The Group's key financial and other performance indicators during the year were as follows:

	31 Dec 2016 $'000	*31 Dec 2015 $'000*
Group turnover	7,574	15,157
Impairment loss	-	57,860
Profit on disposal of fixed assets	16,076	987
Total operating profit / (loss)	11,016	(66,935)
Profit / (loss) after tax	9,754	(68,201)
EBITDA	14	57
Fleet average age	11.4 yrs	11.6 yrs
Gearing	0%	0%

The Group made a profit for the year, after taxation, of $9,754k (31 Dec 2015: loss of $68,201k).

The fleet reduced from six to two vessels with the disposal of Marylebone in April 2016 and Gloriana, Primrose, and Diamond Jubilee in August 2016.

Since the end of 2016, the vessel Clementine was sold to external parties through an agreement reached with the vessels finance provider, DVB Bank, releasing the corresponding loan liability.

As all loans are recorded as current, there are therefore no long-term liabilities and the gearing is 0% (31 December 2015: 0%).

Future developments

The Group will then focus on ship operating and freight trading rather than exclusive direct ownership of vessels although minority stakes in vessels would remain an option for the Group. The technical management capabilities will continue to be exclusively contracted to RB British Marine UK Limited.

The Group forms part of several corporate units under common control. This wider group acts as the promoter and facilitator for a wide variety of industrial and trading projects in many different parts of the world. Such projects are very frequently co-operative enterprises with other chosen partners, in which the Group always invests its own money with a view to optimising the outcome for all the parties concerned.

Group strategic report

Principal risks and uncertainties

The directors have identified the need to manage the Group's material financial risks, including foreign exchange, liquidity and credit risks. These risks are monitored by the directors on a continuous basis. The financial risks faced by the Group are covered in more detail in note 25 to the financial statements.

The Group seeks to limit counterparty risk by conducting most of its banking activities with a limited number of major international banks, whose status is kept under review.

Price risk

The dry bulk market has seen a sustained period of low freight rates and asset. These directly impact the turnover of the Group. Focus has been directed on long-term and recurring client contracts with a stable cost base but the in the future the Group intends being less reliant as it develops its wider interests.

Foreign exchange risk

The Company's activities are principally conducted in U.S. Dollars. Almost all of revenues and 90% of costs are in U.S. Dollars, with the remainder of costs denominated in sterling, Indian rupees and Euros. Overall exposure is kept under constant review.

Liquidity risk

The Group's liquidity position is adequate for the revised level of business with $2.9m of cash and cash equivalents at 31 December 2016 (31 December 2015: $2.5m). The Group seeks to manage liquidity risk by forecasting cash flow and establishing appropriate long term loans, managing operations and using revolving credit facilities thereby ensuring sufficient liquidity is available to be able to finance its operations and investments for the foreseeable future.

Credit risk

The Company closely manages its receivables and always seeks to find mutually acceptable agreements for any disputed items that may otherwise cause delays to payments. For this reason, the Company considers that there are no material exposures in respect of trade and other receivables.

Compliance risk

The Company may fail to appropriately identify new laws and regulations and other regulatory statute in new jurisdictions where it expands its operation. Prior to venturing into new areas, the Company performs substantial due diligence work and obtains an understanding of the governing laws and regulations.

Non-compliance with anti-bribery and corruption regulations could damage stakeholder relations and lead to reputational and financial loss. The Company has a Code of Conduct which employees are required to comply with when conducting business on behalf of the Company; this includes anti-bribery and corruption policies. Assessment of anti-bribery and corruption risks form an integral part of the decision-making process when entering new countries or negotiating with potential charterers and major suppliers.

Group strategic report

Approval

This group strategic report was approved by order of the Board on 10 October 2017.

By Order of the Board
Peter Johnson
Secretary
Date: 10 October 2017

Directors' report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2016. The comparative results, as presented in the Group financial statements, are the financial statements for the year ended 31 December 2015.

The Group is comprised of Britmar (UK) Limited ("the Company") and its subsidiaries. All amounts are shown in U.S. Dollars, unless otherwise stated.

Details of future developments and financial risk management can be found in the strategic report and form part of this report by way of cross reference.

Results and dividend

The Group made a profit on ordinary activities before taxation of $9,661k for the year (31 Dec 2015: loss $68,149k). The directors do not recommend the payment of a dividend (31 Dec 2015: $Nil).

Going concern

Against a background of poor trading conditions during 2015, the Group's banks were approached in order to renegotiate the bank loans with the intention giving more time for the market to improve and allow a return to a normal debt service. During 2016 agreement was reached with all the Group's vessel finance providers for a satisfactory way forward that would maintain the viability of the Group. Five of the six Group vessels were sold and the Group has been released from the corresponding loan liabilities. Since the end of 2016, one of the remaining two vessels was sold in February 2017.

The Group remains a going-concern as it transitions to focus on ship operating and freight trading rather than exclusive direct ownership of vessels although minority stakes in vessels would remain an option for the Group. The technical management capabilities will continue to be exclusively contracted to RBBM.

Directors

Alan Bekhor, Sunil Malhotra and Peter Johnson served as directors throughout the year. Sunil Malhotra resigned on 31 May 2016.

Directors' liability insurance and indemnities

The Company, Britmar (UK) Limited, purchased insurance against Directors' and Officers' liability as permitted by the Companies Act 2006 for the benefit of the directors and officers of its own company and all its subsidiaries.

Auditors

A resolution to re-appoint BDO LLP as the Company's auditors will be put to the forthcoming annual general meeting.

Post balance sheet event

Details of significant events since the balance sheet date are contained in note 26.

Directors' report

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' confirmation

Each person who is director at the time when this report is approved has confirmed that:

a. So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

b. Each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

By Order of the Board
Peter Johnson
Secretary
Date: 10 October 2017

Independent auditor's report to the members of Britmar (UK) Limited

We have audited the financial statements of Britmar (UK) Limited for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Matthew White (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
11 *October 2017*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	31 Dec 2016 $'000	31 Dec 2015 $'000
Revenue	5	7,574	15,157
Cost of sales (including in 2015 an impairment on vessels of $57,860k)	7	(10,329)	(78,431)
Gross loss		(2,755)	(63,274)
Other operating income	6	1,989	-
Gain on disposal of fixed assets	7	16,076	987
Administrative expenses	7	(4,294)	(4,648)
Operating profit / (loss)		11,016	(66,935)
Fair value of investments		345	258
Finance income	9	19	1,385
Finance expense	9	(1,719)	(2,857)
Profit / (loss) before income tax		9,661	(68,149)
Income tax expense	10	93	(52)
Profit / (loss) from continuing operations		9,754	(68,201)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange (gain) / loss on translation of foreign operations		(142)	33
Total comprehensive profit / (loss)		9,612	(68,168)

Consolidated statement of financial position as at 31 December 2016

	Note	31 Dec 2016 $'000	31 Dec 2015 $'000
Non-current assets			
Property, plant and equipment	11	22,520	61,051
Investments	12	102	–
		22,622	61,051
Current assets			
Inventories	14	450	1,605
Trade and other receivables	15	522	2,331
Other financial assets	17	8,916	8,837
Cash and cash equivalents	18	2,885	2,491
		12,773	15,264
Current liabilities			
Trade and other payables	19	4,353	3,974
Corporation tax liability – UK		55	45
Corporation tax liability – Overseas		69	70
Deferred tax liability		390	483
Loans and borrowings	20	22,027	72,457
Derivative financial instruments	16	–	397
		26,894	77,426
Net current liabilities		(14,121)	(62,162)
Net assets (liabilities)		8,501	(1,111)
Capital and reserves			
Share capital	21	18,251	18,251
Share premium		595	595
Retained earnings		(10,345)	(19,957)
Total equity		8,501	(1,111)

The financial statements on pages 8 to 40 were approved and authorised for issue by the Board of Directors on 10 October 2017 and were signed on its behalf by:

A R Bekhor
Chief Executive Officer

P G Johnson
Chief Financial Officer

Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital	Share premium	Retained profit	Foreign exchange reserve	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2016	18,251	595	(20,202)	245	(1,111)
Profit for the financial year	–	–	9,754	–	9,754
Other comprehensive income	–	–	–	(142)	(142)
Balance at 31 December 2016	18,251	595	(10,448)	103	8,501
Balance at 1 January 2015	18,251	595	47,999	212	67,057
Loss for the financial year	–	–	(68,201)	–	(68,149)
Other comprehensive income	–	–	–	33	33
Balance at 31 December 2015	18,251	595	(20,202)	245	(1,111)

Consolidated statement of cash flows for the year ended 31 December 2016

	Note	31 Dec 2016 $'000	31 Dec 2015 $'000
Operating activities			
Profit / (loss) before tax		9,661	(68,149)
Adjustments for:			
Depreciation of property, plant and equipment	7	2,559	8,052
Impairment loss		-	57,860
Gain on disposal of property, plant & equipment	7	(16,076)	(987)
Profit from joint venture	6	(102)	-
Finance income	9	(364)	(1,643)
Finance expense	9	1,719	2,857
Tonnage tax expense		28	47
Movements in provisions for impairment of trade receivables		(62)	(3,427)
		(2,637)	(5,390)
Changes in working capital:			
Decrease in inventories		1,155	1,623
Decrease in trade and other receivables		1,862	6,604
Increase / (decrease) in trade and other payables		1,106	(5,002)
		4,123	3,225
Interest received		19	14
Taxation paid		(20)	(72)
Net cash flows from / (used in) operating activities		**1,485**	**(2,223)**
Investing activities			
Proceeds from sale of property, plant and equipment		52,310	13,410
Purchase of property, plant and equipment		(262)	(1,154)
Receipt from disposal of financial assets		(954)	(3,378)
Net cash flows from investing activities		**51,094**	**8,878**
Financing activities			
Secured loans drawn down		1,450	-
Repayment of borrowings		(51,965)	(15,039)
Interest paid		(1,528)	(2,770)
Net cash flows used in financing activities		**(52,043)**	**(17,809)**
Net decrease in cash and cash equivalents		536	(11,154)
Cash and cash equivalents at beginning of year		2,491	13,612
Net foreign exchange differences		(142)	33
Cash and cash equivalents at end of year	18	**2,885**	**2,491**

Notes to the consolidated financial statements for the year ended 31 December 2016

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

1. Authorisation of financial statements and compliance with IFRSs

The consolidated financial statements of the Group for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 4 October 2017. The comparative results are the Group's financial statements for the year ended 31 December 2015. The Company, Britmar (UK) Limited, is incorporated in the United Kingdom under the Companies Act.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The consolidated financial statements of the Group have been prepared in accordance with IFRS, issued by the IASB as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in U.S. Dollars, being the functional currency of the Group.

The Group has prepared and reviewed forecasts based on which, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements. See Strategic report for further detail.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"), each made up to 31 December 2016.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2.3 Revenue

Revenues are recorded when services are rendered, the Group has a signed charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. The Group primarily generates revenues from the transportation of cargo and the time charter of vessels. Estimated losses on voyages are provided for in full at the time such losses become evident. Profitable voyages in progress at the year-end are accounted for on a percentage completion basis.

Notes to the consolidated financial statements for the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

2.3 Revenue (continued)

Deferred voyage or charter revenues relate to amounts received prior to being earned. These amounts are recognised as revenues over the related voyage or charter period and include both amounts received from charterers (see note 18).

The Group employs its vessels on time charters, for which it receives a fixed hire per day. The hire income is recognised on an accruals basis in line with the provision of the vessel to the charterer. Due allowance is made for off-hire when the vessel is unavailable to the charterer.

2.4 Foreign currency transactions and translation

Transactions and balances

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Group companies

On consolidation, the results of overseas operations are translated into U.S. Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised as a profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Notes to the consolidated financial statements for the year ended 31 December 2016

2.5 Property, plant and equipment

Property, plant and equipment, including vessels, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided to write off the cost of the asset, after allowing for an estimated residual value, over its estimated useful life.

For vessels, the expected useful life is 25 years from date of construction. Vessels are subject to a major service ("drydock") typically every 30 months. Drydocking costs are capitalised and written off to the profit and loss account on a straight line basis over the estimated period to the next drydock.

The expected useful life of freehold and long leasehold property is determined as the shorter of 50 years or to the expiry of the leasehold. The related fit-out costs are depreciated over 10 years. Fixtures and fittings in respect of rented offices are depreciated over the period to the expiry of the operating lease agreement.

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted as appropriate, at the end of each financial period.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

2.6 Financial instruments

i) Financial assets

<u>Initial recognition and measurement</u>

The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value.

The fair value of financial assets that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. An analysis of fair values of financial assets and further details as to how they are measured are provided in note 25.

Notes to the consolidated financial statements for the year ended 31 December 2016

2. **Summary of significant accounting policies** (continued)

2.6 **Financial instruments** (continued)

i) Financial assets (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

The Group enters into different types of derivatives to hedge specific aspects of the business. Forward freight agreements ("FFA") are used to hedge shipping costs, forward bunker agreements ("FBA") are used to hedge vessel fuel costs, interest rate swaps to hedge interest fluctuations on borrowings and foreign exchange contracts are used to hedge against fluctuations in foreign exchange rates.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Realised gains or losses on derivatives are recorded in when the contract settles and an actual difference arises between the contracted price and the settlement rate on the date that the contract settles. Realised gains on FFAs and FBAs are recognised in cost of sales in the consolidated income statement. Settlements on interest rate swaps are recognised in interest expense on loans in the consolidated income statement.

For clearing house derivatives any initial or variation margins called are shown within restricted cash.

Loans and receivables

Trade and other receivables which have fixed or determinable payments that are not quoted in active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest rate method (EIR), less impairment. Interest is recognised by applying the EIR method, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the consolidated financial statements for the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

ii) Financial liabilities (continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Gains or losses on liabilities held for trading are recognised in the income statement.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.7 Debt issuance costs

The cost incurred in raising debt finance is capitalised and deducted from the corresponding debt and written off over the life of the debt.

2.8 Inventories

Inventories comprise bunker fuel, lubricating oil, stock under bond and food provisions, all of which are located on board of the vessels. Inventories are stated at the lower of cost and net realisable value on a first-in-first-out basis. In arriving at the net realisable value, due allowance is made for obsolescence based on a review of the age and usage of inventories.

2.9 Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at banks and at hand and short term deposits with an original maturity of three months or less. For the purpose of presentation in the statement of cash flows, cash and cash equivalents include deposits with financial institutions which are subject to an insignificant risk of change in value, and restricted cash.

Cash held by clearing houses in respect of initial or variation margins for derivatives, and where loan interest payable is retained each month, is shown within restricted cash.

Notes to the consolidated financial statements for the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

2.10 Deferred revenue

Deferred revenue relates to billings made to or payments received from customers for services which have yet to be rendered.

2.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the financial period.

Britmar (UK) Limited and all but three of its subsidiaries are resident in the United Kingdom; two being a tax resident in India and the third in Singapore.

The Group has entered the U.K. tonnage tax regime under which its ship owning activities are taxed based on the net tonnage of vessels operated. Under IFRS, tonnage tax is specifically excluded from the income tax expense and is shown here within administrative expenses. Any income and profits outside the tonnage tax regime are taxed under the normal UK corporation tax rules.

The two Indian subsidiaries are taxed under the normal Indian corporation tax rules.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each financial period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period. Deferred tax is charged or credited to the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes to the consolidated financial statements for the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

2.12 Leases

Operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.13 Employee benefit costs

Defined contribution plan

Contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income in the same financial period as the employment that gives rise to the contributions.

2.14 Operating segment

The Group only report one operating segment internally to management. As such, there is no additional segmental analysis requiring disclosure in the accounts.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management made judgments, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments made in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there are no critical judgments involved that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Management is of the opinion that there are no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and reported amounts of revenue and expenses within the next financial year, except as discussed below.

Notes to the consolidated financial statements for the year ended 31 December 2016

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

Allowance for trade receivables

Management establishes allowance for trade receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur, whether due to disputes, inability to pay or age. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of customers were to deteriorate, resulting in impairment of their ability to make the required payments, additional allowances may be required. The carrying amounts of the Group's trade receivables as at 31 December 2016 were $349k (31 Dec 2015: $291k).

Vessel depreciation and useful lives

Management review the estimated useful lives, residual values and depreciation method applied to vessels at the end of each financial period. The useful lives of vessels are not changed unless there is a change in the intended period of ownership of the vessel. Residual values are updated at the end of each financial period to reflect the current scrapping prices for steel as quoted in an active market. The depreciation method is on a straight line basis reflecting the consistent usage of each vessel during the course of each year. Management would only consider changing the method of depreciation where the pattern of vessel usage was determined to have changed.

Impairment analysis

Management review the vessels for impairment at the end of each financial period on a fleet basis, as the vessels are operated as interchangeable in accordance with the charter party or contract of affreightment. Impairment of the fleet of vessels is identified where the fleet carrying amount exceeds the recoverable amount, which is determined by the value in use for the fleet. A cash flow projection is prepared for the fleet, with future revenue rates determined based on average historic hire rates over the shipping market cycle. Operating costs per vessel are based on the current actual costs with consideration for the timing of any dry dock maintenance on the vessel. The projection of cash flows related to vessels is complex and requires use of various estimates including future day rates, vessel utilisation and discount rates.

4. Accounting standards issued but not yet effective

(a) New standards, interpretation and amendments effective 1 January 2016

There were no new standards or interpretations effective for first time adoption for periods beginning on or after 1 January 2016. None of the amendments to Standards that are effective from that date had a significant effect on the Group's financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2016

4. Accounting standards issued but not yet effective (continued)

(b) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards, interpretations and amendments issued by the IASB and IFRS Interpretations Committee, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. These are:

	Effective period commencing on or after
New standards	
IFRS 15 – Revenue from Contracts with Customers*	1 January 2018
IFRS 9 – Financial Instruments*	1 January 2018
IFRS 16 – Leases*	1 January 2019
Amendments to existing standards	
IAS 12 Amendment* – *Recognition of deferred tax assets for* unrealised losses	1 January 2017
IAS 7 Amendment* - Disclosure initiative	1 January 2017

* Not yet endorsed by the European Union

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statement of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of the financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

5. Revenue

	31 Dec 2016 $'000	31 Dec 2015 $'000
Charter hire income	7,574	15,157
	7,574	15,157

6. Other operating income

	31 Dec 2016 $'000	31 Dec 2015 $'000
Management Fees	1,887	-
Profit from joint venture	102	-
	1,989	-

Notes to the consolidated financial statements for the year ended 31 December 2016

7. Expenses by nature

	31 Dec 2016 $'000	31 Dec 2015 $'000
Bunker inventory expense	320	1,388
Port costs	-	24
Brokers commission expense	360	793
Insurance costs and settlements	838	1,540
Consumption of lubricating oil	505	739
Gain on disposal of vessel	(16,076)	(987)
Depreciation of property, plant and equipment	2,559	8,052
Impairment loss	-	57,860
Repairs and maintenance on vessels	1,187	1,841
Employee costs (note 8)	2,946	5,230
Other vessel crew costs	2,243	3,114
Operating lease expense – property	200	335
Impairment loss on trade receivables (note 15)	(2)	(289)
Fees paid to legal and professional advisors	762	532
Fees paid to Group's auditor – audit of Group and subsidiary accounts	105	108
Fees paid to Group's auditor – taxation services	54	92
Tonnage tax expense	28	47
Foreign exchange (gains)/losses	124	82
Other costs	2,394	1,591
Total cost of sales and administrative expenses	(1,453)	82,092

8. Employee costs

Employee costs

	31 Dec 2016 $'000	31 Dec 2015 $'000
Wages and salaries	2,781	4,832
Social security costs	148	331
Other pension costs	17	67
	2,946	5,230

Notes to the consolidated financial statements for the year ended 31 December 2016

8. Employee costs (continued)

Employee numbers

The average monthly number of employees during the year was made up as follows:

	31 Dec 2016 Number	31 Dec 2015 Number
Administrative	21	23
Operations	106	144
	127	167

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 1.

	31 Dec 2016 $'000	31 Dec 2015 $'000
Salaries	179	728
Company contribution to money purchase pension scheme	6	83
	185	811

Remuneration for the highest paid director, excluding pension contributions, was $111k (31 December 2015: $306k). Pension contributions in respect of the highest paid director are $6k (31 December 2015: $11k).

During the year, there was 1 director (2015: 3) accruing pension benefits under the Group's money purchase pension scheme.

9. Finance income and expense

Finance income	31 Dec 2016 $'000	31 Dec 2015 $'000
Interest received on bank accounts	19	14
Net gain on financial assets and liabilities held for trading	-	1,371
Total finance income	19	1,385

Notes to the consolidated financial statements for the year ended 31 December 2016

9. Finance income and expense (continued)

Finance expense	31 Dec 2016 $'000	31 Dec 2015 $'000
Interest expense on bank loans	1,294	2,221
Interest rate swap loss on settlement	234	549
Deferred finance expense	85	87
Net loss on financial assets and liabilities held for trading	106	-
Total finance expense	1,719	2,857
Net finance expense recognised in profit or loss	(1,700)	(1,472)

10. Tax expense

The Group has entered the U.K. tonnage tax regime under which its ship owning activities are taxed based on the net tonnage of vessels operated. Any income and profits outside the tonnage tax regime are taxed under the normal UK corporation tax rules.

	31 Dec 2016 $'000	31 Dec 2015 $'000
Current tax on profits for the year	–	–
Adjustment for under provision in prior periods	–	–
	–	–
Origination of deferred tax on temporary differences	(93)	52
Adjustments in respect of prior periods	–	–
	(93)	52
Total tax expense / (credit)	(93)	52

The standard rate of corporation tax in the UK for the year ended 31 December 2016 was 20% (31 Dec 2015: 20.25%). The effective rate of tax is lower than the standard rate of corporation tax in the UK.

Notes to the consolidated financial statements for the year ended 31 December 2016

10. Tax expense (continued)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	31 Dec 2016 $'000	31 Dec 2015 $'000
Loss for the year before income tax	9,661	(68,149)
Tax charge based on the standard rate of corporation tax in the UK at the domestic rate of 20% (2015: 20.25%)	1,932	(13,800)
Profits / losses attributable to tonnage tax	(12,580)	12,805
(Loss offset) / unutilised tax losses	(185)	465
Transfer pricing adjustments	390	898
Non-taxable income	(709)	(267)
Effect of change in tax rate	(72)	(55)
Expenses not deductible for tax purposes	11,131	6
	(93)	52

The Group has cumulative tax losses of $34.1m (31 December 2015: $39.6m). No deferred tax has been recognised on these losses owing to uncertainty over future use.

11. Property, plant and equipment

	Vessels *$'000*	*Dry docking costs* *$'000*	*Office property* *$'000*	*Office equipment* *$'000*	*Total* *$'000*
Cost					
At 1 January 2016	150,114	3,458	7,552	600	161,724
Additions	–	254	–	8	262
Disposals	(124,569)	(2,828)	–	(8)	(127,405)
At 31 December 2016	25,545	884	7,552	600	34,581
Depreciation					
At 1 January 2016	98,428	1,675	75	495	100,673
Charge for the year	1,727	790	13	29	2,559
Disposals	(89,339)	(1,826)	–	(6)	(91,171)
At 31 December 2016	10,816	639	88	518	12,061
Net book value					
At 31 December 2016	14,729	245	7,464	82	22,520

Notes to the consolidated financial statements for the year ended 31 December 2016

11. Property, plant and equipment (continued)

	Vessels $'000	Dry docking costs $'000	Office property $'000	Office equipment $'000	Total $'000
Cost					
At 1 January 2015	166,632	4,356	7,552	720	179,260
Additions	–	1,149	–	5	1,154
Disposals	(16,518)	(2,047)	–	(125)	(18,690)
At 31 December 2015	150,114	3,458	7,552	600	161,724
Depreciation					
At 1 January 2015	38,881	1,516	62	569	41,028
Impairment loss	57,860	–	–	–	57,860
Charge for the year	6,397	1,591	13	51	8,052
Disposals	(4,710)	(1,432)	–	(125)	(6,267)
At 31 December 2015	98,428	1,675	75	495	100,673
Net book value					
At 31 December 2015	51,686	1,783	7,477	105	61,051

Details of the Group's owned vessels at 31 December 2016 are as follows:

Vessel Name	dwt	Year built
Aquitania	55,932	2006
Clementine (disposed 6 February 2017)	50,248	2004

Bank borrowings are secured on vessels held by the Group.

12. Investments

	31 Dec 2016 $'000	31 Dec 2015 $'000
RB British Marine joint venture	102	-
	102	-

Notes to the consolidated financial statements for the year ended 31 December 2016

13. Subsidiaries

The principal subsidiaries of Britmar (UK) Limited, all of which have been included in these consolidated financial statements, are as follows:

Name	Nature of business	Country of incorporation	Ownership proportion
Directly Held			
British Marine Corporation	Holding company	Marshall Islands	100%
Britmar Management Limited*	Dormant	United Kingdom	100%
Indirectly Held			
British Marine Limited**	Shipping company	United Kingdom	100%
Trademar Limited	Investment company	United Kingdom	100%
Anglia Maritime Limited	Ship owning	United Kingdom	100%
Pride Shipping Limited	Dormant	United Kingdom	100%
Gloriana Limited	Ship owning	United Kingdom	100%
Flagships Limited	Ship owning	United Kingdom	100%
Volumnia Shipping Limited	Ship owning	United Kingdom	100%
Excalibur Shipping Limited	Ship owning	United Kingdom	100%
Diamond Jubilee Limited	Ship owning	United Kingdom	100%
Clemship Holdings Limited	Holdings company	United Kingdom	100%
Jubilee Ship Holdings Limited	Ship owning	United Kingdom	100%
RB British Marine (India) Pvt Ltd	Service company	India	99.99%***
Clementine Shipping Limited	Ship lessor****	United Kingdom	100%
Gwendolen Shipping Limited	Dormant	United Kingdom	100%

* Name changed from Britmar Environmental Limited on 29 June 2016.

** Name changed from British Marine plc on 17 Nov 2015.

*** One share is held by Mr A. Bekhor as nominee for the beneficial owner being the Company.

**** A Group finance lease arrangement is held between subsidiaries; Clementine Shipping Limited as lessor and Anglia Maritime Limited as lessee in respect of M.V. Clementine.

The ultimate controlling party of the group is Alan Bekhor.

14. Inventories

Inventories, at cost	31 Dec 2016 $'000	31 Dec 2015 $'000
Bunkers	262	893
Lubricating oil	180	642
Food provisions	6	52
Stock under bond	2	18
	450	1,605

Notes to the consolidated financial statements for the year ended 31 December 2016

15. Trade and other receivables

	31 Dec 2016 $'000	31 Dec 2015 $'000
Trade receivables – third parties	757	762
Less: provision for impairment of trade receivables	(408)	(471)
Net trade receivables	349	291
Amount due from related parties	-	1,197
Prepayments	39	317
Other receivables	134	526
Total trade and other receivables	522	2,331

The trade amounts owing by third parties are non-interest bearing, repayable within the normal trade credit term of 15 days for charter hire invoicing.

Accrued income is comprised of receivables where the service has been delivered, the revenue has been recognised, but the invoice has not yet been raised. There was no accrued income at the year end 31 December 2016 (2015: nil).

The movement in the provision for impairment of trade receivables is as follows:

	31 Dec 2016 $'000	31 Dec 2015 $'000
Balance at beginning of the year	471	4,186
Provided for during the year	96	351
Receivables written off against impairment	(159)	(3,426)
Unused amounts reversed	-	(640)
Balance at the end of the year	408	471

The movement on the provision for impaired receivables is included within administrative expenses in the consolidated statement of comprehensive income. Other classes of financial assets included within trade and other receivables do not contain impaired assets.

Notes to the consolidated financial statements for the year ended 31 December 2016

15. Trade and other receivables (continued)

The age analysis of trade receivables which are not impaired is as follows:

	31 Dec 2016 $'000	31 Dec 2015 $'000
Trade receivables not yet due	205	83
Trade receivables past due:		
Less than 30 days	-	19
30 to 60 days	100	3
61 to 90 days	6	26
91 to 120 days	3	2
More than 120 days	35	3
	349	136

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

16. Derivative financial instruments

The Group does not have any derivatives designated as hedging instruments.

Derivative financial liabilities

	31 Dec 2016 $'000	31 Dec 2015 $'000
Interest rate swaps	-	397
Total derivative financial liabilities	-	397
Less: non-current portion		
Interest rate swaps	-	-
Current portion	-	397
Derivative financial liability	-	(397)

Notes to the consolidated financial statements for the year ended 31 December 2016

16. Derivative financial instruments (continued)

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract. An analysis of derivative financial instruments' maturity is as follows:

	31 Dec 2016	31 Dec 2015
	$'000	$'000
Net asset / (liability) maturities:		
Within 6 months	–	(253)
6 to12 months	–	(144)
1 to 2 years	–	–
2 to 5 years	–	–
More than 5 years	–	–
	–	(397)

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

Interest rate swaps

The interest rate swap held by the group matured on 1 July 2016.

The Group's net realised loss from interest rate swaps, net of commissions, amounted to $0.4m for the year ended 31 Dec 2016 (31 Dec 2015: Loss $0.5m).

17. Other financial assets

	31 Dec 2016	31 Dec 2015
	$'000	$'000
Listed investments	4,574	4,634
Other investments	4,342	4,203
	8,916	8,837

Other financial assets are held for trading as part of a managed portfolio. Listed investments comprise of various instruments including bonds, equities, and other structured products. Other investments comprise of unlisted instruments within the portfolio.

18. Cash and cash equivalents

	31 Dec 2016	31 Dec 2015
	$'000	$'000
Cash at bank	2,821	1,585
Restricted cash	64	906
	2,885	2,491

Restricted cash comprises of cash held by clearing houses in respect of initial or variation margins for derivatives, and cash retained per month for loan interest payable.

Notes to the consolidated financial statements for the year ended 31 December 2016

19. Trade and other payables

	31 Dec 2016 $'000	31 Dec 2015 $'000
Trade payables – third parties	1,217	1,816
Payables due to related parties	2,016	–
Other payables	863	1,004
Accruals	257	984
Total financial liabilities excluding loans and borrowings	4,353	3,804
Deferred income	–	170
Total trade and other payables	4,353	3,974

The trade amounts owing to third parties are non-interest bearing and repayable within the normal trade credit terms of 15 days for charter hire payables and 30 days for bunker payables.

20. Loans and borrowings

Bank borrowings	31 Dec 2016 $'000	31 Dec 2015 $'000
Credit Suisse loan	–	46,086
Commerzbank	9,750	15,630
DVB loan - A	8,694	8,694
DVB loan – B,C	2,333	2,132
Britmar Limited	1,250	–
Deferred financing costs	–	(85)
	22,027	72,457
Current loans and borrowings	22,027	72,457
Non-current loans and borrowings	–	–
Total bank borrowings	22,027	72,457

The principal features of the group's borrowings are as follows:

Commerzbank

The credit facility with Commerzbank is secured by the vessel M.V. Aquitania and is due for final repayment on 24 May 2019. The facility consists of three term loans: Senior Loan $6.0m facility, Junior Loan I $2.75m facility and Junior Loan II $1.0m facility.

During the year, the vessel M.V. Aquitania was sold from Flagships Limited to Jubilee Ship Holdings Limited, another company within the group structure. As part of this sale, the loan was restructured and Commerzbank agreed to a partial loan write off of $5.88m.

Notes to the consolidated financial statements for the year ended 31 December 2016

20. Loans and borrowings (continued)

DVB

The loan facility is secured by first priority mortgages over the Clementine vessel and the corporate guarantee of the Company. The facility consists of three term loans: Tranche A $39m facility, Tranche B $6.2m facility and Tranche C $6.2m facility.

In April 2016 it was agreed to transfer the ownership of the vessel to a new entity, Clemship Holdings Limited, a new company within the Britmar UK Limited group. Under the terms of this deal, British Marine Limited was fully released from its guarantee. After agreements with DVB bank, the vessel was sold in February 2017 and the company released from its corresponding loan liability.

Britmar Limited

The credit facility with Britmar Limited is secured by the vessel M.V. Aquitania and is due for repayment on 24 May 2019. The facility consists of one term loan of $1.25m. The purpose of the loan is to be used to meet operational expenses, interest payments, dry docking and dry docking related costs in respect of the ship.

All loans are in US Dollars. The maturity profile of the bank borrowings is demonstrated in note 23.4 of the financial statements.

21. Share capital

Authorised, issued and fully paid	31 Dec 2016 Number	31 Dec 2016 $'000	31 Dec 2015 Number	31 Dec 2015 $'000
Deferred shares of £1 each	12,288,998	18,250	12,288,998	18,250
Ordinary "B" shares of $0.0001 each	12,694,119	1	12,694,119	1
Ordinary "C" shares of $0.0001 each	2,025,655	–	2,025,655	–
	27,008,772	18,251	27,008,772	18,251

The deferred shares have no voting rights and minimal economic rights attached to them. The ordinary shares have full voting and economic rights in accordance with the percentage of shares held.

As regards capital, on liquidation or winding up of the Company any surplus assets are distributed amongst the ordinary shareholders in the following order of priority as follows:

a) repayment of capital to the ordinary shareholders;
b) 99.9% of the excess value up to the threshold value (being $21,354,447 at 31 January 2004 as increased by 5% compound per annum on each subsequent 31 January) is returned the 'A' shareholders with the balance of 0.1% being divided pro-rata to the 'B' shares;
c) any remaining value is divided pro-rata to the number of shares held by all of the ordinary shareholders.

Notes to the consolidated financial statements for the year ended 31 December 2016

22. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into U.S. Dollars.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

23. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has obligations under operating leases for its rented offices in London and Singapore. The Singapore office rental agreement was renewed on 4 April 2014, with a fixed rental rate until the end of the lease term in May 2017. The London office lease expires on 20 December 2022. The rental rate is subject to review each five years.

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing.

Operating lease commitments – Group as lessee (continued)

As at the financial year end, there were future minimum lease payments under non-cancellable operating lease commitments for rental of offices as follows:

	31 Dec 2016	31 Dec 2015
	$'000	$'000
Within one year	439	494
After one year but not more than five years	1,999	2,038
Due in more than 5 years	-	400
	2,438	2,932

Contingent liabilities

The Group is involved in various disputes and arbitration proceedings arising in the ordinary course of business. Provisions are recognised in the consolidated financial statements for all such proceedings where the Group believes that a liability is probable, and for which the amounts are reasonably estimable, based upon facts known at the date the consolidated financial statements were prepared. In the opinion of management, the ultimate disposition of all these matters is immaterial and will not adversely affect the Group's consolidated financial position, results of operations or liquidity.

The Group, in the normal course of business, has entered into contracts to time charter-in and to time charter-out vessels for future periods, as well as Contracts of Affreightment (COAs"), related bunker costs and other voyage commitments.

Notes to the consolidated financial statements for the year ended 31 December 2016

24. Related party transactions

The Group had transactions in the ordinary course of business with related parties during the year ended 31 December 2016.

	31 Dec 2016 $'000	31 Dec 2015 $'000
Related parties		
Invoices paid by related parties	523	64
Recharge of office overheads	465	–
Cash received from related parties	(5,779)	707
Group settlement of related party balances	1,578	3,010
Net transactions with related parties during the year	(3,213)	3,781
Amounts owed by related parties at 31 December	–	1,197
Amounts owed to related parties at 31 December	2,016	–

Related parties – companies under common control

Transactions with companies under common control during the year include the following companies:

Auckland Shipping Limited, incorporated in the United Kingdom
Britmar Limited, incorporated in the United Kingdom
Britmar (Asia) Pte Ltd, incorporated in Singapore
British Marine (Asia) Pte Limited, incorporated in Singapore
RB British Marine Limited, incorporated in the United Kingdom

RB British Marine Limited is a JV the Company entered into with a 50% interest, providing commercial and technical ship management to vessels owned by the shareholders and third parties.

Balances outstanding with the related parties are unsecured, interest free, and repayable on demand.

25. Financial instruments, financial risks and capital risk management

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings for which the main purpose of these financial liabilities was to fund the acquisition of vessels and finance the Group's operations.

The Group has trade and other payables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group also enters into derivative transactions, such as Forward Freight Agreements and Forward Bunker Agreements to hedge shipping costs and vessel fuel costs, respectively. In addition, Interest Rate Swaps are utilised to manage the exposure to interest rate variability. The Group does not adopt hedge accounting and all gains or losses arising from forward contracts have been recognised in the statements of comprehensive income.

Notes to the consolidated financial statements for the year ended 31 December 2016

25. Financial instruments, financial risks and capital risk management (continued)

A summary of financial instruments held by category is provided below.

Financial assets	Financial assets at fair value through profit or loss 31 Dec 2016 $'000	Financial assets at fair value through profit or loss 31 Dec 2015 $'000	Loans and receivables 31 Dec 2016 $'000	Loans and receivables 31 Dec 2015 $'000
Trade and other receivables	–	–	522	2,331
Other financial assets	8,916	8,837	-	-
Cash and cash equivalents	–	–	2,885	2,491
	8,916	8,837	3,407	4,822

Financial liabilities	Financial liabilities at fair value through profit or loss 31 Dec 2016 $'000	Financial liabilities at fair value through profit or loss 31 Dec 2015 $'000	Financial liabilities at amortised cost 31 Dec 2016 $'000	Financial liabilities at amortised cost 31 Dec 2015 $'000
Trade and other payables	–	–	4,353	3,804
Loans and borrowings	–	–	22,027	72,457
Derivative financial instruments	–	397	-	-
Other financial liabilities	–	–	-	-
	–	397	26,380	76,261

The Group's activities expose it to market risks (including foreign currency risk), credit risks and liquidity risks.

The Board of Directors is responsible for reviewing and agreeing policies for managing these financial risks. Overall, the Group's risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

There has been no change to the Group's exposure to these financial risks and the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

Notes to the consolidated financial statements for the year ended 31 December 2016

25. Financial instruments, financial risks and capital risk management (continued)

25.1 Credit risk

Credit risk refers to the risk that counterparty will not meet its contractual obligations resulting in a loss to the Group. The Group performs ongoing credit evaluation of its counterparties' financial condition and does not hold collateral as security.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

The Group's major classes of financial assets are bank balances, restricted cash, derivative financial instrument, and trade and other receivables.

Bank balances and restricted cash are deposits held with banks with high credit-ratings assigned by international credit rating agencies. Contracts for derivative financial instruments are performed through clearing houses.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The age analysis of trade receivables which are not impaired is provided within note 15.

The Group's trade receivables that are impaired at the end of financial year and the movement of the allowance accounts used to record the impairment are as follows:

	Note	31 Dec 2016 $'000	31 Dec 2015 $'000
Trade receivables – nominal amounts		438	492
Less: Allowance for impairment	15	(408)	(471)
		30	21

25.2 Interest rate risk

The Group is exposed to cash flow interest rate risk on bank borrowings which is subject to fluctuating interest rates. The Group enters into interest rate swap agreements to manage the exposure to interest rate variability to lock in future interest rates payments on its variable loans.

Notes to the consolidated financial statements for the year ended 31 December 2016

25. Financial instruments, financial risks and capital risk management (continued)

25.3 Foreign exchange risk

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the Group. All revenue and expenditure transactions within the vessel operating business are performed in U.S. Dollars. In addition, all loans and borrowings are in U.S. Dollars. Some maintenance of the vessels is in currencies other than U.S. Dollars, in addition to the office overheads in the United Kingdom and India being in local currencies. These transactions form an insignificant part of the Group's operations and hence foreign currency risk is considered to be an immaterial risk to the Group.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of financial year are as follows.

Monetary assets	31 Dec 2016	31 Dec 2015
	$'000	$'000
Sterling	663	836
Singapore dollars	-	1
Euro	3	20
Indian rupees	82	155
Australian dollars	-	19
Japanese yen	-	22

The Group also has foreign currency exposure in respect of its Indian operations where the functional currency is Indian rupees. Movements in the exchange rate of Indian rupees to U.S. Dollars results in exchange differences on translation of the financial statements to Group's functional currency. These exchange differences are reported in the Group consolidated statement of changes in equity.

Notes to the consolidated financial statements for the year ended 31 December 2016

25. Financial instruments, financial risks and capital risk management (continued)

25.4 Liquidity risks

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The liquidity risk of each entity within the Group is managed centrally by the group treasury function.

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its loans and borrowings. Liquidity risk also arises from derivative contracts entered into through clearing houses, where margin calls may be required.

Management regularly monitor the liquidity of the Group and manage the exposure to liquidity risk by maintaining significant free cash, which far exceeds the bank covenant requirements.

The following table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

At 31 December 2016	Within 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Trade and other payables	4,353	-	-	-	4,353
Interest bearing loans and borrowings	22,027	-	-	-	22,027
Derivative financial liabilities	-	-	-	-	-
	26,380	-	-	-	26,380

At 31 December 2015	Within 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Trade and other payables	3,804	-	-	-	3,804
Interest bearing loans and borrowings	72,457	-	-	-	72,457
Derivative financial liabilities	253	144	-	-	397
	76,514	144	-	-	76,658

Notes to the consolidated financial statements for the year ended 31 December 2016

25. Financial instruments, financial risks and capital risk management (continued)

25.5 Capital risk management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's capital risk management policies and objectives are consistent with the prior year.

The capital structure of the Group consists of issued share capital and retained earnings.

The gearing ratio is calculated as long term liabilities divided by the sum of total liabilities and equity.

	Note	31 Dec 2016 $'000	31 Dec 2015 $'000
Non-current liabilities	15,20	-	-
Total liabilities		26,894	77,426
Equity		8,501	(1,111)
Total liabilities and equity		35,395	76,315
Gearing ratio		0%	0%

25.6 Fair value of financial assets and financial liabilities

The fair value of a financial instrument is the amount of which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The fair values of the Group's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2016 are set out below:

	Fair value			Carrying value
	Level 1	Level 2	Total	Total
Financial assets:				
Listed investments	4,574	–	4,574	4,574
Other investments	–	4,342	4,342	4,342
Financial liabilities:				
Interest bearing loans and borrowings	–	22,027	22,027	22,027
Interest rate swaps	–	–	–	–

Notes to the consolidated financial statements for the year ended 31 December 2016

25. Financial instruments, financial risks and capital risk management (continued)

25.6 Fair value of financial assets and financial liabilities (continued)

The carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2015 are set out below:

			Fair value	Carrying value
	Level 1	Level 2	Total	Total
Financial assets:				
Listed investments	4,634	–	4,634	4,634
Other investments	–	4,203	4,203	4,203
Financial liabilities:				
Interest bearing loans and borrowings	–	72,457	72,457	72,457
Interest rate swaps	–	397	397	397

The carrying amount of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their respective fair values due to the relative short term maturity of these financial instruments.

26. Post balance sheet events

Since the end of 2016, one of the two Group vessels remaining was sold in February 2017 and the Group has been released from the corresponding loan liability.

27. Ultimate parent undertaking

The Company is the ultimate holding company and the parent undertaking of the Group.

28. Ultimate controlling party

Mr Alan Bekhor is the ultimate controlling party of the Company and the Group.

Company balance sheet at 31 December 2016

The Company has prepared a balance sheet under FRS 101.

	Note	31 Dec 2016 $'000	31 Dec 2015 $'000
Fixed assets			
Tangible assets		4	5
Investments	b	802	700
		806	705
Current assets			
Debtors due within one year	c	4,989	2,640
Current asset investments	d	8,050	7,886
Cash at bank and in hand	e	1,348	750
		14,387	11,276
Creditors: amounts falling due within one year	f	(3,965)	(658)
Net current assets		10,422	10,618
Net assets		11,228	11,323
Capital and reserves			
Called up share capital	g	18,251	18,251
Profit and loss account		(7,023)	(6,928)
Shareholders' funds		11,228	11,323

The financial statements on pages 41 to 45 were approved and authorised for issue by the Board of Directors on 10 October 2017 and were signed on its behalf by:

A R Bekhor
Chief Executive Officer

P G Johnson
Chief Financial Officer

Company statement of changes in equity at 31 December 2016

	Share capital	Retained earnings	Total
	$'000	$'000	$'000
Balance at 1 January 2016	18,251	(6,928)	11,323
Loss for the financial year (includes investment impairment of $39,551K)	–	(95)	(95)
Balance at 31 December 2016	18,251	(7,023)	11,228
Balance at 1 January 2015	18,251	32,327	50,578
Loss for the financial year	–	(39,255)	(39,255)
Balance at 31 December 2015	18,251	(6,928)	11,323

Notes to the Company financial statements for the year ended 31 December 2016

a. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* and Financial *Reporting Standard 101 Reduced Disclosure Framework*. The principal accounting policies adopted in the preparation of the financial statements are set out in note 2 of the consolidated financial statements.

The financial statements have been prepared under the historical cost basis, except for derivative financial instruments that have been measured at fair value. The financial statements are stated in U.S. Dollars, being the functional and presentational currency of the Company.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Britmar UK Limited.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Impairment of assets.

Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the company's directors to exercise judgment in applying the company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3 of the consolidated financial statements.

b. Investments in subsidiaries

	31 Dec 2016 $'000	*31 Dec 2015 $'000*
Shares in subsidiary companies at carrying value		
At 1 January	700	40,251
Impairment	-	(39,551)
Increase (decrease) in investment	102	-
At 31 December	802	700

Notes to the Company financial statements for the year ended 31 December 2016

b. Investments in subsidiaries (continued)

The following companies were directly held subsidiaries during the period. All the companies are registered in England, except British Marine (India) Private Limited which is registered in India.

Name	Percentage shareholding (Ordinary Shares)	Principal Activity
Directly Held		
British Marine Corporation	100%	Holding Company
Britmar Management Limited*	100%	Dormant
RB British Marine	50%	Joint Venture
Indirectly Held		
British Marine Limited**	100%	Shipping Company
Trademar Limited	100%	Investment Company
Anglia Maritime Limited	100%	Shipowner
Clemship Holdings Limited	100%	Holding Company
Pride Shipping Limited	100%	Shipowner
Gloriana Limited	100%	Shipowner
Flagships Limited	100%	Shipowner
Volumnia Shipping Limited	100%	Shipowner
Excalibur Shipping Limited	100%	Shipowner
Diamond Jubilee Limited	100%	Shipowner
Jubilee Ship Holdings Limited	100%	Shipowner
British Marine (India) Pvt Limited***	99.99%	Service Company
Clementine Shipping Limited****	100%	Ship Lessor
Gwendolen Shipping Limited	100%	Dormant

* Name changed from Britmar Environmental Limited on 29 June 2016.

** Name changed from British Marine plc on 17 Nov 2015.

*** One share is held by Mr A. Bekhor as nominee for the beneficial owner being the Company.

****A Group finance lease arrangement is held between subsidiaries; Clementine Shipping Limited as lessor and Anglia Maritime Limited as lessee in respect of M.V. Clementine.

The ultimate controlling party of the group is Alan Bekhor.

c. Debtors

	31 Dec 2016 $'000	*31 Dec 2015 $'000*
Trade debtors	109	-
Amounts due from related undertakings	-	1,236
Amounts due from subsidiary undertakings	4,876	1,269
Other debtors and prepayments	4	135
	4,989	2,640

The Company provides financing to its subsidiaries, whereby the loans provided are unsecured, interest free and repayable on demand.

Notes to the Company financial statements for the year ended 31 December 2016

d. Current asset investments

	31 Dec 2016 $'000	31 Dec 2015 $'000
Listed investments	4,342	3,683
Other investments	3,708	4,203
	8,050	7,886

Monies have been placed in an investment fund, whereby other investments comprise of unlisted instruments within the fund. Listed investments comprise of various instruments including bonds, equities, and other structured products.

e. Cash at bank and in hand

	31 Dec 2065 $'000	31 Dec 2015 $'000
Cash at bank	1,348	750

f. Creditors: amounts falling due within one year

	31 Dec 2016 $'000	31 Dec 2015 $'000
Trade creditors	6	34
Amounts due to related company	3,375	-
Deferred tax liability	390	483
Other creditors	194	141
	3,965	658

g. Issued share capital

	31 Dec 2016 $'000	31 Dec 2015 $'000
Allotted, called up and fully paid		
12,288,998 Class "A" deferred shares of £1 each	18,250	18,250
12,694,119 Class "B" ordinary shares of $0.0001 each	1	1
2,025,655 Class "C" ordinary shares of $0.0001 each	–	–
	18,251	18,251

Details are set out in note 21 of the consolidated financial statements.