Registration number: 11013849

Magenta Shipping Limited

Consolidated Financial Statements

for the Year Ended 31 December 2019

Magenta Shipping Limited

Company Information

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

Magenta 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 containership charter market saw an improvement in 2019, led by gains at the larger end of the charter market. Charter rates have maintained a positive upward trend with earnings increasing significantly for larger vessels. The market also saw a slight and steady increase in charter rate gains for smaller sized vessels.

The directors continue to monitor the Brexit deal negotiations but in view of the uncertainties cannot predict the impact any eventual resolution will have on the Group's financial position.

Following the outbreak of a novel coronavirus in the first quarter of 2020, the market has shown signs of slow-down and there remains uncertainty surrounding the world economy which may have a negative impact on charter rates. The directors continue to monitor the impact of these factors on the global container trade growth and any potential effect on the Group's financial position.

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

	2019 US$ 000	2018 US$ 000
Revenue	4,666	4,746
Total operating days	365	365
EBITDA*	2,528	2,592

** 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 Group's ability to generate positive cash flows from its vessel operating activities.*

Financial risk management

The Group'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 an associated company. See further details in Note 18.

Approved by the Board on 29/10/2020 and signed on its behalf by:

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G.N. Georgiou

Director

Magenta Shipping Limited

Directors' Report for the Year Ended 31 December 2019

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

Directors of the Group

The directors, who held office during the year, were as follows:

G.N. *Georgiou*

E. Kouligkas

A. Boehme

Principal activity

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

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group's current liabilities exceeded its current assets by US$2,137,000 (2018: US$2,101,000). The intermediate parent company, Orchard Marine Holdings Limited, has undertaken to provide support to enable the Group to meet its obligations as they fall due. For the assessment performed by management with regards to the outbreak of the novel coronavirus during the first quarter of 2020, refer to Note 2.

Results and dividends

The profit for the Group for the year ended 31 December 2019 was US$95,000 (2018: US$247,000). The directors did not propose the payment of a dividend (2018: US$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 Group's normal *trading activities, other than those included in* Note 22.

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

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 29/10/2020 and signed on its behalf by:

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G.N. Georgiou
Director

Magenta Shipping Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. The consolidated financial statements must, in accordance with IFRSs as adopted by the European Union, present fairly the financial position and performance of the Group; such references in the UK Companies Act 2006 to such consolidated financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law, directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view. In preparing these consolidated 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 Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Magenta Shipping Limited

Independent Auditor's Report to the Directors of Magenta Shipping Limited

Opinion

We have audited the financial statements of Magenta Shipping Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, Statement of Cash Flows, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Group and the Parent 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.

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements, which indicates the Directors consideration over going concern, including the potential impact of the COVID-19 pandemic and that the Group is reliant on the financial support from its intermediate parent company. As stated in Note 2, these events or conditions, along with other matters as set out in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Magenta Shipping Limited

Independent Auditor's Report to the Directors of Magenta Shipping Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Consolidated Financial Statements, 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 consolidated 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, 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 matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent 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, UK

Date: 29 October 2020

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

Magenta Shipping Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 US$ 000	2018 US$ 000
Revenue	2	4,666	4,746
Direct costs		(303)	(298)
Gross profit	4	4,363	4,448
Operating expenses:			
Vessel running costs		(1,808)	(1,816)
Depreciation and amortisation	10	(1,274)	(1,093)
Administrative expenses		(27)	(40)
		(3,109)	(2,949)
Operating profit	5	1,254	1,499
Finance costs	8	(1,159)	(1,252)
Profit before taxation		95	247
Taxation	9	-	-
Profit after taxation		95	247
Total comprehensive income for the year		95	247

There are no items of other comprehensive income for the year.

The notes on pages 16 to 37 form an integral part of these consolidated financial statements.

Magenta Shipping Limited

(Registration number: 11013849)
Consolidated Statement of Financial Position as at 31 December 2019

	Note	2019 US$ 000	2018 US$ 000
Assets			
Non-current assets			
Vessels	10	27,320	28,594
Current assets			
Inventories	11	80	66
Trade and other receivables	12	412	73
Cash and cash equivalents	14	1	13
		493	152
Total assets		27,813	28,746
Equity and liabilities			
Current liabilities			
Trade and other payables	15	1,306	866
Lease liabilities	16	1,324	1,387
		2,630	2,253
Non-current liabilities			
Lease liabilities	16	15,128	16,533
Total liabilities		17,758	18,786
Equity			
Share capital*	19	-	-
Contributed surplus	20	9,790	9,790
Accumulated surplus		265	170
Total equity		10,055	9,960
Total equity and liabilities		27,813	28,746

*Total share capital is US$1

Approved by the Board on 29/10/2020 and signed on its behalf by:

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G.N. Georgiou
Director

The notes on pages 16 to 37 form an integral part of these consolidated financial statements.

Magenta Shipping Limited

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

	Share capital* US$ 000	Contributed surplus US$ 000	Accumulated (deficit)/surplus US$ 000	Total US$ 000
At 1 January 2018	-	9,790	(77)	9,713
Total comprehensive income	-	-	247	247
At 31 December 2018	-	9,790	170	9,960

	Share capital* US$ 000	Contributed surplus US$ 000	Accumulated surplus US$ 000	Total US$ 000
At 1 January 2019	-	9,790	170	9,960
Total comprehensive income	-	-	95	95
At 31 December 2019	-	9,790	265	10,055

*Total share capital is US$1

The notes on pages 16 to 37 form an integral part of these consolidated financial statements.

Magenta Shipping Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

	Note	2019 US$ 000	2018 US$ 000
Cash flows from operating activities			
Profit before taxation		95	247
Depreciation and amortisation	10	1,274	1,093
Finance costs	8	1,159	1,252
		2,528	2,592
Changes to working capital			
Increase in inventories	11	(14)	(66)
(Increase)/decrease in trade and other receivables	12	(339)	108
Increase/(decrease) in trade and other payables	15	440	(93)
Net cash inflows from operating activities		2,615	2,541
Cash flows used in financing activities			
Lease principal repayments	16	(1,469)	(1,536)
Interest paid		(1,158)	(1,252)
Net cash outflows used in financing activities		(2,627)	(2,788)
Net decrease in cash and cash equivalents		(12)	(247)
Cash and cash equivalents at 1 January		13	260
Cash and cash equivalents at 31 December	14	1	13

The notes on pages 16 to 37 form an integral part of these consolidated financial statements.

Magenta Shipping Limited

(Registration number: 11013849)
Statement of Financial Position as at 31 December 2019

	Note	2019 US$ 000	2018 US$ 000
Assets			
Non-current assets			
Investments in subsidiaries	13	9,790	9,790
Total assets		9,790	9,790
Equity and liabilities			
Current liabilities			
Trade and other payables	15	1	1
Total liabilities		1	1
Equity			
Share capital*	19	-	-
Contributed surplus	20	9,790	9,790
Accumulated deficit		(1)	(1)
Total equity		9,789	9,789
Total equity and liabilities		9,790	9,790

*Total share capital is US$1.

The Parent Company has elected not to include its own individual statement of comprehensive income in the annual accounts in accordance with Section 408 of the Companies Act 2006. The profit for the year ended 31 December 2019 was US$nil (2018: US$nil).

Approved by the Board on 29/10/2020 and signed on its behalf by:

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G.N. Georgiou
Director

The notes on pages 16 to 37 form an integral part of these consolidated financial statements.

Magenta Shipping Limited

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

	Share capital* US$ 000	Contributed surplus US$ 000	Accumulated deficit US$ 000	Total US$ 000
At 1 January 2018	-	9,790	(1)	9,789
At 31 December 2018	-	9,790	(1)	9,789

	Share capital* US$ 000	Contributed surplus US$ 000	Accumulated deficit US$ 000	Total US$ 000
At 1 January 2019	-	9,790	(1)	9,789
At 31 December 2019	-	9,790	(1)	9,789

*Total share capital is US$1.

The notes on pages 16 to 37 form an integral part of these consolidated financial statements.

Magenta 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			
Profit/(loss) before taxation		-	-
Changes to working capital			
(Increase)/decrease in trade and other receivables	12	-	-
Increase/(decrease) in trade and other payables	15	-	-
Net cash inflows/(outflows) from/(used in) operating activities		-	-
Cash flows used in investing activities			
Net cash inflows/(outflows) from/(used in) investing activities		-	-
Cash flows used in financing activities			
Net cash inflows/(outflows) from/(used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

The notes on pages 16 to 37 form an integral part of these consolidated financial statements.

Magenta Shipping Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

1 General

Magenta Shipping Limited (the "Company") is a private company limited by share capital, incorporated on 16 October 2017 and domiciled in United Kingdom.

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

The immediate parent company is Orchard Marine Limited, a company incorporated in the British Virgin Islands. The Company's intermediate parent company is Orchard Marine Holdings Limited, which is controlled equally, under a joint venture agreement, by two shareholders and therefore there is no ultimate controlling party.

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

2 Accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRSs").

Basis of preparation

The consolidated financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

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

Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company for the year 31 December 2019 and its subsidiary company (the "Group").

All intercompany balances and transactions are eliminated on consolidation.

Details of the Group's subsidiary at 31 December 2019 are as follows:

2 Accounting policies (continued)

Company name	Principal activities	Country of incorporation	Percentage ownership (ordinary shares)
Kalamoti Trader Shipping Limited	Vessel owner and operator	United Kingdom	100%

Departures from Companies Act requirements

The Parent Company has elected not to include its own individual statement of comprehensive income in the annual accounts in accordance with Section 408 of the Companies Act 2006.

The parent company's profit for the year ended 31 December 2019 was US$nil (2018: US$nil).

Going concern

During the financial year ended 31 December 2019, the Group generated a total comprehensive income of US$95,000 (2018: US$247,000) and the Company has generated a no comprehensive income (2018: US$nil). As at that date, the Group's current liabilities exceeded its current assets by US$2,137,000 (2018: US$2,101,000) and the Company's current liabilities exceeded its current assets by US$1,000 (2018: US$1,000). As a result, the ability of the Company and Group to continue as a going concern is dependent upon the support of the intermediate parent company. Orchard Marine Holdings Limited has undertaken to provide financial support to enable the Company and Group to meet its obligations as they fall due, for a period of at least 12 months from the date of approval of these financial statements.

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 duration of the outbreak and its impact to global trade cannot be accurately determined as at the current reporting date. COVID-19 may impact the Group in various ways such as downward pressure on charter rates and decreased utilisation of the Group's vessels.

The directors acknowledge that the full extent and duration of the impact of COVID-19 is currently unknown, and depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic and have considered this in performing its going concern assessment. The directors have stress tested the revenue and utilisation assumptions under various different scenarios included in the Group's cash projections for a period of at least 12 months from the date of approval of these financial statements. In light of the forecasts prepared, the directors therefore consider that if the impact on global trade, charter rates and vessels utilisation proves to be prolonged and extreme, these may have a direct bearing on the Group's ability to generate sufficient cash flows for working capital purposes and the availability of financial support from the intermediate parent company. These events or conditions indicate that a material uncertainty exists which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore their ability to settle their debts and realise their assets in the normal course of business. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

2 Accounting policies (continued)

Recent accounting pronouncements

New standards, interpretations and amendments effective

The Group 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 consolidated 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 statement of financial position as 'right-of-use assets' with a corresponding lease liability. The requirements for lessors are substantially unchanged.

The Group's subsidiary has applied the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures.

As a lessee, the Group's subsidiary previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group's subsidiairy recognises right-of-use assets and lease liabilities for most leases. However, an election has been made to not to recognise right-of-use assets and lease liabilities for some leases of low value assets - based on the value of the underlying asset when new - or for short-term leases with a lease term of 12 months or less.

The lease held by the Group's subsidiary as at 1 January 2019, to which the Group's subsidiary is acting as a lessee, was classified as a finance lease. As such, the carrying values of the right of use asset and lease liability are recognised at the same amount as under IAS 17 Leases applicable immediately before the date of initial application of the new standard.

Accordingly, management concluded that the implementation of the new standard does not have any material effect on the Group's financial statements, apart from additional disclosures. Refer to Note 15.

Changes resulting from the 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 Group and its subsidiaries have no tax exposures under IAS 12 Income Taxes. Accordingly, the application of IFRIC 23 has no impact on the Group's financial statements.

2 Accounting policies (continued)

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 statment 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 these figures included in the consolidated 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.

Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. All leases are accounted for by recognising a right-of-use asset and a lease liability unless the leased asset is of low value (low value leases) or the lease duration is on 12 months or less (short-term leases).

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term including the exercise price of any options if exercise is considered reasonably certain. The discount rate is determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Right of use assets are measured at the amount of the lease liability, reduced for any lease incentives received and increased for any lease payments made prior to commencement of the lease; any initial direct costs incurred and any provisions recognised for the dismantlement, removal or restoration of the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the outstanding balance and are reduced for lease payments made. Right of use assets are amortised on a straight line basis over the remaining term of the lease or, if shorter, over the asset's remaining useful economic life.

Rentals payable under low value or short-term leases are charged to profit or loss on a straight-line basis over the period of the lease.

2 Accounting policies (continued)

Revenue

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

Contract revenue from the Group'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 Group'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 Group 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 of right-of-use assets are calculated on a straight-line basis to write-down the carrying value of the right-of-use asset over the lease term. Depreciation commences at contract inception date.

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 profit or loss on disposal of the vessel.

2 Accounting policies (continued)

Impairment of assets

Assets and right-of-use 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 of the Group's right-of-use assets is the value in use. The recoverable amount of all other assets 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 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 allowances for any credit losses expected over the lifetime of the financial asset. The Group reviews the ageing and credit risk 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.

Financial instruments

Initial recognition

Financial assets and liabilities are initially recognised on the statement of financial position at fair value when the Group 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.

2 Accounting policies (continued)

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 Group'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 Group has no financial assets classified as FVTOCI.

Impairment of financial assets

The Group 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 Group 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 Group'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 Group 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 Group 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.

2 Accounting policies (continued)

The Group 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 Group 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 Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group'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 and points 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 Group's financial liabilities include trade and other payables and obligations under finance leases.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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 Group 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 Group 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 Group'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 consolidated financial statements:

Revenue recognition
The Group 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 Group's shipping operations contain both lease revenue and revenue from contracts with customers. The Group 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 Group 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 either the estimated value in use or the higher of fair value less costs to sell and estimated value in use (refer to impairment of assets accounting policy). The fair values 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 right-of-use assets is depreciated over the lease term. Changes in the lease term, following any amendment in the contract, 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 Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group'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	2,007	1,991
Lease revenue	2,659	2,755
Total revenue	4,666	4,746
Direct costs	(303)	(298)
Gross profit	4,363	4,448

5 Operating profit

Arrived at after charging:

	2019 US$ 000	2018 US$ 000
Depreciation and amortisation	1,274	1,093
Consumption of inventories	95	29
Crew costs	999	1,036
Insurance premiums	157	178
Repairs and maintenance	183	142
Management fees	237	203

During 2019, the audit fees of US$11,000 (2018: US$11,000) and non-audit fees relating to tax compliance of US$3,000 (2018: US$3,000) allocated to the Group, were borne by the immediate parent company.

6 Staff numbers and costs

During 2019 and 2018, no one was employed under contract by the Group. Administrative staff are employed and paid by an associated company for a management fee. The directors did not receive any emoluments in respect of their services tò the Group and are also paid by an associated company (2018: US$nil).

7 Operating leases

The Group leases out its vessels to independent, third party charterers. The Group has classified these leases as operating leases, because it does not transfer substantially all the risks and rewards of ownership of the vessels to the lessees. Rental income of US$4,666,000 (2018: US$4,746,000) 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 Group retains in the underlying assets are not considered to be substantial. The Group minimises the risks it retains in the underlying assets 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 terms.

The following table sets out the maturity analysis of the future undiscounted lease rentals to be received as of 31 December 2019 and 2018:

	Less than one year US$ 000	Total US$ 000
At 31 December 2019		
Contract revenue	874	874
Lease revenue	1,157	1,157
Total	2,031	2,031
At 31 December 2018		
Contract revenue	343	343
Lease revenue	471	471
Total	814	814

8 Finance costs

	2019 US$ 000	2018 US$ 000
Interest payable on lease liabilities	1,159	1,252

9 Income tax

The Group and its U.K. subsidiary engaged in shipping activities were governed by the U.K. tonnage tax regime, under which their ship owning and operating activities were 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%).

Current tax

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

	2019 US$ 000	2018 US$ 000
Profit before taxation	95	247
Tax charge at applicable rates	18	47
Effect of U.K. tonnage tax regime	(18)	(47)
Total current tax charge	-	-

10 Vessels

	Dry-docking US$ 000	Right-of-use assets US$ 000	Total US$ 000
Cost			
At 1 January 2018	500	29,224	29,724
At 31 December 2018 and 2019	500	29,224	29,724
Accumulated depreciation and amortisation			
At 1 January 2018	(8)	(29)	(37)
Charge for year	(99)	(994)	(1,093)
At 31 December 2018	(107)	(1,023)	(1,130)
At 1 January 2019	(107)	(1,023)	(1,130)
Charge for the year	(99)	(1,175)	(1,274)
At 31 December 2019	(206)	(2,198)	(2,404)
Net book value			
At 31 December 2019	294	27,026	27,320
At 31 December 2018	393	28,201	28,594

10 Vessels (continued)

The vessels with a net book value of US$27,320,000 (2018: US$28,594,000) is mortgaged as security for the lease liabilities (Note 16).

Impairment

The Group has performed an impairment test on its vessels by comparing the carrying amount of each 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, discount rates of 8.32% (2018: 6.72%) were used for container vessels. The Group 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 the lease term.

Sensitivity analysis was performed on the value in use of the vessels at the reporting date. A decrease in projected hire rates of 10%, over the remaining life of the vessels 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
Lube oils	80	66
	80	66

The cost of inventories recognised as an expense in the year amounted to US$95,000 (2018: US$29,000), of which US$95,000 (2018: US$29,000) consists of lubricants consumed.

12 Trade and other receivables

	Group 2019 US$ 000	2018 US$ 000
Trade receivables from contracts with customers	14	1
Lease receivables and other trade receivables	19	1
Prepayments	66	71
Amounts due from immediate parent company	312	-
Other receivables	1	-
	412	73

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

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

	Contract receivables 2019 US$ 000	Contract receivables 2018 US$ 000
At 1 January	1	-
Excess of revenue recognised over cash received	13	1
At 31 December	14	1

13 Investment in subsidiaries

Group subsidiaries

Details of the Group subsidiaries as at 31 December 2019 are as follows:

Company name	Principal activities	Country of incorporation	Percentage of ownership (ordinary shares) 2019	2018
Kalamoti Trader Shipping Limited	Vessel owner and operator	U.K.	100%	100%

13 Investment in subsidiaries (continued)

Company	2019 US$ 000
At 1 January 2018	9,790
At 31 December 2018 and 2019	9,790

The investment in subsidiaries represents consideration paid for the issued share capital of the subsidiaries and additional equity contributions.

14 Cash and cash equivalents

	2019 US$ 000	2018 US$ 000
Cash and cash equivalents	1	13

Cash and cash equivalents include US$1,000 (2018: US$13,000) of cash in bank.

15 Trade and other payables

	Group		Company	
	2019 US$ 000	2018 US$ 000	2019 US$ 000	2018 US$ 000
Trade payables	1,272	477	-	-
Accruals	26	4	-	-
Amounts due to immediate parent company	-	379	1	1
Other payables	8	6	-	-
	1,306	866	1	1

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

16 Lease liabilities

Lease arrangements

The Group leases a vessel from an independent, third party owner. The Group's lease has both a fixed and a variable element that periodically adjusts the rentals due based on movements in LIBOR.

The right of use assets arising from the contracts to which the Group is party as a lessee are included within the disclosures for each class of asset as follows:

16 Lease liabilities (continued)

• Vessels (Note 10)

The movement in the lease liabilities arising from the Group's activities as a lessee are summarised as follows:

	2019 US$ 000	2018 US$ 000
At 1 January	17,920	19,456
Lease principal payments	1,469	1,536
As at 31 December	16,451	17,920
Current portion	1,324	1,387
Non-current portion	15,128	16,533
	16,452	17,920

At 31 December 2019, the Group is potentially exposed to cash outflows from leases which are not reflected in the measurement of lease liabilities. The potential exposures are summarised as follows:

Exposure type	Sensitivity	Exposure 2019 US$ 000
Variable lease payments - LIBOR	± 50 basis points	82

The Group also holds an option to extend or terminate its leasing arrangement, however where the exercise price of such option has been excluded from the measurement of lease liabilities as such management consider any additional cash outflows to be unlikely.

The liquidity and other financial risks associated with the Group's lease liabilities are disclosed in Note 18. The amounts receivable under operating leases are disclosed in Note 7.

17 Financial instruments

Financial assets

At amortised cost:

	Carrying value 2019 US$ 000	Carrying value 2018 US$ 000	Fair value 2019 US$ 000	Fair value 2018 US$ 000
Cash and cash equivalents	1	13	1	13
Trade and other receivables	346	2	346	2
	347	15	347	15

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 2019 US$ 000	Carrying value 2018 US$ 000	Fair value 2019 US$ 000	Fair value 2018 US$ 000
Trade and other payables	1,306	866	1,306	866
Lease liabilities	16,452	17,920	16,452	17,920
	17,758	18,786	17,758	18,786

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 Group's lease liabilities have been determined by management, based upon the present value of the expected cash flows derived from the liabilities, discounted at an appropriate discount rate.

18 Financial risk review

The Group'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 Group have overall responsibility for the establishment and oversight of the risk management framework.

Credit risk

The Group 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 Group'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 receivables was US$33,000 and US$2,000, respectively.

At 31 December 2019, concentration of credit risk for the Group exists to the extent that 75% (2018: nil%) trade and other receivables are due from the immediate parent company.

Credit risk exists to the extent that US$312,000 (2018: US$nil) of receivable balances from the immediate parent company is unable to be recovered in full. However, this risk is not considered to be substantial as at 31 December 2019.

The Group's 12-month expected credit loss provisions for current trade and other receivables, excluding prepayments, are as follows:

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
At 31 December 2019					
Gross carrying amount	28	5	-	-	33
Loss provision	-	-	-	-	-
Total	28	5	-	-	33
At 31 December 2018					
Gross carrying amount	-	-	-	2	2
Loss provision	-	-	-	-	-
Total	-	-	-	2	2

Given the heterogeneity and nature of the Group'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$5,000 (2018: US$2,000) were past due but not impaired.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group 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.

Maturity analysis for financial liabilities

The following table sets out the remaining contractual maturities of the Group's financial liabilities by type:

31 December 2019	Carrying amount US$ 000	Contractual cash flows US$ 000	Less than one year US$ 000	One to five years US$ 000	More than five years US$ 000
Trade and other payables	1,306	1,306	1,306	-	-
Lease liabilities	16,452	22,502	2,399	8,701	11,402
	17,758	23,808	3,705	8,701	11,402

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 five years US$ 000
Trade and other payables	866	866	866	-	-
Lease liabilities	17,920	25,067	2,565	9,056	13,446
	18,786	25,933	3,431	9,056	13,446

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group'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 31 December 2019 and 2018, the Group had no significant assets or liabilities denominated in currencies other than the United States dollar and were therefore not materially exposed to currency risk at the reporting date.

Interest rate risk
The Group'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 Group's financial assets and liabilities (excluding short-term receivables and payables) as at 31 December 2019 and 2018 was:

31 December 2019	Fixed rate items US$ 000	Floating rate items US$ 000	Items on which no interest is paid US$ 000	Total US$ 000
Financial assets				
Cash and cash equivalents	-	1	-	1
Total	-	1	-	1
Financial liabilities				
Lease liabilities	16,452	16,452	-	32,904
Total	16,452	16,452	-	32,904

18 Financial risk review (continued)

31 December 2018	Fixed rate items US$ 000	Floating rate items US$ 000	Items on which no interest is paid US$ 000	Total US$ 000
Financial assets				
Cash and cash equivalents	-	13	-	13
Total	-	13	-	13
Financial liabilities				
Lease liabilities	17,920	17,920	-	35,840
Total	17,920	17,920	-	35,840

Cash flow sensitivity analysis for variable interest rate instrument

The Group's lease liabilities are subject to movements in the floating interest rates based on LIBOR. As at 31 December 2019 should yields have increased/decreased by 50bps with all other variables remaining constant, the increase/decrease in result for the year would have been US$82,000 (2018: US$90,000).

Capital risk management

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

The capital structure of the Group consists of lease liabilities of US$16,452,000 (2018: US$17,920,000), and all components of equity aggregating to a surplus of US$10,055,000 (2018: US$9,960,000).

19 Share capital

Issued and fully paid	2019 US$	2018 US$
1 ordinary share of US$1	1	1

20 Contributed surplus

Contributed surplus represents funds received from shareholders in addition to their subscription to the issued share capital of the Group.

21 Related party transactions

In addition to the matter referred to in Notes 1, 5, 6, 12, 15, and 20 there were the following items:

During 2019, the Group was charged management fees of US$90,000 (2018: US$90,000) and commission fees of US$59,000 (2018: US$59,000) by Lomar Shipping Limited, an associated company controlled by one of the shareholders.

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

22 Events after reporting period

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 which may impact Group's earnings and potentially increase the credit risk on the financial assets of the Group.

The Group continues to monitor the impact of the COVID-19 outbreak closely. The extent to which COVID-19 will impact is operations or financial results remain uncertain. The impact on going concern is disclosed in Note 2.

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