

Britmar (UK) Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2017

Company Registered No. 06225520

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Directors Alan Bekhor
 Joseph Bekhor (Appointed 24 April 2018)

Independent auditors BDO LLP
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Group strategic report

The strategic report has been prepared for the Group 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") as part of its risk management procedures.

Additionally the Group has placed funds with investment managers comprising various instruments including bonds, equities, and other structured products.

Business review

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

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Revenue	7,021	7,574
Profit on disposal of fixed assets	710	16,076
Total operating profit / (loss)	11,577	11,016
Profit / (loss) after tax	11,503	9,754
Gearing	32%	33%

The Group made a profit for the year, after taxation, of \$11,503k (31 Dec 2016: profit of \$9,754k).

The fleet reduced from two to one vessel with the disposal of MV Clementine in February 2017.

During the year, the Group achieved a settlement on a long running litigation for which \$5,400k has been recorded. Additionally, the Group recognised a gain on sale of a subsidiary of \$3,319k and recorded a gain in forgiveness of related party debt of \$2,857k. These gains have been recorded in other income on the statement of comprehensive income.

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 variety of industrial and trading projects in many different parts of the world with a focus on dry commodities and shipping. The Group aims to invest in projects that create synergies between one another and suit the existing business streams of the Group.

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. The Group enlists the services of internationally recognised and well-known expert investment managers who invests funds on behalf of the Group.

Group strategic report

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 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 \$4.7m of cash and cash equivalents at 31 December 2017 (31 December 2016: \$2.9m). 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.

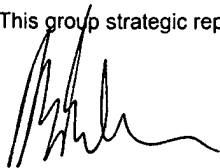
Compliance risk

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.

Approval

This group strategic report was approved by order of the Board on 21 December 2018.



By order of the Board
A R Bekhor
Director

Directors' report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2017. The comparative results, as presented in the Group financial statements, are the financial statements for the year ended 31 December 2016.

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 \$11,581k for the year (31 Dec 2016: profit \$9,661k). The directors do not recommend the payment of a dividend for the year (31 Dec 2016: \$Nil).

Going concern

In February 2017 the Group sold one of its remaining two vessels and was released from the corresponding loan liabilities.

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 served as director throughout the year. Peter Johnson served during the year until he resigned on 20 December 2017.

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.

Directors' report

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' 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 group and company 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 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 accounting 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;
- 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
AR Bekhor
Director
Date: 21 December 2018

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

Opinion

We have audited the financial statements of Britmar (UK) Limited ("the Company") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

Use of our report

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.

BDO LLP

Matt Crane (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

21st December 2018

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 2017**

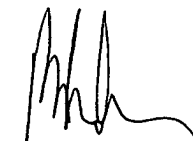
	Note	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue	5	7,021	7,574
Cost of sales	7	(1,769)	(10,329)
Gross profit / (loss)		5,252	(2,755)
Other operating income	6	12,507	1,989
Gain on disposal of fixed assets		710	16,076
Administrative expenses	7	(6,892)	(4,294)
Operating profit		11,577	11,016
Fair value of investments		-	345
Finance income	9	393	19
Finance expense	9	(389)	(1,719)
Profit before taxation		11,581	9,661
Taxation	10	(78)	93
Profit after taxation		11,503	9,754
Profit after taxation attributable to the Group		5,900	9,754
Profit after taxation attributable to non-controlling interests		5,603	-
Other comprehensive income			
Exchange gain / (loss) on translation of foreign operations		(107)	(142)
Other comprehensive income attributable to the Group		(55)	(142)
Other comprehensive income attributable to non-controlling interests		(52)	-
Total comprehensive profit for the year		11,396	9,612

The notes on pages 13 to 36 form part of these financial statements.

**Consolidated statement of financial position
for the year ended 31 December 2017**

	Note	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Non-current assets			
Property, plant and equipment	11	14,442	22,520
Investments in joint venture	12	8	102
		<u>14,450</u>	<u>22,622</u>
Current assets			
Inventories	14	97	450
Trade and other receivables	15	4,424	522
Other financial assets	16	9,479	8,916
Cash and cash equivalents	17	4,697	2,885
		<u>18,697</u>	<u>12,773</u>
Current liabilities			
Trade and other payables	18	671	4,353
Provisions	19	1,574	-
Corporation tax liability		163	124
Deferred tax liability		320	390
Loans and borrowings	20	10,522	22,027
		<u>13,250</u>	<u>26,894</u>
Net current assets / (liabilities)		<u>5,448</u>	<u>(14,121)</u>
Net assets / (liabilities)		<u>19,897</u>	<u>8,501</u>
Capital and reserves			
Share capital	21	18,251	18,251
Share premium		595	595
Foreign exchange reserve		(4)	103
Retained earnings	22	1,051	(10,448)
Capital and reserves attributable to the Group		14,347	8,501
Capital and reserves attributable to non-controlling interests		5,550	-
Total equity		<u>19,897</u>	<u>8,501</u>

The financial statements on pages 8 to 35 were approved and authorised for issue by the Board of Directors on 21 December 2018 and were signed on its behalf by:



A R Bekhor
Director

The notes on pages 13 to 36 form part of these financial statements.

**Consolidated statement of changes in equity
for the year ended 31 December 2017**

	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Foreign exchange reserve \$'000	Non- controlling interests \$'000	Total \$'000
Balance at 1 January 2017	18,251	595	(10,448)	103	-	8,501
Profit for the financial year	-	-	5,900	-	5,603	11,503
Other comprehensive income	-	-	-	(107)	-	(107)
Balance at 31 December 2017	18,251	595	(4,548)	(4)	5,603	19,897
Balance at 1 January 2016	18,251	595	(20,202)	245	-	(2,845)
Profit for the financial year	-	-	9,754	-	-	9,569
Other comprehensive income	-	-	-	(142)	-	(142)
Balance at 31 December 2016	18,251	595	(10,448)	103	-	6,582

The notes on pages 13 to 35 form part of these financial statements.

**Consolidated statement of cash flows
for the year ended 31 December 2017**

	Note	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash flows from operating activities			
Profit before taxation		11,581	9,661
Adjustments for:			
Depreciation of property, plant and equipment	11	2,689	2,559
Gain on disposal of property, plant and equipment	6	(710)	(16,076)
Profit from joint venture	6	(8)	(102)
Gain on disposal of subsidiary	6	(3,319)	-
Gain on settlement of derivatives contracts	5	(3,093)	-
Gain on forgiveness of debt	6	(2,857)	-
Finance income	9	(393)	(364)
Finance expense	9	389	1,719
Tonnage tax expense			28
Movements in provisions for impairment of trade receivables		-	(62)
Movements in working capital:			
Inventories	14	353	1,155
Trade and other receivables	15	(809)	1,862
Trade and other payables	18	(2,371)	1,106
Provisions	19	1,574	-
Interest received		4	19
Taxation paid		(21)	(20)
Cash generated from operating activities		2,957	1,485
Cash flows from investing activities			
Sale of property, plant and equipment		-	52,310
Purchase of property, plant and equipment		(191)	(262)
Disposal of financial assets		-	(954)
Investments in assets held for trading		(250)	-
Net cash used in investing activities		(441)	51,094
Cash flows from financing activities			
Drawdown on secured loans		-	1,450
Repayment of borrowings		(478)	(51,965)
Interest paid		(226)	(1,528)
Net cash from financing activities		(704)	(52,043)
Net increase in cash and cash equivalents		1,812	536
Cash and cash equivalents at 1 January		2,885	2,491
Net foreign exchange differences		(52)	(142)
Cash and cash equivalents at 31 December	17	4,697	2,885

The notes on pages 13 to 35 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2017

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 2017 were authorised for issue in accordance with a resolution of the directors on 21 December 2018. The comparative results are the Group's financial statements for the year ended 31 December 2016. 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.

The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 July 2017 are reflected in these financial statements. There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Group's financial statements, although an amendment to IAS 7 Statement of Cash Flows has resulted in a reconciliation of liabilities disclosed for the first time in note 26.

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 2017.

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.

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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.

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.

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.

Consolidated statement of cash flows for the year ended 31 December 2017

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 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.

The expected useful life of freehold property is determined as 60 years.

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

Initial recognition and measurement

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.

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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.

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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.

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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.

2.10 Deferred revenue

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

**Consolidated statement of cash flows
for the year ended 31 December 2017**

2. Summary of significant accounting policies (continued)

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.

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.

**Consolidated statement of cash flows
for the year ended 31 December 2017**

2. Summary of significant accounting policies (continued)

2.12 Leases (continued)

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.

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 2017 were \$195k (31 Dec 2016: \$349k).

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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

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.

Provisions

Management have estimated provisions for claims made against the Group where an outflow of resources is deemed probable. Management bases their estimated obligation based on legal and professional advice.

4. Accounting standards issued but not yet effective

(a) New standards, interpretation and amendments effective 1 January 2017

The following amendments to existing standards or interpretations were effective for first time adoption for the period beginning on 1 January 2017. None of these amendments to Standards that are effective from that date had a significant effect on the Group's financial statements:

IAS 12 Amendment – Recognition of deferred tax assets for unrealised losses
IAS 7 Amendment - Disclosure initiative

(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
<i>New standards</i>	
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 9 – Financial Instruments	1 January 2018
IFRS 16 – Leases	1 January 2019

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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

(b) Standards issued but not yet effective (continued)

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 2017 \$'000	31 Dec 2016 \$'000
Charter hire revenue	3,928	7,574
Gain on freight derivative contracts	3,093	-
	<u>7,021</u>	<u>7,574</u>

6. Other operating income

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Gain on settlement of litigation	5,400	-
Gain on disposal of subsidiary	3,319	-
Gain on forgiveness of debt	2,857	-
Management fee income	923	1,887
Profit from joint venture	8	102
	<u>12,507</u>	<u>1,989</u>

During the year, the Group disposed of a number of subsidiaries that had become dormant. The Group recognised the following gains on disposal of these subsidiaries:

Subsidiary	Gain on disposal \$'000
Anglia Maritime Limited	2,129
Gloriana Limited	4
Volumnia Shipping Limited	8
Excalibur Shipping Limited	8
Diamond Jubilee Limited	8
Flagships Limited	157
Pride Shipping Limited	(5)
Clemship Holdings Limited	1,009
	<u>3,318</u>

**Consolidated statement of cash flows
for the year ended 31 December 2017**

7. Expenses by nature

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Bunker inventory expense	(54)	320
Brokers commission expense	187	360
Insurance costs and settlements	170	838
Consumption of lubricating oil	85	505
Depreciation of property, plant and equipment	2,669	2,559
Repairs and maintenance on vessels	53	1,187
Employee costs (note 8)	1,239	2,946
Other vessel crew costs	582	2,243
Operating lease expense – property	439	200
Impairment loss on trade receivables (note 15)	19	(2)
Fees paid to legal and professional advisors	1,121	762
Fees paid to Group's auditor – audit of Group and subsidiary accounts	87	105
Fees paid to Group's auditor – taxation services	-	54
Tonnage tax expense	1	28
Foreign exchange (gains) / losses	(136)	124
Other costs	626	2,394

8. Employee costs

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Wages and salaries	1,162	2,781
Social security costs	68	148
Other pension costs	9	17
	1,239	2,946

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

	31 Dec 2017 Number	31 Dec 2016 Number
Administrative	19	21
Operations	32	106
	51	127

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 2017 \$'000	31 Dec 2016 \$'000
Salaries	129	179
Company contribution to money purchase pension scheme	10	6
	139	185

**Consolidated statement of cash flows
for the year ended 31 December 2017**

8. Employee costs (continued)

Remuneration for the highest paid director, excluding pension contributions, was \$129k (31 December 2016: \$111k). Pension contributions in respect of the highest paid director are \$10k (31 December 2016: \$6k).

During the year, there was 1 director (2016: 1) accruing pension benefits under the Group's money purchase pension scheme.

9. Finance income and expense

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<u>Finance income</u>		
Interest received on bank accounts	4	19
Dividend income on available for sale financial assets	4	-
Net gain on financial assets and liabilities held for trading	385	-
	<u>393</u>	<u>19</u>
<u>Finance expense</u>		
Interest expense on bank loans	317	1,294
Interest rate swap loss on settlement	-	234
Deferred finance expense	-	85
Net loss on financial assets and liabilities held for trading	72	106
	<u>389</u>	<u>1,719</u>

10. Tax expense

The Group income and profits are taxed under the normal UK corporation tax rules.

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Current tax on profits for the year	78	(93)
Total tax charge	<u>78</u>	<u>(93)</u>

The standard rate of corporation tax in the UK was 19.25% during the period (2016: 20%) The differences are explained below:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Profit for the year before income tax	11,581	9,661
Tax charge based on the standard rate of corporation tax	2,229	1,932
Profits / losses attributable to tonnage tax	401	(12,580)
Utilisation of tax losses	(1,469)	(185)
Transfer pricing adjustments	(22)	390
Non-taxable income	(1,572)	(709)
Expenses not deductible for tax purposes	579	11,131
Movement in deferred tax not recognised	(63)	-
Effect of change in tax rate	(5)	(72)
	<u>78</u>	<u>(93)</u>

The Group has cumulative tax losses of \$29.1 (31 December 2016: \$34.1m). No deferred tax has been recognised on these losses owing to uncertainty over future use.

**Consolidated statement of cash flows
for the year ended 31 December 2017**
11. Property, plant and equipment

	Vessels \$'000	Dry docking costs \$'000	Office property \$'000	Office equipment \$'000	Total \$'000
Cost					
At 1 January 2017	25,545	884	7,552	600	34,581
Additions	-	149	-	42	191
Disposals	(16,386)	(631)	-	(235)	(17,252)
At 31 December 2017	9,159	402	7,552	407	17,250
Depreciation					
At 1 January 2017	10,816	639	88	518	12,061
Charge for the year	371	161	2,113	24	2,689
Disposals	(10,788)	(631)	-	(233)	(11,652)
At 31 December 2017	399	169	2,201	309	3,078
Net book value					
At 31 December 2017	8,760	233	5,330	98	14,442
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 2017	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

The depreciation policy for the office property located in Mumbai, India has been changed in the current year to bring it into line with the policy adopted by the owning subsidiary company. The change in policy occurred following the sale of part of the office building subsequent to the year end and better reflects the fair value of that property.

Details of the Group's owned vessel at 31 December 2017 are as follows:

<u>Vessel Name</u>	<u>DWT</u>	<u>Built</u>
MV Aquitania	55,932	2006

Bank borrowings are secured on vessels held by the Group.

12. Investments

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
RB British Marine UK Ltd joint venture	8	102
	<u>8</u>	<u>102</u>

**Consolidated statement of cash flows
for the year ended 31 December 2017**

13. Subsidiaries

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

<u>Name</u>	<u>Nature of business</u>	<u>Country of incorporation</u>	<u>Ownership proportion</u>
<u>Directly Held</u>			
British Marine Corporation	Holding company	Marshall Islands	100%
Britmar Management Limited*	Dormant	United Kingdom	100%
<u>Indirectly Held</u>			
British Marine Limited**	Shipping company	United Kingdom	100%
Trademar Limited	Investment company	United Kingdom	100%
Jubilee Ship Holdings Limited	Ship owning	United Kingdom	100%
RB British Marine (India) Pvt Ltd	Service company	India	99.99%***

* 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.

During the year, the Group had a 100% ordinary shareholding in former ship owning subsidiaries Anglia Maritime Limited, Pride Shipping Limited, Gloriana Limited, Flagships Limited, Volumnia Shipping Limited, Excalibur Shipping Limited, Diamond Jubilee Limited, a holding subsidiary Clemship Holdings Limited, and ship lessor subsidiaries Gwendolen Shipping Limited and Clementine Shipping Limited. All these were dormant and were sold by the Group to the principal shareholder Mr A. Bekhor on 13 December 2017 for consideration of 1 USD.

The ultimate controlling party of the group is Alan Bekhor.

14. Inventories

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
<u>Inventories at cost</u>		
Bunkers	-	262
Lubricating oil	89	180
Food provisions	-	6
Stock under bond	8	2
	<u>97</u>	<u>450</u>

15. Trade and other receivables

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Trade receivables – third parties	195	757
Less: provision for impairment of trade receivables	-	(408)
Net trade receivables	<u>195</u>	<u>349</u>
Amount due from related parties	4,158	-
Prepayments	36	39
Other receivables	33	134
Total trade and other receivables	<u>4,424</u>	<u>522</u>

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.

**Consolidated statement of cash flows
for the year ended 31 December 2017**

15. Trade and other receivables (continued)

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

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Balance at beginning of the year	408	471
Provided for during the year	150	96
Receivables written off against impairment	(558)	(159)
	<u>-</u>	<u>408</u>

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.

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

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Trade receivables not yet due	195	205
Trade receivables past due:		
Less than 30 days	-	-
30 to 60 days	-	100
61 to 90 days	-	6
91 to 120 days	-	3
More than 120 days	-	35
	<u>195</u>	<u>349</u>

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

16. Other financial assets

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Listed investments	5,351	4,574
Other investments	<u>4,128</u>	<u>4,342</u>
	<u>9,479</u>	<u>8,916</u>

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 including cash and other short-term instruments. These are disclosed at the carrying value reported by the investment managers which approximates to the fair value.

17. Cash and cash equivalents

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash at bank	3,866	2,821
Restricted cash	<u>831</u>	<u>64</u>
	<u>4,697</u>	<u>2,885</u>

**Consolidated statement of cash flows
for the year ended 31 December 2017**

18. Trade and other payables

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Trade payables – third parties	228	1,217
Payables due to related parties	-	2,016
Other payables	290	863
Accruals	153	257
	<u>671</u>	<u>4,353</u>

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.

19. Provisions

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Provision for legal and other claims	<u>1,574</u>	<u>-</u>
	<u>1,574</u>	<u>-</u>
Movement in provisions:		
	Legal claim \$'000	Total \$'000
Carrying amount at 1 January 2017	-	-
Charged to statement of comprehensive income	<u>1,574</u>	<u>1,574</u>
Carrying amount at 31 December 2017	<u>1,574</u>	<u>1,574</u>

Management has made an assessment of potential claims that could be owed by the Group and provided accordingly.

20. Loans and borrowings

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Commerzbank AG	9,272	9,750
DVB Bank	-	11,027
Britmar Limited	<u>1,250</u>	<u>1,250</u>
	<u>10,522</u>	<u>22,027</u>
Current loans and borrowings	10,522	22,027
Non-current loans and borrowings	<u>-</u>	<u>-</u>
	<u>10,522</u>	<u>22,027</u>

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 \$5.5m facility, Junior Loan I \$2.75m facility and Junior Loan II \$1.0m facility.

Subsequent to the year end, the facility was settled in full, see note 29 for further details.

**Consolidated statement of cash flows
for the year ended 31 December 2017**

20. Loans and borrowings (continued)

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 25.4 of the financial statements.

21. Share capital

<u>Authorised, called up and fully paid</u>	31 Dec 2017 Number	31 Dec 2017 \$'000	31 Dec 2016 Number	31 Dec 2016 \$'000
Deferred ("A") 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:

- repayment of capital to the ordinary shareholders;
- 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 to the 'A' shareholders with the balance of 0.1% being divided pro-rata to the 'B' shares;
- any remaining value is divided pro-rata to the number of shares held by all of the ordinary shareholders.

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.

Consolidated statement of cash flows for the year ended 31 December 2017

23. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has obligations under operating leases for its rented offices in London. The 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.

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 2017 \$'000	31 Dec 2016 \$'000
Within one year	400	439
After one year but not more than five years	1,599	1,999
Due in more than five years	-	-
	<u>1,999</u>	<u>2,438</u>

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.

24. Related party transactions

The Group had transactions in the ordinary course of business with related parties during the year ended 31 December 2017:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Invoices paid by or on behalf of related parties	2,826	523
Fees charged by related parties	(300)	(1,215)
Interest charged by related parties	62	-
Recharge of office overheads	340	465
Cash received from and paid to related parties	202	(4,564)
Group settlement of related party balances	(151)	1,578
Gain on derivative positions held by related parties	3,093	-
Loan with related parties	-	(1,250)
Dividend paid by joint venture company	102	-
	<u>6,174</u>	<u>(4,463)</u>
Amounts owed by related parties at 31 December	2,908	-
Amounts owed to related parties at 31 December	-	3,266

**Consolidated statement of cash flows
for the year ended 31 December 2017**

24. Related party transactions (continued)

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 joint venture 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. 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.

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

<u>Financial assets</u>	Financial assets at fair value through profit and loss		Loans and receivables	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Trade and other receivables	-	-	4,423	522
Other financial assets	9,479	8,916	-	-
Derivative financial instruments	644	-	-	-
Cash and cash equivalents	-	-	4,697	2,885
	<u>10,123</u>	<u>8,916</u>	<u>9,120</u>	<u>3,407</u>

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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

<u>Financial liabilities</u>	Financial liabilities at fair value through profit and loss		Loans and Financial liabilities at amortised cost	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	\$'000	\$'000	\$'000	\$'000
Trade and other payables	-	-	463	4,353
Loans and borrowings	-	-	10,522	22,027
	-	-	10,985	26,380

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.

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:

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Trade receivables – nominal amounts	195	438
Less: allowance for impairment	-	(408)
	195	30

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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

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.

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:

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Sterling	686	663
Euro	177	3
Indian rupees	19	82
Australian dollars	31	-

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.

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.

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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

25.4 Liquidity risks (continued)

<u>At 31 December 2017</u>	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	463	-	-	-	463
Loans and borrowings	-	10,522	-	-	10,522
	463	10,522	-	-	10,985

<u>At 31 December 2016</u>	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
Loans and borrowings	-	22,027	-	-	22,027
	4,353	22,027	-	-	26,380

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.

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Non-current liabilities	-	-
Total liabilities	12,331	26,894
Equity	20,816	6,582
Total liabilities and equity	<u>33,147</u>	<u>33,476</u>
	32%	33%

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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

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 are set out below:

<u>At 31 December 2017</u>	<u>Fair value</u>			<u>Carrying value</u>
	Level 1	Level 2	Total	Total
<u>Financial assets</u>				
Listed investments	5,351	-	5,351	5,351
Other investments	-	4,128	4,128	4,128
<u>Financial liabilities</u>				
Interest bearing loans and borrowings	-	10,522	10,522	10,522
<u>At 31 December 2016</u>	<u>Fair value</u>			<u>Carrying value</u>
	Level 1	Level 2	Total	Total
<u>Financial assets</u>				
Listed investments	4,574	-	4,574	4,574
Other investments	-	4,342	4,342	4,342
<u>Financial liabilities</u>				
Interest bearing loans and borrowings	-	22,027	22,027	22,027

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. Other investments include cash and short-term instruments such as currency forwards, these are disclosed at the carrying value reported by the investment managers which approximates to the fair value.

26. Reconciliation of liabilities

	Current loans and borrowings \$'000	Total \$'000
At 1 January 2017	22,027	22,027
Accrual of interest	317	317
Payment of interest	(226)	(226)
Repayment of loans and borrowings	(478)	(478)
Non-cash movement on sale of vessel	(4,375)	(4,375)
Forgiveness of loans and borrowings	(6,743)	(6,743)
At 31 December 2017	10,522	10,522

**Consolidated statement of cash flows
for the year ended 31 December 2017**

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.

29. Subsequent events

Subsequent to the year end, the Group disposed of part of the office building located in Mumbai, India.

Subsequent to the year end, the Group reached an agreement with its only third-party lender, Commerzbank, which entailed some forgiveness of the loan balance in exchange for early repayment. Following this agreement, the total loan balance has been eliminated.