Registration number: 09332968

Ocean Prelate Shipping Limited

Financial Statements

for the Year Ended 31 December 2019

Ocean Prelate Shipping Limited

Company Information

Directors	G. N. Georgiou E. Kouligkas
Registered office	13-14 Hobart Place London United Kingdom SW1W 0HH
Auditor	BDO LLP London United Kingdom

Ocean Prelate Shipping Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Fair review of the business

The bulk carrier market has been characterised by low earnings in the first half of the year, led by weak imports and a downswing in the sector. The second half of the year however saw a steady recovery, led by multi-year high earnings due to improved iron ore trade volumes and an increased number of vessels undergoing scrubber retrofits which had a positive overall effect on the market.

The vessel was disposed of subsequent to the reporting period (refer to Note 21) and the directors intend to liquidate the Company within the foreseeable future.

The Company's key performance indicators during the year were as follows:

	2019 US$ 000	2018 US$ 000
Revenue	2,585	3,077
Total operating days	320	348
EBITDA	159	648

**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 operations.*

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 18.

Approved by the Board on 14/05/2021 and signed on its behalf by:

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G. N. Georgiou
Director

Ocean Prelate Shipping Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the Company

The directors during the financial year and up to the signing of this report were as follows:

A. Boehme (resigned 25 July 2020)

G. N. Georgiou

E. Kouligkas

Principal activity

The principal activity of the Company is the operation and ownership of a vessel.

Basis other than going concern

The Company's vessel was disposed of subsequent to the reporting date (refer to Note 21) and the directors intend to liquidate the Company in the foreseeable future. The directors do not consider the Company to be a going concern and accordingly these financial statements have been prepared on a basis other than going concern. The intermediate parent company, Lomar Corporation Limited, has undertaken to provide financial support to enable the Company to meet its obligations as they fall due until the Company is liquidated.

Accordingly, all assets of the Company are measured at the lower of their carrying amounts and estimated realisable value and all liabilities are measured at their estimated settlement amounts as at 31 December 2019.

Results and dividends

The loss for the year ended 31 December 2019 for the Company was US$1,969,000 (2018: US$1,810,000). The directors did not propose a payment of a dividend (2018: US$nil).

Important adjusting and non-adjusting events after the reporting period

There have been no significant events subsequent to the reporting date which are outside the Company's normal trading activities, other than those included in Note 21.

Disclosure of information to the auditor

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 auditor are unaware; and
(b) they have taken all steps that ought to have been as directors, including making appropriate enquiries of the Company's auditor for that purpose, in order to be aware of information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

Ocean Prelate Shipping Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 14/05/2021 and signed on its behalf by:

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G. N. Georgiou
Director

Ocean Prelate Shipping Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Accounting Standards in conformity with the requirements of the Companies Act 2006 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. As expanded in Note 2 to the financial statements, the directors do not believe the going concern basis is appropriate and in consequence these financial statements have not been prepared on a going concern basis.

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

Independent Auditor's Report to the Members of Ocean Prelate Shipping Limited

Opinion

We have audited the financial statements of Ocean Prelate Shipping Limited ("The Company") for the year ended 31 December 2019, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the 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 Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter - basis of preparation

We draw attention to Note 2 to the financial statements which explains that the Directors intend to liquidate the Company and therefore do not consider the Company to be a going concern. Accordingly the financial statements have been prepared on a basis other than that of going concern as described in Note 2. Our opinion is not modified in respect of this matter.

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.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the 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.

Independent Auditor's Report to the Members of Ocean Prelate Shipping Limited (continued)

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.

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.

Michael Simms

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Michael Simms (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

London
United Kingdom

Date: 14 May 2021

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

Ocean Prelate Shipping Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 US$ 000	2018 US$ 000
Revenue	2	2,585	3,077
Direct costs		(319)	(316)
Gross profit	4	2,266	2,761
Operating expenses:			
Vessel running costs		(1,984)	(2,088)
Depreciation and amortisation	10	(1,263)	(1,201)
Administrative expenses		(123)	(25)
		(3,370)	(3,314)
Operating loss	5	(1,104)	(553)
Finance costs	8	(863)	(1,253)
Exchange losses		(2)	(4)
Loss before taxation		(1,969)	(1,810)
Taxation	9	-	-
Loss after taxation		(1,969)	(1,810)
Total comprehensive loss for the year		(1,969)	(1,810)

The Company has no items of other comprehensive income for the year.

The notes on pages 13 to 33 form an integral part of these financial statements.

Ocean Prelate Shipping Limited

(Registration number: 09332968)
Statement of Financial Position as at 31 December 2019

	Note	2019 US$ 000	2018 US$ 000
Assets			
Non-current assets			
Vessel	10	9,205	10,468
Current assets			
Inventories	11	130	121
Trade and other receivables	12	515	202
Cash and cash equivalents	13	80	31
		725	354
Total assets		9,930	10,822
Equity and liabilities			
Current liabilities			
Trade and other payables	14	12,635	11,007
Loan from immediate parent company	16	746	4,309
		13,381	15,316
Non-current liabilities			
Loan from immediate parent company	16	7,091	4,079
Total liabilities		20,472	19,395
Equity			
Share capital*	19	-	-
Accumulated deficit		(10,542)	(8,573)
Total equity		(10,542)	(8,573)
Total equity and liabilities		9,930	10,822

*Total share capital is US$1

Approved by the Board on 14/05/2021 and signed on its behalf by:

G. N. Georgiou
Director

The notes on pages 13 to 33 form an integral part of these financial statements.

Ocean Prelate Shipping Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital* US$ 000	Accumulated deficit US$ 000	Total US$ 000
At 1 January 2018	-	(6,754)	(6,754)
Opening adjustment**	-	(9)	(9)
At 1 January 2018 (As restated)	-	(6,763)	(6,763)
Total comprehensive loss	-	(1,810)	(1,810)
At 31 December 2018	-	(8,573)	(8,573)

	Share capital* US$ 000	Accumulated deficit US$ 000	Total US$ 000
At 1 January 2019	-	(8,573)	(8,573)
Total comprehensive loss	-	(1,969)	(1,969)
At 31 December 2019	-	(10,542)	(10,542)

*Total share capital is US$1

**Adjusted so as to reflect certain amendments introduced due to the adoption of IFRS 9 Financial instruments, which came into effective 1 January 2018.

The notes on pages 13 to 33 form an integral part of these financial statements.

Ocean Prelate Shipping Limited

Statement of Cash Flows for the Year Ended 31 December 2019

	Note	2019 US$ 000	2018 US$ 000
Cash flows from operating activities			
Loss before taxation		(1,969)	(1,810)
Depreciation and amortisation	10	1,263	1,201
Finance costs	8	863	1,253
		157	644
Changes to working capital:			
Increase in inventories	11	(9)	(69)
(Increase)/decrease in trade and other receivables	12	(313)	4,601
Increase/(decrease) in trade and other payables	14	1,655	(1,335)
Net cash inflows from operating activities		1,490	3,841
Cash flows used in investing activities			
Dry-dock additions	10	-	(112)
Net cash outflows used in investing activities		-	(112)
Cash flows used in financing activities			
Transfer to immediate parent company	15	-	(8,531)
Repayment of bank loan	15	-	(2,522)
Repayment of loan from immediate parent company	16	(551)	-
Drawdown of loan from immediate parent company	16	-	8,388
Interest paid		(890)	(1,060)
Net cash outflows used in financing activities		(1,441)	(3,725)
Net increase in cash and cash equivalents		49	4
Cash and cash equivalents at 1 January		31	27
Cash and cash equivalents at 31 December	13	80	31

The notes on pages 13 to 33 form an integral part of these financial statements.

1 General information

The Company is a private company limited by share capital, incorporated on 28 November 2014 and domiciled in the United Kingdom.

The address of its registered office is:
13-14 Hobart Place
London
United Kingdom
SW1W 0HH

The immediate parent company is City Maritime 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 entity is the operation and ownership of a vessel.

2 Accounting policies

Statement of compliance

The Company's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Basis of preparation

The financial statements have been prepared in accordance with adopted international Accounting Standards in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in conformity with International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies (refer to Note 3).

Basis other than going concern

The Company's vessel was disposed of subsequent to the reporting date (refer to Note 21) and the directors intend to liquidate the Company in the foreseeable future. The directors do not consider the Company to be a going concern and accordingly these financial statements have been prepared on a basis other than going concern. The intermediate parent company, Lomar Corporation Limited, has undertaken to provide financial support to enable the Company to meet its obligations as they fall due until the Company is liquidated.

Accordingly, all assets of the Company are measured at the lower of their carrying amounts and estimated realisable value and all liabilities are measured at their estimated settlement amounts as at 31 December 2019.

2 Accounting policies (continued)

Recent accounting pronouncements

The Company has adopted the new interpretations and revised standards effective for the year ended 31 December 2019. The adoption of these interpretations and revised standards had the following impact on the disclosures and presentation of the financial statements:

Changes resulting from adoption of 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 balance sheet as 'right-of-use assets' with a corresponding lease liability. The requirements for lessors are substantially unchanged.

The Company acts as a lessor in relation to its contracts with customers to lease its vessel and is not a party to any contracts as a lessee. As at 1 January 2019, all existing contracts with customers meet the definition of an operating lease (refer to Note 7). Accordingly, management concluded that the implementation of the new standard will not have any material effect on the Company's financial statements, apart from additional disclosures.

Changes resulting from adoption of IFRIC 23 - Uncertainty over income tax treatments

IFRIC 23 is effective for periods beginning on or after 1 January 2019. The interpretation is to be applied to the determination of taxable profit, taxable losses, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 Income Taxes. However, the Company has no tax exposures under IAS 12 Income Taxes. Accordingly, the application of IFRIC 23 has no impact on the Company's financial statements.

New standards not yet effective

The IASB published an exposure draft Classification of Liabilities as Current of Non-current - Deferral Effective Date (proposed amendment to IAS 1), proposing to defer the effective date of January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after 1 January, 2023. The amendments on Classification of Liabilities as Current or Non-current (amendments to IAS 1) affect only the presentation of liabilities on the statement of financial position.

Additionally, a number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2019. 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.

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.

2 Accounting policies (continued)

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.

Revenue

Revenue derived from vessel leases is recognised on a straight-line basis over the period of the lease.

Contract revenue from the Company's shipping operations primarily relates to the charter hire allocated to the operation and maintenance of the vessel, which is implicit in time charter agreements. This is regarded as the service element of the time charter and it is separated from the asset lease element. The latter is based on the charter rate for an equivalent bareboat charter, assessed by reference to the operating costs incurred in relation to each vessel. Contract revenue is recognised on a straight-line basis over the period of the charter on the basis that this accurately reflects the manner in which the service is rendered. Charter revenue is receivable in accordance with the terms of each charter, but is generally payable by the charterer on receipt of the invoices issued every 15 days, in advance.

Although a number of contracts in force for the Company's shipping operations cover a period in excess of one year, the nature of the contracts is such that the consideration receivable arises in direct correlation to the value provided to the customers. As such, the aggregate transaction prices allocated to partially or wholly unsatisfied contractual obligations have not been disclosed.

Contract assets and accrued income are recognised when income has been earned but not yet received. Contract liabilities and deferred lease revenue are recognised either upon collection of the hire or when the invoice is due, whichever is earlier.

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 U.K tonnage tax regime, under which ship owning and operating activities are taxed based on the net tonnage of vessels operated.

Vessels

Vessels are stated at cost less accumulated depreciation and impairment losses (refer to Impairment of assets accounting policy). 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 statement of financial position date. Depreciation commences when the vessel is ready for its intended use.

2 Accounting policies (continued)

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 the statement of comprehensive income on disposal of the vessel.

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.

Inventories

Inventories comprise of 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.

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 over the lifetime of the financial asset. The Company reviews the ageing of receivables regularly.

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.

2 Accounting policies (continued)

Financial instruments

Initial recognition

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification and measurement

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

• the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The Company's financial assets other than marketable securities and derivative financial instruments are categorised as financial assets held at amortised cost. 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, less allowances for any expected lifetime credit losses. Marketable securities are measured at fair value through profit or loss. The Company has no financial assets classified as FVTOCI.

2 Accounting policies (continued)

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost including lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company assesses at the reporting date whether there is objective evidence that there has been an increase in the credit risk of its financial assets. 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.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2 Accounting policies (continued)

Financial liabilities

The Company's financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period to the amortised cost of a financial liability.

The Company's financial liabilities include trade and other payables and a loan from the immediate parent company.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

3 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, the directors have made the following accounting judgements and key assumptions concerning the future and other sources of estimation uncertainty, which have the most significant effect on the amounts recognised in the financial statements:

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

Revenue recognition

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

The time charter revenues of the Company's shipping operations contain both lease revenue and revenue from contracts with customers. The Company uses judgement in determining the amount of revenue classified as lease revenue and the amount classified as revenue from contracts with customers based on observable bareboat charter rates, the level of operating costs incurred by the vessel and the level of operating costs that would be expected based on industry benchmarks.

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 Impairment of assets accounting policy). The fair value of vessels at each balance sheet date are determined by the directors based upon independent broker valuations. The methodologies used by the independent brokers included discounted cash flows, direct capitalisation and a sales comparison approach. Any impairment is recognised in the statement of comprehensive income.

Residual values and estimated remaining lives

The carrying value of vessels is depreciated over their expected useful life of 25 years from the 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.

Loss allowances

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions as well as forward looking estimates at the end of each reporting period.

4 Gross profit

	2019 US$ 000	2018 US$ 000
Contract revenue	1,677	2,183
Lease revenue	908	894
Total revenue	2,585	3,077
Direct costs	(319)	(316)
Gross profit	2,266	2,761

5 Operating loss

Arrived at after charging:

	2019 US$ 000	2018 US$ 000
Depreciation and amortisation	1,263	1,201
Consumption of inventories	214	233
Crew costs	872	1,133
Insurance premiums	246	233
Repairs and maintenance	338	232
Management fees	256	334

During 2019, the audit fees of US$6,000 (2018: US$6,000) and non-audit fees relating to tax compliance of US$2,000 (2018: US$2,000) allocated to the Company, were borne by the immediate parent company.

6 Staff number and costs

During 2019 and 2018, no one was employed under contract by the Company. 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 Company leases out its vessel to independent, third party charterers. The Company has classified this lease as an operating lease, because it does not transfer substantially all the risks and rewards of ownership of the vessel to the lessee. Rental income of US$2,585,000 (2018: US$3,077,000) generated from the operating lease is shown in the statement of comprehensive income and does not include variable lease payments dependent on an index or rate.

The risks associated with rights that the Company retains in the underlying asset are not considered to be substantial. The Company minimises the risks it retains in the underlying asset by ensuring its leasing contracts include standard clauses that protect against excess wear and tear and other damages that may be incurred over the lease term.

As at 31 December 2019, the vessel was idle therefore there is no future lease receivables as at this date, however the following table sets out the maturity analysis of the future undiscounted lease rentals to be received as of 31 December 2018:

	Less than one year US$ 000	Total US$ 000
31 December 2018		
Contract revenue	10	10
Lease revenue	6	6
	16	16

8 Finance costs

	2019 US$ 000	2018 US$ 000
Interest payable on bank loan	-	1,197
Interest payable on loan from immediate parent	863	28
Amortisation of deferred finance fees	-	28
Total finance costs	863	1,253

9 Income tax

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% (2018: 19%).

9 Income tax (continued)

Current tax

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

	2019 US$ 000	2018 US$ 000
Loss before taxation	(1,969)	(1,810)
Tax credit at applicable rates	(374)	(344)
Effect of U.K. tonnage tax regime	374	344
Total current tax charge	-	-

10 Vessel

	Vessel US$ 000	Dry-docking US$ 000	Total US$ 000
Cost			
At 1 January 2018	12,701	1,322	14,023
Additions	-	112	112
At 31 December 2018 and 2019	12,701	1,434	14,135
Accumulated depreciation and amortisation			
At 1 January 2018	(2,359)	(107)	(2,466)
Charge for the year	(712)	(489)	(1,201)
At 31 December 2018	(3,071)	(596)	(3,667)
At 1 January 2019	(3,071)	(596)	(3,667)
Charge for the year	(765)	(498)	(1,263)
At 31 December 2019	(3,836)	(1,094)	(4,930)
Net book value			
At 31 December 2019	8,865	340	9,205
At 31 December 2018	9,630	838	10,468

The vessel with a net book value of US$9,205,000 (2018: US$10,468,000) is mortgaged as security for the loan from the immediate parent company (Note 16).

10 Vessel (continued)

Impairment

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 the value in use, a discount rate of 9.04% (2018: 7.31%) was used for the vessel. 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 up until the end of useful life based on forecasts, published industrial outlook from leading shipbrokers;
- operating expenses - crew and technical costs, based on the approved operating budget for 2020 and increasing at a flat rate of 1.5% annually;
- annual utilisation for each vessel of 355 days; and
- use of the vessel until the end of their useful economic life, unless the vessels are 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 and an increase in the discount rate of 1% across the annual assessment would result in no impairment provision.

11 Inventories

	2019 US$ 000	2018 US$ 000
Lubricants	120	106
Other	10	15
	130	121

The cost of inventories recognised as an expense in the year amounted to US$214,000 (2018: US$233,000), of which US$157,000 (2018: US$124,000) consists of bunkers and US$57,000 (2018: US$109,000) consists of lubricants consumed.

12 Trade and other receivables

	2019 US$ 000	2018 US$ 000
Trade receivables from contracts with customers	264	82
Lease receivables and other trade receivables	125	34
Prepayments	55	66
Other receivables	71	20
	515	202

The following table summarises the movements in trade receivables from contracts with customers for the years ended 31 December 2019 and 2018:

	2019 Contract receivables US$ 000	2018 Contract receivables US$ 000
At 1 January	82	123
Impairment of contract balances	(43)	(11)
Excess of revenue recognised over cash received	225	(30)
At 31 December	264	82

13 Cash and cash equivalents

	2019 US$ 000	2018 US$ 000
Cash and cash equivalents	80	31

Cash and cash equivalents include US$60,000 (2018: US$7,000) of cash at bank, US$3,000 (2018: US$24,000) of cash on board vessel and US$17,000 of cash held by ship managers.

14 Trade and other payables

	2019 US$ 000	2018 US$ 000
Trade payables	762	686
Accrued expenses	391	362
Deferred revenue	14	5
Contract liabilities	30	11
Amounts due to immediate parent company	10,628	9,399
Amounts due to fellow subsidiary companies	736	479
Other payables	74	65
	12,635	11,007

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

The following table summarises the movements in the contract liabilities for the years ended 31 December 2019 and 2018:

	2019 Contract liabilities US$ 000	2018 Contract liabilities US$ 000
At 1 January	11	41
Contract liabilities recognised as revenue	(11)	(41)
Invoices raised in advance	30	11
At 31 December	30	11

15 Bank loan

The bank loan outstanding at 31 December 2019 and 2018 is as follows:

	Bank loan US$ 000	Arrangement fees US$ 000	Total US$ 000
At 1 January 2018	11,053	(28)	11,025
Movements arising from financing cash flows			
Repayment of facility	(2,522)	-	(2,522)
Non-cash and other movements			
Loan arrangement fees	-	(28)	(28)
Amortisation of loan arrangement fees	-	28	28
Transfer to immediate parent company	(8,531)	28	(8,503)
At 31 December 2018 and 2019	-	-	-

In 2018, the Company repaid the amount of US$2,522,000 whilst the remaining outstanding balance of US$8,351,000 was transferred to the immediate parent company in December 2018.

16 Loan from immediate parent company

	2019 US$ 000	2018 US$ 000
At 1 January	8,388	-
Loan from immediate parent company	-	8,388
Repayments	(551)	-
At 31 December	7,837	8,388
Less current portion	(746)	(4,309)
	7,091	4,079

The loan is secured by charges over the vessel (Note 10), the minimum future rental receivables (Note 7) and cash and cash equivalents (Note 13). In December 2018, the Company's immediate parent company entered into a facility agreement with a financial institution and also concurrently entered into an intercompany loan agreement with its subsidiaries that own the vessels where the facilities were secured against. The terms of the facility agreement and intercompany loan agreement are consistent, which are repayable over two years at a fixed margin. In December 2019, a supplemental agreement was entered into to extend the maturity of the facility agreement to 2021.

17 Financial instruments

Financial assets

At amortised cost:

	Carrying value		Fair value	
	2019 US$ 000	2018 US$ 000	2019 US$ 000	2018 US$ 000
Cash and cash equivalents	80	31	80	31
Trade and other receivables	460	136	460	136
	540	167	540	167

The carrying values of trade and other receivables approximate their fair values because of the short term maturity of these instruments.

The carrying value of cash and cash equivalents, which are highly liquid, is a reasonable estimate of fair value.

Financial liabilities

At amortised cost:

	Carrying value		Fair value	
	2019 US$ 000	2018 US$ 000	2019 US$ 000	2018 US$ 000
Trade and other payables	12,591	10,991	12,591	10,991
Loan from immediate parent company	7,837	8,388	7,493	8,388
	20,428	19,379	20,084	19,379

The carrying values of trade and other payables approximate their fair values because of the short term maturity of these instruments.

The estimated fair value of the Company's loan from immediate parent company has been determined by management, based upon the present value of the expected cash flows derived from the liability, discounted at an appropriate discount rate.

18 Financial risk review

The Companys 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.

Credit risk

The Company services the shipping industry as it leases its vessel 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 31 December 2019 and 2018, the balance of trade receivables from contracts with customers and of lease and other trade receivables was US$389,000 and US$116,000, respectively.

At 31 December 2019, no concentration of credit risk exists to the extent that none (2018: US$nil) of the trade and other receivables are due from the related parties.

	Current US$ 000	More than 30 days past due US$ 000	More than 60 days past due US$ 000	More than 90 days past due US$ 000	Total US$ 000
31 December 2019					
Gross carrying amount	129	147	-	196	472
Loss provision	-	-	-	(83)	(83)
	129	147	-	113	389

18 Financial risk review (continued)

	Current US$ 000	More than 30 days past due US$ 000	More than 60 days past due US$ 000	More than 90 days past due US$ 000	Total US$ 000
31 December 2018					
Gross carrying amount	12	28	-	92	132
Loss provision	-	-	-	(16)	(16)
	12	28	-	76	116

Given the heterogeneity and nature of the Company's trading partners, determination of the expected credit losses has been assessed on a case-by-case basis. The assessment has been made based on past trading history, usual payment periods and publically available information about the counterparties.

At 31 December 2019, trade receivables of US$260,000 (2018: US$104,000) were past due but not impaired.

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 manages this 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.

Maturity analysis for financial liabilities

The following tables set out the remaining contractual maturities of the Company's financial liabilities by type:

31 December 2019	Carrying amount US$ 000	Contractual cash flow US$ 000	Less than one year US$ 000	One to five years US$ 000	More than 5 years US$ 000
Trade and other payables	12,591	12,591	12,591	-	-
Loan from immediate parent company	7,837	9,025	1,570	7,455	-
	20,428	21,616	14,161	7,455	-

18 Financial risk review (continued)

31 December 2018	Carrying amount US$ 000	Contractual cash flow US$ 000	Less than one year US$ 000	One to five years US$ 000	More than 5 years US$ 000
Trade and other payables	10,991	10,991	10,991	-	-
Loan from immediate parent company	8,388	10,914	5,987	4,927	-
	19,379	21,905	16,978	4,927	-

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 instrument. The Company manages this by controlling market risk exposures within acceptable parameters, while optimising the return.

Currency risk

As at 31 December 2019 and 2018, the Company had no significant financial assets and liabilities denominated in currencies other than United States dollars and was 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.

The interest rate profile of the Company's financial assets and liabilities (excluding short-term receivables and payables) as at 31 December 2019 and 2018 was:

18 Financial risk review (continued)

31 December 2019	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	-	77	3	80
Total	-	77	3	80
Financial liabilities				
Loan from immediate parent company	7,837	7,837	-	15,674
Total	7,837	7,837	-	15,674

31 December 2018	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	-	7	24	31
Total	-	7	24	31
Financial liabilities				
Loan from immediate parent company	8,388	8,388	-	16,776
Total	8,388	8,388	-	16,776

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to shareholders 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 loan from the immediate parent company of US$7,837,000 (2018: US$8,388,000), and all components of equity, aggregating to a deficit of US$10,542,000 (2018: US$8,573,000).

19 Share capital

Authorised, issued and fully paid:	2019 US$	2018 US$
1 ordinary share of US$1	1	1

20 Related party transactions

In addition to the matters referred to in Notes 1, 5, 6, 14, 16 and 17 there were the following items:

The Company was charged management fees of US$149,000 (2018: US$150,000) and commission fees of US$32,000 (2018: US$40,000) by Lomar Shipping Limited, a fellow subsidiary company controlled by Lomar Corporation Limited.

The directors and key management of the Company did not receive any remuneration during the financial years ended 31 December 2019 and 2018 respectively.

21 Events after the reporting period

Subsequent to the year end, the Company sold its vessel to an external party and the loan from immediate parent was repaid. The Company recorded a related net loss on disposal after receiving total disposal proceeds of US$3,980,000.

During the first quarter of 2020, the World Health Organisation declared the outbreak of a novel coronavirus ("COVID-19") as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to the significant declines and volatility in financial markets. The outbreak could have a continued material adverse impact on the economic and market conditions and trigger a period of global economic slowdown.

Management continues to monitor the impact of the COVID-19 outbreak closely. The extent to which COVID-19 will impact the operations or financial results remain uncertain however the directors do not foresee any effect. The entity is now non-trading and the financial statements have been prepared on a basis other than going concern as the directors intend to liquidate the Company. Refer to Note 2.

There have been no other significant events subsequent to the reporting date which are outside the Company's normal trading activities.