Ocean Prefect Shipping Limited

Financial statements

For the year ended 31st December 2017

Registered number: 9332945

Ocean Prefect Shipping Limited

Strategic Report for the year ended 31st December 2017

Directors
A. Boehme
G.N. Georgiou
E. Kouligkas

Registered office
13-14 Hobart Place
London SW1W 0HH

Registered number
9332945

Principal activities

The Company's principal activity is the ownership and operation of vessels.

Review of the business and future prospects

Overall, market conditions in the dry bulk sector saw a marked improvement during 2017 as a whole, supported by more positive market fundamentals. Charter rates ended 2017 at increased levels across the supermax ranges, with the dry bulk sector seeing significant gains over the course of the year. Risks on the demand side remain, but it does appear that the projected continued rebalancing of fundamentals in the sector has the potential to support further improvement in the dry bulk market conditions going forward.

The key indicators of the Company's performance can be seen below:

	2017 US$'000	2016 US$'000
Revenue	**2,561**	1,642
Total operating days	**288**	322
EBITDA	**681**	(1,186)

** EBITDA is defined as earnings before interest, tax, depreciation, impairment and amortisation and any other non-operating costs or income and is broadly reflective of the Company's ability to generate positive cash flows from its vessel operating activities.*

The directors anticipate that the market will show signs of improvement in the forthcoming year which is expected to have a positive impact on charter rates.

Financial risk management

The Company's operations expose it to varying levels of financial risk. Liquidity risk is mitigated by a policy of fixing long term time charters where markets permit. The policies set out by the Board are implemented by the accounting department of a fellow subsidiary company. See further details in note 16.

Going concern

The financial statements have been prepared on a going concern basis. In applying this basis, the directors have reviewed the projections of cash flows and compliance with banking covenants over the 12 months from the financial reporting date and concluded that the Company will be able to meet its liabilities as they fall due. In addition, the intermediate parent company, Lomar Corporation Limited, has undertaken to provide support to enable the Company to meet its obligations as they fall due.

By order of the Board on 27/09/18

N.

G.N. Georgiou
Director

Ocean Prefect Shipping Limited

Directors' Report for the year ended 31st December 2017

The directors present their report and financial statements for the year ended 31st December 2017.

Please refer to the Strategic Report on page 1 for the names of the directors, activities and the likely future developments of the Company and a discussion of the risks and uncertainties. Please refer to note 16 of the financial statements for future disclosure of the financial risks.

Results and dividends

The loss for the year ended 31st December 2017 was US$1,736,000 (2016: US$3,568,000). The directors do not propose the payment of a dividend.

Disclosure of information to auditors

At the time when this report is approved the directors have confirmed that:

(a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) they have taken all the steps that ought to have been taken as directors, including making appropriate enquiries of 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.

By order of the Board on 27/09/18

N.

G.N. Georgiou
Director

Ocean Prefect Shipping Limited

Statement of directors' responsibilities
For the year ended 31st December 2017

The directors are responsible for preparing the Strategic Report, 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 financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view. 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 the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors 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.

Independent auditors' report to the shareholder of Ocean Prefect Shipping Limited

Opinion

We have audited the financial statements of Ocean Prefect Shipping Limited (the 'Company') for the year ended 31^{st} December 2017 which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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^{st} December 2017 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. 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 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in 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.

We have nothing to report in this regard.

Independent Auditor's Report to the Member of Ocean Prefect Shipping Limited 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the 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 or the Directors' Report.

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

- adequate accounting records have not been kept, 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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Member of Ocean Prefect Shipping Limited Continued...

Use of our report

This report is made solely to the Company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Simms

Michael Simms, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

Date: 28 | 9 | 2018

Ocean Prefect Shipping Limited

Statement of comprehensive income
For the year ended 31st December 2017
Expressed in thousands of United States dollars

	Note	2017 US$'000	2016 US$'000
Revenue	4.3	**2,561**	1,642
Direct costs		(146)	(237)
Gross profit		**2,415**	1,405
Operating expenses:			
- Vessel running costs		**(2,264)**	(2,564)
- Depreciation	10	**(931)**	(887)
- Administrative expenses		**(23)**	(27)
- Other operating income		**552**	-
		(2,666)	(3,478)
Operating loss	5	**(251)**	(2,073)
Finance costs	8	**(1,452)**	(1,522)
Exchange (loss)/gain		**(33)**	27
Loss before taxation		**(1,736)**	(3,568)
Taxation	9	**-**	-
Loss after taxation		**(1,736)**	(3,568)
Total comprehensive expense for the year		**(1,736)**	(3,568)

There are no items of other comprehensive income.

The notes on pages 11 to 22 form an integral part of these financial statements.

Ocean Prefect Shipping Limited

Statement of financial position
As at 31st December 2017
Expressed in thousands of United States dollars

	Note	2017	2016
		US$'000	US$'000
Non-current assets			
Vessel	10	**11,083**	12,014
		11,083	12,014
Current assets			
Inventories	11	**114**	181
Trade and other receivables	12	**2,844**	1,767
Cash and cash equivalents	13	**113**	104
		3,071	2,052
Total assets		**14,154**	14,066
Current liabilities			
Trade and other payables	14	**9,318**	6,879
Bank loan	15	**12,037**	643
		21,355	7,522
Non-current liabilities			
Bank loan	15	**-**	12,009
Total liabilities		**21,355**	19,531
Shareholder's equity			
Share capital	17	**-***	-*
Accumulated deficit		**(7,201)**	(5,465)
Total equity		**(7,201)**	(5,465)
Total liabilities and equity		**14,154**	14,066

*Total share capital is GB£1

Signed on behalf of the Board on 27/09/18

N.

G.N. Georgiou
Director

The notes on pages 11 to 22 form an integral part of these financial statements.

Ocean Prefect Shipping Limited

Statement of changes in equity
For the year ended 31st December 2017
Expressed in thousands of United States dollars

	Share capital	Accumulated deficit	Total
At 1st January 2016	-*	(1,897)	(1,897)
Total comprehensive expense	-	(3,568)	(3,568)
At 31st December 2016	-*	(5,465)	(5,465)
Total comprehensive expense	**-**	**(1,736)**	**(1,736)**
At 31st December 2017	**-***	**(7,201)**	**(7,201)**

*Total share capital is GB£1

The notes on pages 11 to 22 form an integral part of these financial statements.

Ocean Prefect Shipping Limited

Statement of cash flows
For the year ended 31st December 2017
Expressed in thousands of United States dollars

	Note	2017 US$'000	2016 US$'000
Operating activities			
Loss before taxation		**(1,736)**	(3,568)
Depreciation	10	**931**	887
Finance costs	8	**1,452**	1,522
Changes in:			
- Inventories		**67**	51
- Trade and other receivables		**(1,078)**	504
- Trade and other payables		**2,440**	2,767
Cash inflow from operating activities		**2,076**	2,163
Financing activities			
Repayment of bank loan	15	**(643)**	(574)
Interest paid	15	**(1,424)**	(1,519)
Loan arrangement fees		**-**	26
Cash outflow from financing activities		**(2,067)**	(2,067)
Net change in cash and cash equivalents		**9**	96
Cash and cash equivalents at start of the year		**104**	8
Cash and cash equivalents at end of the year	13	**113**	104

The notes on pages 11 to 22 form an integral part of these financial statements.

Ocean Prefect Shipping Limited

Notes to the financial statements
31st December 2017

1. General

The Company is a limited liability company, incorporated on 28th November 2014 under the laws of the United Kingdom. Its registered office is situated at 13-14 Hobart Place, London SW1W 0HH.

The immediate parent company is OP Shipping Limited, a Company incorporated in the United Kingdom. The Company's ultimate controlling undertaking is Libra Holdings Limited, of Bermuda, wholly owned under an overseas family discretionary settlement, the beneficiaries of which include the family of M.G. Logothetis.

The principal activity of the Company is the ownership and operation of vessels.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2.1 Going concern

The Company's current liabilities exceed its current assets by US$18,284,000 (2016: US$5,470,000). As a result the ability of the Company to continue as a going concern is dependent upon the support of an intermediate parent company. Lomar Corporation Limited has undertaken to provide support to enable the Company to meet its obligations as they fall due. As such, the financial statements have been prepared on the going concern basis.

3. Recent accounting pronouncements

The Company has adopted the new interpretations and revised standards effective for the year ended 31st December 2017. The adoption of these interpretations and revised standards had the following impact on the disclosures and presentation of the financial statements:

IAS 7 Statement of cash flows
The standard has been amended to require the disclosure of changes arising from financing activities. Changes in assets and liabilities arising from financing activities are now analysed between changes from financing cash flows, changes due to obtaining or losing control of a subsidiary, the effect of changes in foreign exchange rates, fair value changes and other changes.

3.2. Standards and interpretations in issue but not yet effective

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31st December 2017. The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9 Financial Instruments
The standard makes substantial changes to the measurement of financial assets and financial liabilities. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through the statement of comprehensive income, fair value through other comprehensive income or measured at amortised cost. On adoption of the standard, the Company will have to re-determine the classification of its financial assets based on the business model for each category of financial asset.

The principal change to the measurement of financial assets measured at amortised cost or fair value through other comprehensive income is that impairments will be recognised on an expected loss basis compared to the current incurred loss approach. As such, where there are expected to be credit losses these are recognised in the statement of comprehensive income. For financial assets measured at amortised cost the carrying amount of the asset is reduced for the loss allowance.

3. Recent accounting pronouncements continued ...

3.2. Standards and interpretations in issue but not yet effective continued...

IFRS 9 Financial Instruments continued...

For financial assets measured at fair value through other comprehensive income the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial assets.

The Company has evaluated the impact that adoption of IFRS 9 will have on its financial statements and concluded that it is not likely to give rise to any significant adjustments. The majority of the Company's financial assets and liabilities are currently stated at either amortised cost or fair value through the statement of comprehensive income and no revision to these measurement bases is anticipated on adoption of the standard. Certain financial assets will be evaluated on an expected loss basis following transition, given the Company's trading history however this is not expected to generate any material impairments.

The standard is effective for accounting periods beginning on or after 1st January 2018.

IFRS 15 Revenue from Contracts with Customers
The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around five steps in recognising revenue:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price; and
5. Recognise revenue when a performance obligation is satisfied.

On application of the standard the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.

The Company has evaluated the expected impact of adopting IFRS 15 on its financial statements and concluded that it is unlikely to have a material impact on the basis that the majority of the Company's revenue either falls within the scope of IAS 17 Leases (IFRS 16 following transition) or will be brought in scope of the leasing standards by the practical expedient provided by IFRS 16. Of the remaining revenue streams which will be affected, none are considered to be material to either the Company's financial position or performance.

The standard is effective for accounting periods beginning on or after 1st January 2018.

IFRS 16 Leases
The standard makes substantial changes to the recognition and measurement of leases by lessees. On adoption of the standard, lessees, with certain exceptions for short term or low value leases, will be required to recognise all leased assets on their statement of financial position as 'right-of-use assets' with a corresponding lease liability. The requirements for lessors are substantially unchanged.

On application of the standard the disclosures are likely to increase for both lessors and lessees. The standard includes principles on disclosing the nature, amount, timing and variability of lease payments and cash flows, by providing qualitative and quantitative information.

The Company has evaluated the full extent of the impact that the standard will have on its financial statements and the transitional provisions which may be utilised however this is not expected to generate any material adjustments.

The standard is effective for periods beginning on or after 1st January 2019.

4. Summary of significant accounting policies

4.1. Foreign currencies

The functional and presentational currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the reporting date. Revenue, costs and non-monetary assets and liabilities are translated at the exchange rates ruling at the dates of transactions. Foreign exchange gains and losses are included in the statement of comprehensive income.

4.2. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Finance lease receivables are initially recognised at an amount equal to the net investment in the lease, subsequently finance income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

4.3. Revenue

Revenue derived from, vessel charters, is recognised on a straight-line basis over the period of the lease. Revenue generated through voyage charters and all other revenue streams is recognised on a daily basis as it accrues. Full provision is made for losses on voyage contracts in progress at the reporting date.

Deferred revenue is recognised when monies are received in advance of the provision of a service.

4.4. Income tax

Current tax is provided for at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The Company operates within the UK tonnage tax regime under which ship owning and operating activities are taxed based on the net tonnage of vessels operated.

4.5. Vessels

Vessels are stated at cost less accumulated depreciation and impairment losses (refer to accounting policy 4.8). Charges for depreciation are calculated on a straight-line basis to write-down the carrying value of the vessels over their expected useful life, being 25 years from build date, to an estimated residual value based on prevailing scrap rates at each financial reporting date. Depreciation commences when the vessel is ready for its intended use.

4.6. Dry-docking and special survey costs

Dry-docking and special survey costs are capitalised and written off over the estimated period to the next dry-docking or special survey. Unamortised costs are written off to statement of comprehensive income on disposal of the vessel.

4.7. Inventories

Inventories comprise bunkers and lubricants on board vessels. Inventories are recognised at the lower of cost and net realisable value on a first-in, first-out basis.

4. Summary of significant accounting policies continued...

4.8. Impairment of assets

Assets subject to depreciation or amortisation and vessels under construction are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the statement of comprehensive income whenever the carrying value of an asset or a cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows of an asset or a CGU are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

Fair value is assessed by the directors and reflects the underlying economic value of the assets in normal market conditions, with a willing buyer and seller and assumes adequate time for sale.

4.9. Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less appropriate allowances for credit losses. The Company reviews the ageing of receivables regularly.

4.10. Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and deposits maturing within three months of the date of deposit.

4.11. Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

4.12. Financial instruments

Financial assets and liabilities are initially recognised on the statement of financial position at fair value when the Company has become party to the contractual provisions of the instruments.

All financial assets are categorised as loans and receivables. Such assets are subsequently carried at amortised cost using the effective interest method if the time value of money may have a significant impact on their value.

The Company assesses at the reporting date whether there is objective evidence that a financial asset is impaired. Impairment losses are incurred only if there is objective evidence that a loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The Company uses criteria such as significant financial difficulty of the counterparty, the disappearance of an active market for that financial asset because of financial difficulties and breaches of contract as objective evidence.

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

4.13. Significant accounting judgements

In the process of applying the Company's accounting policies, the directors have made the following accounting judgements which have the most significant effect on the amounts recognised in the financial statements:

Leases

The Company is party to leasing arrangements as a lessor. Accounting for leases is mainly determined by the judgement of whether the lease is considered to be a finance lease or an operating lease. Management look to the substance of the transaction and the terms and conditions of the leasing arrangements in judging whether all the risks and rewards of ownership are transferred.

4. Summary of significant accounting policies continued...

4.14. Significant accounting estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the end of the reporting period, that may cause amounts recognised or disclosed to change in following accounting periods are:

Asset impairment testing

The Company reviews its non-current assets for impairment at each reporting date. If events or circumstances indicate that the carrying value may not be recoverable, the value is adjusted to the recoverable amount, which is the higher of fair value less costs to sell and estimated value in use (refer to accounting policy 4.8). Any impairment is recognised in the statement of comprehensive income.

Revenue recognition

The Company has made provisions for partially completed contracts and for losses on voyages in progress at the financial reporting date. Management believe that provisions made are adequate but as these estimates are based upon information available at the financial reporting date they are subject to change as further information becomes available.

Residual values and estimated remaining lives

The carrying value of vessels is depreciated over their expected useful life of 25 years from date of build to an estimated residual value. Changes in the remaining useful life of the vessels and the residual value, determined based on year end scrap rates, would result in an adjustment to the current and future rate of depreciation through the statement of comprehensive income.

5. Operating loss

	2017	2016
	US$'000	US$'000
Operating loss is stated after charging/crediting:		
Auditors' remuneration – audit services	**6**	8
Onerous lease provision	**-**	(19)
Consumption of materials	**157**	295
Tonnage tax	**8**	4

6. Staff numbers and costs

No one was employed under contract by the Company during both years. Administrative staff are employed and paid by a fellow subsidiary company for a management fee. The directors did not receive any emoluments in respect of their services to the Company and are also paid by a fellow subsidiary.

7. Operating leases

The minimum future lease rentals receivable under non-cancellable operating leases as of 31st December 2017 and 2016 are as follows:

	2017	2016
	US$'000	US$'000
Less than one year	**234**	176

8. Finance costs

	2017 US$'000	2016 US$'000
Interest payable on bank loan	**1,424**	1,496
Other interest and finance charges	**28**	26
	1,452	1,522

9. Taxation

The Company is engaged in shipping activities and has entered the U.K. tonnage tax regime, under which its ship owning and operating activities are taxed based on the net tonnage of vessels operated. Any income and profits outside the tonnage tax regime are taxed under the normal U.K. Corporation Tax rules at 19% from 1st April 2017 onwards up to 31st March 2017 the tax rate was 20%.

Current tax

A reconciliation of the expected tax charge to the actual tax charge is as follows:

	2017 US$'000	2016 US$'000
Loss before taxation	**(1,736)**	(3,568)
Taxation at applicable rates	**(334)**	(714)
Effect of U.K. tonnage tax regime	**334**	714
Current tax charge	**-**	-

Ocean Prefect Shipping Limited

Notes to the financial statements
31st December 2017

10. Vessels

	Vessels US$'000	Dry-docking US$'000	Total US$'000
Cost			
At 1st January 2016	13,504	590	14,094
At 31st December 2016	13,504	590	14,094
At 31st December 2017	**13,504**	**590**	**14,094**
Accumulated depreciation			
At 1st January 2016	(875)	(318)	(1,193)
Charge for the year	(846)	(41)	(887)
At 31st December 2016	(1,721)	(359)	(2,080)
Charge for the year	**(751)**	**(180)**	**(931)**
At 31st December 2017	**(2,472)**	**(539)**	**(3,011)**
Net book value			
At 31st December 2017	**11,032**	**51**	**11,083**
At 31st December 2016	11,783	231	12,014

Vessels with a net book value of US$11,083,000 (2016: US$12,014,000) is mortgaged as security for a bank loan (note 15).

The Company has performed an impairment test for its vessel by comparing the carrying amount of the vessel to its recoverable amount, being the greater of its value in use and its fair value less cost to sell. In assessing value in use, discount rates of 6.49% (2016: 6.96%) were used for dry bulk carriers vessels. The carrying value of vessels as of 31st December 2017 is stated after impairment losses of US$nil (2016: US$nil). The Company defines a cash generating unit as a single vessel.

Value in use calculations involve estimating the discounted future cash flows, which require judgements concerning long-term forecasts of future revenues and costs related to the vessels as well as judgements about the discount rate used in the calculations. These forecasts are uncertain as they require assumptions to be made regarding global supply and demand growth and trends, geopolitical factors, market conditions and technological developments. Value in use calculations are mainly sensitive to the hire rates and discount rates applied in the calculations. Significant and unanticipated changes in these assumptions could result in a material impairment provision in a future period.

The main assumptions used in performing the value in use calculation at the reporting date are as follows:
- contracted hire rates until the expiry of the current agreement;
- hire rate estimates for the first five years based on forecast, provided by a broker and the remaining years based on 10 years historical average;
- operating expenses – crew and technical costs, based on the approved operating budget for 2017 and increasing at a flat rate of 2.8% annually;
- annual utilisation of 355 days; and
- use of the vessel until the end of their useful economic life, unless the vessel is sold or planned to be sold.

Sensitivity analysis was performed on the value in use of the vessel at the reporting date. A decrease in projected hire rates of 10% over the remaining life of the vessel would result in no additional impairment provision. An increase in the discount rate of 1% across the annual assessment would result in no additional impairment provision.

11. Inventories

	2017 US$'000	2016 US$'000
Bunkers and lube oils	**114**	181

The cost of inventories recognised as an expense during the year amounts to US$157,000 (2016: US$295,000).

12. Trade and other receivables

	2017 US$'000	2016 US$'000
Trade receivables	**380**	272
Other receivables	**437**	121
Prepayments	**71**	85
Amounts due from intermediate parent company	**1,212**	831
Amounts due from associated companies	**744**	458
	2,844	1,767

The amounts due from the intermediate parent company and associated companies are unsecured, interest-free and repayable on demand.

13. Cash and cash equivalents

	2017 US$'000	2016 US$'000
Cash on board	**24**	3
Current accounts	**89**	101
	113	104

14. Trade and other payables

	2017 US$'000	2016 US$'000
Trade payables	**2,237**	1,727
Accruals	**181**	275
Deferred revenue	**85**	165
Amounts due to fellow subsidiaries	**4,251**	2,695
Amounts due to immediate parent company	**1,991**	1,986
Amounts due to associated companies	**525**	-
Other payables	**48**	31
	9,318	6,879

The amounts due to fellow subsidiaries, the immediate parent company and associated companies are unsecured, interest-free and repayable on demand.

15. Bank loan

The bank loan outstanding as at 31st December 2017 and 2016 is as follows:

	Bank loan US$'000	Arrangement fees US$'000	Total US$'000
At 1st January 2016	13,282	(82)	13,200
Movements arising from financing cash flows			
Repayment of facilities	(574)	-	(574)
Non-cash and other movements			
Amortisation of loan arrangement fees	-	26	26
At 31st December 2016	12,708	(56)	12,652
Current portion	643	-	643
Non-current portion	12,065	(56)	12,009
At 1st January 2017	**12,708**	**(56)**	**12,652**
Movements arising from financing cash flows			
Repayment of facilities	**(643)**	**-**	**(643)**
Non-cash and other movements			
Amortisation of loan arrangement fees	**-**	**28**	**28**
At 31st December 2017	**12,065**	**(28)**	**12,037**
Current portion	**12,065**	**(28)**	**12,037**
Non-current portion	**-**	**-**	**-**
	12,065	**(28)**	**12,037**

The loan is secured by charges over the Company's vessel (note 10) and a vessel in a fellow subsidiary.

16. Risk and financial instruments

The Company's key financial risks arising from its operating activities and its financial instruments are:

- Credit risk;
- Liquidity risk; and
- Market risk (including interest rate risk and currency risk).

The key management of the Company have overall responsibility for the establishment and oversight of the risk management framework.

16. Risk and financial instruments continued...

Categories of financial instruments:

	2017 US$'000	Fair value US$'000	2016 US$'000	Fair value US$'000
Financial assets				
Loans and receivables:				
- Trade and other receivables	2,773	2,773	1,682	1,682
- Cash and cash equivalents	113	113	104	104
	2,886	2,886	1,786	1,786

Financial liabilities	2017 US$'000	Fair value US$'000	2016 US$'000	Fair value US$'000
At amortised cost:				
- Trade and other payables	9,233	9,233	6,714	6,714
- Bank loan	12,037	12,062	12,652	12,708
	21,270	21,295	19,366	19,422

The fair values of financial assets and liabilities have been determined by management, based upon the present value of the expected cash flows deriving from the asset or liability, discounted at an appropriate discount rate.

All financial liabilities at fair value through profit or loss have been valued using observable inputs. The values are determined using the present value of future cash flows. Future interest rates are based on forward rates prevailing at the financial reporting date.

16.1. Credit risk

The Company services the shipping industry as it leases its vessels to third party charterers. The shipping industry is cyclical, economically sensitive and highly competitive. A key determinant of the Company's success is the financial strength of its counterparties and their ability to react to and cope with the environment in which they operate.

If a lessee experiences financial difficulties this may result in default or the early termination of the lease. The directors mitigate this risk by only leasing to reputable companies and conducting comprehensive credit reviews of counterparties both prior to and during the course of a lease.

The credit risk on liquid funds is limited because the significant counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

At 31st December 2017, the concentration of credit risk exists to the extent that 69% (2016: 73%) of trade and other receivables were due from the intermediate parent company and associated companies.

16.2. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company aims to mitigate liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

16. Risk and financial instruments continued...

16.2. Liquidity risk continued...

The following table represents the maturity of financial liabilities:

31st December 2017	Carrying amount US$'000	Contractual cash flow US$'000	Less than one year US$'000	One to five years US$'000	Over five years US$'000
Trade and other payables	**9,233**	**9,233**	**9,233**	**-**	**-**
Bank loan	**12,065**	**14,836**	**14,836**	**-**	**-**
Total	**21,298**	**24,069**	**24,069**	**-**	**-**

31st December 2016	Carrying amount US$'000	Contractual cash flow US$'000	Less than one year US$'000	One to five years US$'000	Over five years US$'000
Trade and other payables	6,714	6,714	6,714	-	-
Bank loan	12,708	15,479	2,066	13,413	-
Total	19,422	22,193	8,780	13,413	-

16.3. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

As at 31st December 2017 and 2016, the Company had no significant financial assets and liabilities denominated in currencies other than the United States dollars and were therefore not exposed to significant currency risk at the reporting date.

Interest rate risk

The Company's interest bearing financial assets and liabilities expose it to risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. At 31st December 2017 and 2016 there were no interest bearing financial assets and the Company's only financial liability was a bank loan bearing interest at a fixed rate, therefore there was no exposure to interest rate risk at the financial reporting date.

The interest rate profile of the Company's financial assets and liabilities (excluding short-term receivables and payables) as at 31st December 2017 and 2016 was:

31st December 2017	Fixed rate items US$'000	Floating rate items US$'000	Items on which no interest is paid US$'000	Total carrying value US$'000
Financial assets				
Cash and cash equivalents	**-**	**89**	**24**	**113**
Financial liabilities				
Bank loan	**12,065**	**-**	**-**	**12,065**

16. Risk and financial instruments continued...

16.3. Market risk continued...

31st December 2016	Fixed rate items US$'000	Floating rate items US$'000	Items on which no interest is paid US$'000	Total carrying value US$'000
Financial assets				
Cash and cash equivalents	-	101	3	104
Financial liabilities				
Bank loan	12,708	-	-	12,708

16.4. Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The Company reviews and monitors its capital structure on a regular basis to ensure its objectives are met.

The capital structure of the Company consists of a bank loan of US$12,065,000 (2016: US$12,708,000) and all components of equity aggregating to a deficit of US$7,201,000 (2016: US$5,465,000).

17. Share capital

	2017 US$	2016 US$
Authorised, issued and fully paid:		
1 ordinary share of GB£1 each	1	1

18. Related party transactions

The Company was charged management fees of US$150,000 (2016: US$150,000) and commission fees of US$28,000 (2016: US$21,000) by Lomar Shipping Limited, a company controlled by the family G.S. Logothetis.

The directors and key management of the Company did not receive any remuneration during the financial years ended 31st December 2017 and 2016.

19. Events after the reporting period

Subsequent to year end, the Company repaid US$12,065,000 of bank loans following the sale of its vessel. The Company recorded a related net loss on disposal of US$1,490,000 after receiving disposal proceeds of US$9,135,000.