KAZMORTRANSFLOT UK LIMITED

Company number 06535792

Annual report and accounts

31 December 2018

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Company information

Director
Y Borodulin

Secretary
Cornhill Secretaries Limited

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Registered Office
5 Market Yard Mews
194-204 Bermondsey Street
London
SE1 3TQ
United Kingdom

Company No. 06535792

Strategic Report

The director presents his strategic report for the year ended 31 December 2018.

Principal activities and review of the business

Kazmortransflot UK Ltd (the "Company") is a limited liability company incorporated and domiciled in the Great Britain, with its registered office at 5 Market Yard Mews, 194-204 Bermondsey Street, London, SE1 3TQ and principle place of business at Levels 32-34, Euston Tower, 286 Euston Road, London, NW1 3DP.

The principle activities of the Company represent commercial and technical management of the ships owned by the companies considered as related parties to the Company and other associated services.

During the year under review the Company concentrated on (i) the commercial management of two Aframax type ships, by way of facilitating of employment of the ships carrying crude oil between the ports in Black and Mediterranean seas and (ii) technical management of the fleet of the six small ships operated in the Caspian Sea. Other services represent hiring of the third party ships to carry cargoes for the related parties and facilitation of various transactions between related parties. Net result from other services in 2018 was negative due to discontinued technical management gradually from May 2018 as ships under management were chartered out by the parent to a non-related party. As a result, the Company lost a revenue stream from technical management and incurred a loss by the end of 2018.

Going forward, the Company intends to continue provision of commercial management and expects to maintain the revenues and profitability level by providing additional commercial services to the group agreed by the end of 2018.

The key financial and other performance indicators during the year are as follows:

	2018	2017	Variance
	$	$	
Revenue	**7,486,831**	10,188,124	(26.5%)
Gross profit	**2,994,382**	3,746,109	(20.0%)
(Loss)/profit after taxation	**(305,666)**	231,933	(231.8%)
Capital and reserves	**1,998,826**	2,348,494	(14.8)%

Comparing 2018 with 2017, turnover reduced by 26.5% due to loss of the technical management services provided to the ships, which used to be owned by the parent. Gross margin reduced by 20%, which is mainly attributable to discontinuance of the technical management. Other activities, including mainly commercial management, generated almost the same level of revenues as in the previous year.

Profit after taxation is directly driven by the reduction of revenue from the services that the Company no longer provides.

Strategic Report (continued)

Principal risks and uncertainties

The Company does not employ a risk manager as a separately functioning unit within the Company but relies on the risk management system maintained by its immediate parent company "National Maritime Shipping Company "Kazmortransflot" LLP" (the "Parent"), which controls and covers most significant risks of its subsidiaries, as disclosed below.

The Company reports to the parent and the parent collects quarterly all relevant information on the activities of the Company to evaluate risk appetite at the group level. The parent company allows the use of its internal procedures, documents, forms and methodology to adopt appropriate practices of risk management at the Company level.

The Company continues to rely on the Parent and fellow subsidiaries for a substantial proportion of revenues generated through services provided under commercial and technical management agreements and through chartering agreements with companies within the group. Without these agreements in place the Company would not be able to continue to trade as a going concern.

The Company will rely on its ability to trade vessels profitably that it has chartered inwards. As such, the Company is exposed to general economic trends and resulting demand for tankers that carry crude oil.

The principal risks and uncertainties facing the Company are broadly grouped as legislative and financial risks.

Legislative risks

The United Kingdom is a large country with a strong maritime tradition. It ranks in the top 10 countries globally in terms of ease of doing business. There is an extensive network of businesses connected to shipping. This includes maritime services businesses across a broad range of expertise. There is a strong maritime skills base enhanced by nationals of other European Union countries working in the United Kingdom. International maritime regulations, standards and conventions established by such organizations as International Maritime Organization (IMO) are already ratified and adopted by UK.

In Kazakhstan and other countries of Caspian region, the equivalent standards are subject to continuous revision and localization that may have a material impact on the ability of the Company to supply goods and services on time and in appropriate manner.

Financial risks

Liquidity risk is the risk that the Company might encounter difficulty in meeting obligations associated with contractual liabilities if ship owners were to delay payments for technical and commercial management services. The Parent, as the Group leader, aims to mitigate a liquidity risk by managing cash generation by operations of all its business units. The Company on its level also manages liquidity risk via building long term relationships with major suppliers and expanding repayment periods on acquired goods. The Company holds its funds in the banks with strong credit ratings.

Capital management

The objective of capital management is to ensure that an appropriate level of capital is maintained in comparison to the risks faced by the Company. The policies and processes in place are to review and report capital level to management and to project future capital requirements. The Company is not subject to any externally imposed capital requirements.

On behalf of the Board

Y. Borodulin
Director
13 May 2019

Director's Report

Director

Mr. Yuri Borodulin was the only director who served the Company throughout the year and up to the date of this report.

The director presents his report for the year ended 31 December 2018. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

Results and dividends

The loss for the year after taxation amounted to $314,878 (2017 - profit $231,933).

In July 2018 the Board of the immediate parent the "National Maritime Shipping Company "Kazmortransflot" LLP had considered the financial results of the Company for 2017 and declared the dividends in the amount of USD 34,790. The dividends were paid in full in July 2018.

Going concern

The financial statements have been prepared on a going concern basis do to continuous financial support of the parent undertaking, which has renewed trading arrangements with the Company for the foreseeable future. The Company will continue performance under all existing activities, including the commercial management, technical management, and where possible bunker supply and chartering agreements. Such agreements provide the Company with all of its revenues.

Director's indemnity

The Company indemnifies the director in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the Company's auditor, the director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

In the absence of a notice proposing that their appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the Company's auditor for the next year.

On behalf of the Board

Y. Borodulin
Director
13 May 2019

Statement of director's responsibilities

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under Company law, the director 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the director are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, 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 director is 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. He is 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.

The director confirms that he has complied with these requirements and, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

Independent auditor's report

to the members of KAZMORTRANSFLOT UK LIMITED

Opinion

We have audited the financial statements of KAZMORTRANSFLOT UK LIMITED for the year ended 31 December 2018 which comprise of the Statement of profit and loss and other comprehensive income, the Statement of financial position, the Statements of changes in equity, the Statement of cash flows and the related notes 1 to 24, 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 Company's affairs as at 31 December 2018 and of its loss 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 below. 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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report (continued)

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 the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and director's 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 or 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of director

As explained more fully in the director's responsibilities statement set out on page 5, the director is 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 director determines 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 director is 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 director 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 on 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 (continued)

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.

Ernst & Young LLP

Oxana Dorrington (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

17 May 2019

Statement of profit and loss and other comprehensive income

for the year ended 31 December 2018

	Notes	*Year to 31 December 2018* $	*Year to 31 December 2017* $
Revenue	5	**7,486,831**	**10,188,124**
Cost of sales		**(4,492,449)**	**(6,442,015)**
Gross profit		**2,994,382**	**3,746,109**
Administrative expenses		**(3,276,643)**	**(3,400,965)**
Other gains and losses	7	**(26,015)**	**(56,712)**
Operating (loss)/profit	6	**(308,276)**	**288,432**
(Loss)/profit before income tax		**(308,276)**	**288,432**
Income tax refund/(expense)	9	**2,610**	**(56,499)**
(Loss)/profit for the financial year		**(305,666)**	**231,933**
Profit per share attributable to equity holders:			
Basic and diluted (loss)/profit ($ per share)	18	**(15.3)**	**11.6**

The Company has no comprehensive income or expense other than the profit for the year recognised in the statement of comprehensive income. All amounts above are in respect of continuing operations.

The notes on pages 13 to 31 are integral to these financial statements

Statement of financial position

at 31 December 2018

	Notes	*31 December 2018* $	*31 December 2017* $
Non-current assets			
Property, plant and equipment	10	**11,174**	**10,338**
Intangible assets	11	**54,693**	**63,146**
Total non-current assets		**65,867**	**73,484**
Current assets			
Inventory	12	**-**	**141,212**
Prepayments	14	**63,298**	**198,313**
Trade and other receivables	13	**1,399,466**	**1,005,847**
Cash and cash equivalents		**825,586**	**2,027,085**
Total current assets		**2,288,350**	**3,372,457**
Total assets		**2,354,217**	**3,445,941**
Capital and reserves			
Share capital	17	**31,314**	**31,314**
Share premium account		**5,246**	**5,246**
Retained earnings		**1,965,134**	**2,311,934**
Total capital and reserves		**2,001,694**	**2,348,494**
Non-current liabilities			
Deferred tax liability	16	**-**	**2,868**
Total non-current liabilities		**-**	**2,868**
Current liabilities			
Trade and other payables	15	**352,523**	**1,024,853**
Corporation tax liability		**-**	**69,726**
Total current liabilities		**352,523**	**1,094,579**
Total liabilities		**352,523**	**1,097,447**
Total equity and liabilities		**2,354,217**	**3,445,941**

These financial statements were approved on 13 May 2019 and signed on their behalf by:

Y. Borodulin
Director

The notes on pages 13 to 31 are integral to these financial statements.

Statement of changes in equity

for the year ended 31 December 2018

	Notes	*Share capital*	*Share premium Account*	*Retained earnings*	*Total*
		$	*$*	*$*	*$*
At 1 January 2017		**31,314**	**5,246**	**2,125,542**	**2,162,102**
Dividends		–	–	(45,541)	(45,541)
Profit for the year		–	–	231,933	231,933
At 31 December 2017	19	**31,314**	**5,246**	**2,311,934**	**2,348,494**
Adoption of IFRS 9		**-**	**-**	**(6,344)**	**(6,344)**
Dividends		–	–	(34,790)	(34,790)
Profit for the year		–	–	(305,666)	(305,666)
At 31 December 2018	19	**31,314**	**5,246**	**1,965,134**	**2,001,694**

The notes on pages 13 to 31 are integral to these financial statements.

Statement of cash flows

for the year ended 31 December 2018

	Notes	2018 $	2017 $
Cash flow from operating activities			
(Loss)/profit before income tax		**(308,276)**	**288,432**
Adjustment for:			
Depreciation charge	6	**27,094**	**25,843**
Loss on provision for doubtful debt		**21,101**	**-**
Exchange loss		**4,914**	**56,712**
Operating cash flow before changes in working capital		**(255,167)**	**370,987**
Movements in working capital:			
(Increase)/decrease in inventory		**141,212**	**7,030**
(Increase)/decrease in trade and other receivables		**(423,257)**	**287,037**
Decrease in prepayments		**135,144**	**15.654**
(Decrease)/increase in trade and other payables		**(680,811)**	**645,718**
		(1,082,879)	**1,326,426**
Income tax paid		**(69,492)**	**(73,928)**
Net cash generated in operating activities		**(1,152,371)**	**1,252,498**
Cash flow used in investing activities			
Purchase of office equipment	10	**(7,749)**	**(2,857)**
Purchase of intangible assets	11	**(11,728)**	**(11,977)**
Net cash flow used in investing activities		**(19,477)**	**(14,834)**
Cash flow used in financing activities			
Dividends paid		**(34,790)**	**(45,541)**
Net cash flow used in financing activities		**(34,790)**	**(45,541)**
Net increase in cash and cash equivalents		**(1,206,638)**	**1,192,123**
Cash and cash equivalents at beginning of year		**2,027,085**	**865,172**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**5,139**	**(30,210)**
Cash and cash equivalents at end of year		**825,586**	**2,027,085**

The notes on pages 13 to 31 are integral to these financial statements.

Notes to the financial statements

For the year ended 31 December 2018

1. General information

KAZMORTRANSFLOT UK Limited (the "Company") is a company, limited by shares, incorporated and domiciled in England and Wales. The principal place of business is floor 32-34, 286 Euston Tower, London, NW1 3DP, United Kingdom. The registered office is 5 Market Yard Mews, 194-204 Bermondsey Street, London, SE1 3TQ.

The principle activities of the Company are related to the commercial and technical management of the ships owned by the companies considered as related parties to the Company and other related services.

2. Changes in accounting policies and disclosures

2.1 New and revised relevant standards that are effective for annual periods commencing on or after 1 January 2018

IFRS 9 Financial Instruments (effective 1 January 2018)
IFRS 9 represents the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Company has opted not to restate prior year disclosure for comparative purposes which are still presented under IAS 39. The impact on the prior year results if the company was to restate it would be:
Decrease in current assets of $7,857
Decrease in deferred tax of $1,513
Decrease in Retained earnings $6,344

IFRS 15 Revenue from contracts with customers (effective 1 January 2018)
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The Company made an assessment of IFRS 15 impact on its financial statements and adopted the standard from the effective date.

The Company gets revenue from provision of commercial and technical management services, bareboat chartering agreements and other services.

The adoption of these Standards and interpretations has had no material impact on the financial statements of the Company.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2.2 Relevant standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 16 Leases (effective 1 January 2019)
IASB released IFRS 16 'Leases', which will require lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability. IFRS 16 also:

- changes the definition of a lease;
- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- provides exemptions for short-term leases and leases of low value assets;
- changes the accounting for sale and leaseback arrangements;
- largely retains IAS 17's approach to lessor accounting;
- introduces new disclosure requirements.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company plans to assess the potential effect of IFRS 16 on its financial statements but in broad terms, the impact will be to recognise a lease liability and a corresponding asset for most of the operating lease commitments disclosed in Note 23.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Summary of significant accounting policies

Basis of preparation

The financial statements, which are presented in United States dollars, have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union (EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The measurement basis used in the preparation of the financial statements is the historical cost basis, unless otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Going concern

The financial statements have been prepared on a going concern basis due to continuous financial support of the parent undertaking, which has renewed trading arrangements with the Company for the foreseeable future. The Company will continue performance under all existing activities, including the commercial management, technical management, and where possible bunker supply and chartering agreements. Such agreements provide the Company with all of its revenues.

Revenue recognition

To determine whether to recognise revenue, the Group follows a 5-step process:
1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

Revenues from provision of commercial management services are recognized in accordance with the commercial management agreements, on a receivable basis. The Company recognises such the revenue on monthly basis based on a monthly fee set in respective agreements.

Revenues from provision of technical management services are recognized in accordance with the technical management agreements, on a receivable basis. Those revenues consist of technical management reimbursements and technical management fees. Under this method, Company is calculating revenues from technical management reimbursements based on the costs incurred during the period to provide services and technical management fees based on daily rate per vessel in the period where services were provided.

Revenues from bareboat facilitation services are recognized in accordance with the service agreements, on a receivable basis. Revenues are calculated based on daily rate agreed in the period the services are provided.

Interest income

Interest income is recognised as it accrues using the effective interest method. During the reported period the Company has not received any interest income.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

Translation of foreign currencies

The functional and presentational currency of the Company is the USD because the Company operates within the international shipping markets where most settlements are made in USD.

Transactions denominated in currencies other than the USD are translated at the prevailing exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates at the year-end date. Exchange gains and losses are recognised in the profit and loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not translated.

Defined contribution pension scheme

The Company operates a defined contribution pension scheme for the benefit of its employees whereby the Company makes payments to the employees' pension funds. The pension charge represents the amounts payable by the Company to the funds in respect of the accounting period.

Income tax

Income tax for the year comprises current tax and movements in tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the statement of profit and loss and other comprehensive income except to the extent that they relate to items recognised directly in other comprehensive income, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year-end date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance reporting date. Deferred tax assets and liabilities are not discounted.

Operating leases

The costs of operating leases are charged as incurred to the statement of financial performance on a straight line basis over the period of the lease.

Property, plant and equipment

Property, plant and equipment which comprise office equipment are stated in the statement of financial position at historic purchase cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated to write off the cost of office equipment less its estimated residual value, if any, using the straight line method over its useful economic life taken to be three years from the date of purchase.

Gains or losses arising from the retirement or disposal of office equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the statement of financial performance on the date of retirement or disposal.

Intangible assets

Intangible assets, which comprise software licences are stated in the statement of financial position at historic purchase cost less accumulated depreciation and impairment losses, if any.

Intangible assets are amortised straight line over minimum of 20 years and the period of validity of the licence.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

Financial instruments for year ended 31/12/2017

Financial assets and liabilities are recognised in the company's statement of financial position when the Company has become a party to the contractual provisions of the instrument. The Company discloses for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, a shorter period.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established if there is objective evidence that the Company, more likely than not, may not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate where significant.

Trade payables and other financial liabilities

Trade payables and other financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method where significant.

Financial instruments for the periods started from 01/01/2018

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

Subsequent measurement of financial assets
Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
After initial recognition, these are measured at amortised cost using the effective interest method.
Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets
IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets
The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Trade payables and other financial liabilities

Trade payables and other financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method where significant.

Cash and cash equivalents

Cash and cash equivalents comprise only cash at bank accounts in different currencies, petty cash held in office.

Inventories

Inventory is recorded at the lower of cost and net realisable value. Cost of inventory is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

4. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management does not consider that there are any estimates and assumptions at the reporting date which may rise to significant risk of resulting in a material adjustment to the carrying values of assets and liabilities.

Management makes an assessment of gross vs net presentation of revenue for each revenue stream. Management considers that it is appropriate to record shipbuilding supervision income on a net basis as the Company acts as an agent and does not bear any risks. All other revenue types mentioned in Note 5 are shown gross as the Company acts as principle.

Notes to the financial statements (continued)

For the year ended 31 December 2018

5. Revenue

	2018	*2017*
	$	$
Commercial management fees	**2,380,800**	2,748,000
Technical management fees	**489,300**	876,000
Technical management reimbursements	**3,187,316**	4,939,884
Technical management (Dry-docking)	-	194,814
Bareboat charter facilitation income	**1,379,700**	1,379,700
Shipbuilding supervision income	**49,715**	49,726
	7,486,831	**10,188,124**

6. Operating profit

Expenses and auditor's remuneration included as charges in determining the operating profit are as follows:

	2018	*2017*
	$	$
Auditor's remuneration for the audit of financial statements	**52,954**	48,425
Depreciation charge	**27,094**	25,843

7. Other gains and losses

	2017	*2017*
	$	$
Expected credit loss	**21,101**	-
Net foreign exchange loss	**4,914**	56,712
	26,015	56,712

8. Staff costs

(a) Wages and salaries, including those of the director, during the period were as follows:

	2017	*2017*
	$	$
Wages and salaries	**2,096,226**	2,033,970
Social security costs	**282,759**	278,535
Secondees accommodation allowances	**95,049**	167,419
Company pension contributions	**248,636**	295,436
	2,722,670	2,775,360

An average number of employees during 2018 was 13 (2017 –14), all employed in an administrative capacity.

During the year the Company made contributions to a defined contribution pension scheme. Pension contribution of $17,284 was accrued and unpaid at 31 December 2018 (2017 – $58,391).

Notes to the financial statements (continued)

For the year ended 31 December 2018

8. Staff costs(continued)

(b) Directors remuneration

	2018	*2017*
	$	$
Director's remuneration	**238,612**	242,745
Other emoluments	**61,440**	66,001
Company pension contributions	**41,645**	47,478
Company health insurance plan	**5,927**	6,465
	347,624	362,689

The director is considered to be the key management personnel of the Company.

9. Income tax

(a) Tax charged in the statement of profit and loss

	2018	*2017*
	$	$
Current tax:		
UK corporation tax on the profit for the year	**258**	70,530
Reversal of temporary differences	**(2,868)**	(14,031)
Total tax (refund)/expense	**(2,610)**	56,499

(b) Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of UK corporation tax 19% (2017 – 19.25%). The differences are explained below:

	2018	*2017*
	$	$
(Loss)/profit on ordinary activities before tax	**(305,666)**	288,432
Expected tax at 19% (2017 – 19.25%)	**(58,077)**	55,523
Tax effect of allowances that are not deductible for tax purposes	**385**	553
Foreign exchange differences	**492**	1,591
Others	**(1,701)**	(1,168)
Unrecognised tax losses	**56,291**	-
Income tax (refund)/expense	**(2,610)**	56,499

The standard rate of corporation tax was reduced to 19% from April 2017 and will further be reduced to 17% from 1 April 2020.

The Company has tax losses $314,620 (2017: profit $288,432) that are available indefinitely for offsetting against future taxable profits.

There are no income tax consequences attached to the payment of dividends in either 2018 or 2017 by the Company to its shareholder.

Notes to the financial statements (continued)

For the year ended 31 December 2018

10. Property, plant and equipment

Office equipment

	2018	*2017*
Cost:	$	$
At 1 January	32,909	64,507
Additions	7,749	2,857
Disposals	(5,139)	(34,455)
At 31 December	**35,519**	**32,909**
Depreciation:		
At 1 January	**22,571**	**49,124**
Charge for the year	**6,913**	**7,902**
Disposals	**(5,139)**	**(34,455)**
At 31 December	**24,345**	**22,571**
Net book value at 31 December	**11,174**	**10,338**

11. Intangible assets

	2018	*2017*
Cost:	$	$
At 1 January	95,858	83,881
Additions	11,728	11,977
At 31 December	**107,586**	**95,858**
Depreciation:		
At 1 January	32,712	14,771
Charge for the year	20,181	17,941
At 31 December	**52,893**	**32,712**
Net book value at 31 December	**54,693**	**63,146**

12. Inventory

As at 31 December 2018 there were no inventories on account (2017 – $141,212)

	2018	2017
	$	$
Lubricants	-	141,212
	-	**141,212**

During 2018 $247,440 (2017: $226,526) was recognised as an expense in the cost of sales.

Notes to the financial statements (continued)

For the year ended 31 December 2018

13. Trade and other receivables

	2017	2017
	$	$
Trade receivables due from related parties (Note 22)	**1,412,172**	986,312
Less: allowance for expected credit loss (Note 21)	**(27,445)**	-
Trade receivables due from third parties	**58**	728
VAT recoverable	**14,681**	18,807
	1,399,446	**1,005,847**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

14. Prepayments

	2018	2017
	$	$
Advances to suppliers	**52,899**	166,629
Advances to crew members	-	24,220
Advances to employees	**10,399**	7,464
	63,298	198,313

15. Trade and other payables

	2018	2017
	$	$
Trade payables owed to related parties (Note 22)	-	255,931
Trade payables owed to third parties	**59,980**	492,594
Other taxation and social security	**292,543**	276,328
	352,523	1,024,853

The fair value of trade and other payables approximates their carrying value as at the reporting date.

Notes to the financial statements (continued)

For the year ended 31 December 2018

16. Deferred tax net liabilities

Movement in recognised deferred tax liabilities:

	2018	2017
	$	$
At 1 January	**2,868**	16,899
Liability reversed on property, plant and equipment and intangible assets	**(1,447)**	(2,937)
Assets reversed/(originated) on provision for pensions	**7,810**	(11,094)
Assets originated on allowance for expected credit loss	**(5,215)**	-
Tax asset on losses carried forward	**(4,016)**	-
At 31 December	**-**	2,868

Deferred tax arising from temporary differences are summarised as follows:

Deferred tax liabilities (assets)	1 January 2018	Recognised in profit or loss	31 December 2018
	$	$	$
Property, plant and equipment and intangible assets	13,962	(1,447)	12,515
Provision for pension	(11,094)	7,810	(3,284)
Allowance for expected credit loss		(5,215)	(5,215)
Tax asset on loss carried forward		(4,016)	(4,016)
	2,868	**(2,868)**	**-**

Deferred tax liabilities (assets)	1 January 2017	Recognised in profit or loss	31 December 2017
	$	$	$
Property, plant and equipment and intangible assets	16,899	(2,937)	13,962
Provision for pension	-	(11,094)	(11,094)
	16,899	**(14,031)**	**2,868**

Deferred tax assets have been recognised in respect of these losses but was limited to the amount of deferred tax liability as the rest may not be used to offset taxable profits.

If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by $56,291 (2017: $Nil).

17. Share capital

		2018		2017
Authorised	*No.*	$	*No.*	$
Ordinary shares of $1.5657 (£1) each	20,000	31,314	20,000	31,314

		2018		2017
Issued and Paid	*No.*	$	*No.*	$
Ordinary shares of $1.5657 (£1) each	20,000	31,314	20,000	31,314

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Profit per share

Basic profit per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
(Loss)/profit attributable to equity holders of the company ($)	**(312,010)**	231,933
Weighted average number of ordinary shares in issue	**20,000**	20,000
Basic (loss)/profit per share ($)	**(15.3)**	11.6

There were no instruments in issue at 31 December 2018 (2017-nil), which would have dilutive effect on the profit per share.

19. Capital management

For the purpose of the Company's capital management, capital includes issued share capital and all equity reserves attributable to the shareholders. The primary objective of the Company's capital management is to maximize the shareholder's value. To maintain or adjust capital structure, the Company monitors the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2018 and the year ended 31 December 2017.

The Company regards the following as capital:

	2018	2017
	$	$
Ordinary share capital	**31,314**	31,314
Share premium account	**5,246**	5,246
Retained earnings	**1,955,903**	2,311,934
	1,992,463	2,348,494

The Company maintains capital that it views as sufficient for its activities providing services within a group engaged in shipping business. The Company is not subject to any externally imposed capital requirements.

Notes to the financial statements (continued)

For the year ended 31 December 2018

20. Financial instruments

Classification

The Company's primary financial instruments consist of trade receivables, trade payables, balances with companies within group and cash and cash equivalents. The carrying amounts of financial instruments included in the Company's statement of financial positions are set out below:

At 31 December 2017	Loans and receivables	Cash and cash equivalents	Payables
	$	$	$
Financial assets:			
Trade and other receivables	987,040	-	-
Cash and cash equivalents	-	2,027,085	-
	987,040	**2,027,085**	-
Financial liabilities:			
Trade and other payables	-	-	1,024,853
	-	-	**1,024,853**

At 31 December 2018	Loans and receivables	Cash and cash equivalents	Payables
	$	$	$
Financial assets:			
Trade and other receivables	1,384,785	-	-
Cash and cash equivalents	-	825,586	-
	1,384,785	**825,586**	-
Financial liabilities:			
Trade and other payables	-	-	352,523
	-	-	**352,523**

Trade and other receivables above do not include the VAT receivable in amount of $14,681 for year 2018 (2017 - $18,807).

Fair value

Management considers that the carrying amounts of financial assets and financial liabilities recognized in the Company's statement of financial position approximate to their fair values.

21. Financial risk management

In the ordinary course of business, as well as from its use of financial instruments, the Company is exposed to credit risk, liquidity risk and currency risks. Effective risk management is a fundamental aspect of the Company's business operations. The policies for managing each of these risks are summarised below:

(i) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

Credit risk management

The credit risk is managed on a Company basis based on the Company's credit risk management policies and procedures.

Notes to the financial statements (continued)

For the year ended 31 December 2018

21. Financial risk management (continued)

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits and are only with major reputable financial institutions.
The Company continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The Company's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Security
Trade receivables consist mainly of the related party customers The Company does not hold any security on the trade receivables balance.
In addition, the Company does not hold collateral relating to other financial assets (eg cash and cash equivalents held with banks).

Trade receivables
The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.
In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2018 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Company has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2018 was determined as follows:

	Current	30-90 days	More than 90 days	Total
Expected credit loss rate	0%	0%	6.9%	-
Gross carrying amount	403,580	397,312	611,277	1,412,169
Expected credit loss	0	0	21,101	21,101

The maximum amount of credit risk at the reporting date is represented by the Trade and Other receivables and Cash and cash equivalents.

The Company is exposed to limited credit risk from its operating activities (primarily to its trade and other receivables) as its receivables are mainly due from related parties (See note 13 for additional information). The Company is not exposed to significant credit risk from its financing activities (primarily to its cash and cash equivalents) as its cash balances are held with reputable financial institutions with a strong credit rating.

Notes to the financial statements (continued)

For the year ended 31 December 2018

21. Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset and arises because of the possibility that the Company could be required to pay its liabilities earlier than expected.

Management has built an appropriate liquidity risk assessment framework for the purposes of short, medium and long-term funding and liquidity management requirements. Due to the dynamic nature of the shipping industry, the Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve revolving credit facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company is responsible for its own cash management, including the short term investment of cash surpluses.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2018	Contractual cash flows	Less than 3 months
	$	$
Trade and other payables	352,523	352,523
	352,523	**352,523**

At 31 December 2017	Contractual cash flows	Less than 3 months
	$	$
Trade and other payables	1,024,853	1,024,853
	1,024,853	**1,024,853**

(iii) Currency risk

The Company has exposure to foreign currency risk as at 31 December 2018 as follows:

Balances denominated in:	£	$	€	
Expressed in:	$	$	$	Total
Current assets				
Trade and other receivables	66,560	1,332,906	-	1,399,466
Cash and cash equivalents	76,465	705,790	43,331	825,586
Total current assets	**143,025**	**2,038,696**	**43,331**	**2.225,052**
Current liabilities				
Trade and other payables	343,847	1,701	6,975	352,523
Total current liabilities	**343,847**	**1,701**	**6,975**	**352,523**

If the British Pound appreciated by 10% then the fair value of the net balances denominated in foreign currencies at 31 December 2018 would increase by $20,110. If the British Pound depreciated by 10% then the fair value of the net balances denominated in foreign currencies at 31 December 2018 would decrease by $20,110.

Notes to the financial statements (continued)

For the year ended 31 December 2018

21. Financial risk management (continued)

If the Euro appreciated by 10% then the fair value of the net balances denominated in foreign currencies at 31 December 2018 would decrease by $3,635. If the Euro depreciated by 10% then the fair value of the net balances denominated in foreign currencies at 31 December 2018 would increase by $3,635.

The Company has exposure to foreign currency risk as at 31 December 2017 as follows:

Balances denominated in:	£	$	€	
Expressed in:	$	$	$	Total
Current assets				
Trade and other receivables	19,535	986,312	-	1,005,847
Cash and cash equivalents	115,329	1,761,791	149,965	2,027,085
Total current assets	**134,864**	**2,748,103**	**149,965**	**3,032,932**
Current liabilities				
Trade and other payables	331,224	617,702	75,927	1,024,853
Total current liabilities	**331,224**	**617,702**	**75,927**	**1,024,853**

If the British Pound appreciated by 10% then the fair value of the net balances denominated in foreign currencies at 31 December 2017 would increase by $19,636. If the British Pound depreciated by 10% then the fair value of the net balances denominated in foreign currencies at 31 December 2017 would decrease by $19,636.

If the Euro appreciated by 10% then the fair value of the net balances denominated in foreign currencies at 31 December 2017 would increase by $7,404. If the Euro depreciated by 10% then the fair value of the net balances denominated in foreign currencies at 31 December 2017 would decrease by $7,404.

22. Related party transactions and balances

The immediate parent of the Company is "NMSC" Kazmortranflot LLP, a company registered and domiciled in Kazakhstan. The ultimate controlling parent of the Company, is Samnuk Kazyna JSC which is a Sovereign Wealth Fund registered in Kazakhstan. Copies of Samnuk Kazyna JSC's accounts can be obtained at https://www.sk.kz/about-fund/otchety-i-plany/?temp=full&iblock=51&id=210.

The Company transacts on a regular basis with Kazmortransflot Ltd, which is a fellow subsidiary thorough the same parent and ultimate parent.

Notes to the financial statements (continued)

For the year ended 31 December 2018

22. Related party transactions and balances (continued)

(i) Income from services provided to related parties:

Description	*Nature*	*Party*	*2018* $	*2017* $
Commercial management fees	Trade	Kazmortransflot Ltd	**2,380,000**	2,748,000
Technical management fees	Trade	"NMSC" Kazmortransflot LLP	**489,300**	876,000
Technical management reimbursements	Trade	"NMSC" Kazmortransflot LLP	**3,187,316**	4,940,168
Shipbuilding supervision service	Trade	"NMSC" Kazmortransflot LLP	**49,715**	49,726
Facilitation of bareboat charter transaction	Trade	"NMSC" Kazmortransflot LLP	**1,379,700**	1,379,700
Technical management reimbursements of expenses connected with ships dry docking programme	Trade	Kazmortransflot Ltd	**-**	194,814
			7,486,831	10,188,408

Transactions with related parties are carried on commercial terms and conditions.

(ii) Expenses from services provided by related parties.

Description	*Nature*	*Party*	*2018* $	*2017* $
Facilitation of bareboat charter transaction	Trade	Kazmortransflot Ltd	**1,314,000**	1,314,000
			1,314,000	1,314,000

Transactions with related parties are carried on commercial terms and conditions.

Notes to the financial statements (continued)

For the year ended 31 December 2018

22. Related party transactions and balances (continued)

(iii) Trade receivables due from related parties (Note 13)

	2018	2017
	$	$
Kazmortransflot Ltd	**1,206,992**	-
"NMSC" Kazmortransflot LLP	**88,000**	986,312
	1,412,172	986,312

Trade receivables due from related parties are unsecured, interest free and repayable according to the contractual credit limits.

(iv) Trade payables due to related parties (Note 15)

	2018	2017
	$	$
Kazmortransflot Ltd	-	255,931
	-	255,931

Trade payables due to related parties are unsecured, interest free and repayable according to the contractual credit limits.

23. Operating lease arrangements

Operating leases relate to the office premises with lease terms up to one year. The Company does not have an option to purchase the leased asset at the expiry of the lease period.

The future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2018	2017
	$	$
Payments recognised as an expense:		
Minimum lease payments	214,238	259,997
Non-cancellable operating lease commitments:		
No longer than one year	51,907	53,800
Longer than one year and no longer than five years	-	-
Longer than five years	-	-
	53,800	**53,800**

24. Events after the statement of financial position date

No adjusting or significant non-adjusting events have occurred between the statement of financial position date and the date of authorisation of the financial statements.