Magenta Shipping Limited

Consolidated financial statements

For the period from 16th October 2017 to 31st December 2017

Registered number: 11013849

Magenta Shipping Limited

Strategic Report for the period from 16th October 2017 to 31st December 2017

Directors
G.N. Georgiou (appointed 16th October 2017)
E. Kouligkas (appointed 16th October 2017)
A. Boehme (appointed 16th October 2017)

Registered office
13-14 Hobart Place
London SW1W 0HH

Registered number
11013849

Principal activities

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

Incorporation

The Company was incorporated on 16th October 2017 and commenced trading in December 2017.

Review of the business and future prospects

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

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

	Period from 16th October 2017 to 31st December 2017 US$'000
Revenue	49
Total operating days	10
EBITDA	2

**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 operations.*

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

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 14.

Magenta Shipping Limited

Strategic Report for the period from 16th October 2017 to 31st December 2017 continued...

Going concern

The financial statements have been prepared on a going concern basis. In applying this basis, the directors have reviewed the projections of cash flows and compliance with banking covenants over the 12 months from the approval of the financial statements and concluded that the Group will be able to meet its liabilities as they fall due. The Company's current liabilities exceeded its current assets by US$1,887,000. In addition, 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.

By order of the Board on 10 September 2018

N.

G.N. Georgiou
Director

Magenta Shipping Limited

Directors' Report for the period from 16th October 2017 to 31st December 2017

The directors present their report and the consolidated financial statements for the period from 16th October 2017 (date of incorporation) to 31st December 2017.

Please refer to the Strategic Report on pages 1 and 2 for the names of the directors, activities and the likely further developments of the Group and a discussion of the risks and uncertainties. Please refer to note 14 of the consolidated financial statements for future disclosure of the financial risks.

Results and dividends

The loss for the period ended 31st December 2017 for the Group was US$77,000. The directors do not propose the payment of a dividend.

Disclosure of information to auditors

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

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

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

By order of the Board on 10 September 2018

N.

G.N. Georgiou
Director

Statement of directors' responsibilities
For the period from 16th October 2017 to 31st December 2017

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Group; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditors' report to the shareholders 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 31st December 2017 which comprise the statement of financial position as at 31st December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies At 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 31st December 2017 and of the group's loss 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

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

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

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 or the directors' report.

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

- adequate accounting records have not been kept 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 directors' responsibilities Statement set out on page 4 , 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 consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditors' report to the shareholders of Magenta Shipping Limited continued...

Auditor's responsibilities for the audit of the financial statements continued...

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Cassie Forman - Kotsapa

Senior Statutory Auditor, Cassie Forman-Kotsapa
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB
20th September 2018

Magenta Shipping Limited

Consolidated statement of comprehensive income
For the period from 16th October 2017 to 31st December 2017
Expressed in thousands of United States dollars

	Note	**Period from 16th October 2017 to 31st December 2017**
Revenue	4.3	**49**
Direct costs		**(3)**
Gross profit		**46**
Operating expenses:		
- Vessel running costs		**(42)**
- Depreciation	9	**(37)**
- Admin expenses		**(2)**
		(81)
Operating loss		**(35)**
Finance costs	6	**(42)**
Loss before taxation		**(77)**
Taxation	7	**-**
Loss after taxation		**(77)**
Total comprehensive expense for the period		**(77)**

There are no items of other comprehensive income during the period.

The accompanying notes on pages 14 to 25 form an integral part of the consolidated financial statements.

Magenta Shipping Limited

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

	Note	2017
Non-current assets		
Vessels	9	29,687
Current assets		
Other receivables	10	181
Cash and cash equivalents	11	260
		441
Total assets		**30,128**
Current liabilities		
Trade and other payables	12	959
Finance lease	13	1,369
		2,328
Non-current liabilities		
Finance lease	13	18,087
Total liabilities		**20,415**
Shareholders' equity		
Share capital	15	*-
Contributed surplus	16	9,790
Accumulated deficit		(77)
Total equity		**9,713**
Total liabilities and equity		**30,128**

*Total share capital is GB£1

Signed on behalf of the Board on 10 September 2018

N. [signature]

G.N. Georgiou
Director

The accompanying notes on pages 14 to 25 form an integral part of the consolidated financial statements.

Magenta Shipping Limited

Consolidated statement of changes in equity
For the period from 16th October 2017 to 31st December 2017
Expressed in thousands of United States dollars

	Share Capital	Contributed surplus	Accumulated deficit	Total
At date of incorporation	*-	-	-	*-
Issue of shares	-	-	-	-
Shareholder contributions	-	9,790	-	9,790
Total comprehensive expense	-	-	(77)	(77)
At 31st December 2017	*-	9,790	(77)	9,713

*Total share capital is 1 share of GB£1 each.

The accompanying notes on pages 14 to 25 form an integral part of the consolidated financial statements.

Magenta Shipping Limited

Consolidated statement of cash flows
For the period from 16th October 2017 to 31st December 2017
Expressed in thousands of United States dollars

	Note	Period from 16th October 2017 to 31st December 2017
Operating activities		
Loss before taxation		(77)
Depreciation	9	37
Finance costs	6	42
Changes in:		
- Trade and other receivables		(181)
- Trade and other payables		959
Cash inflow from operating activities		780
Investing activities		
Purchase of vessels	9	(29,724)
Proceeds from disposal of vessels	9	19,500
Cash outflow from investing activities		(10,224)
Financing activities		
Equity contribution from shareholders		9,790
Finance lease repayments		(44)
Interest paid		(42)
Cash inflow from financing activities		9,704
Net change in cash and cash equivalents		260
Cash and cash equivalents at start of the period		-
Cash and cash equivalents at end of the period	11	260

The accompanying notes on pages 14 to 25 form an integral part of the consolidated financial statements.

Magenta Shipping Limited

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

	Note	2017
Non-current assets		
Investment in subsidiaries	8	9,790
		9,790
Total assets		9,790
Current liabilities		
Trade and other payables	12	1
Total liabilities		1
Shareholders' equity		
Share capital	15	*-
Contributed surplus	16	9,790
Accumulated deficit		(1)
Total equity		9,789
Total liabilities and equity		9,790

Signed on behalf of the Board on

G.N. Georgiou
Director

The accompanying notes on pages 14 to 25 form an integral part of the consolidated financial statements.

Magenta Shipping Limited

Company statement of changes in equity
For the period from 16th October 2017 to 31st December 2017
Expressed in thousands of United States dollars

	Share capital	Contributed surplus	Accumulated deficit	Total
At date of incorporation	*-	-	-	*-
Issue of shares	-	-	-	-
Shareholder contributions	-	9,790	-	9,790
Total comprehensive expense	-	-	(1)	(1)
At 31st December 2017	*-	9,790	(1)	9,789

*Total share capital is 1 share of GB£1 each.

The accompanying notes on pages 14 to 25 form an integral part of the consolidated financial statements.

Magenta Shipping Limited

Company statement of cash flows
For the period from 16th October 2017 to 31st December 2017
Expressed in thousands of United States dollars

	Period from 16th October 2017 to 31st December 2017
Operating activities	
Loss before taxation	(1)
Changes in:	
- Other payables	1
Cash inflow from operating activities	-
Investing activities	
Purchase of investments	(9,790)
Cash outflow from investing activities	(9,790)
Financing activities	
Equity contributions from shareholders	9,790
Cash inflow from financing activities	9,790
Net change in cash and cash equivalents	-
Cash and cash equivalents at start of the period	-
Cash and cash equivalents at end of the period	-

The accompanying notes on pages 14 to 25 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements
For the period from 16th October 2017 to 31st December 2017

1. General

The Company is a private limited company domiciled and incorporated on 16th October 2017 under the laws of the United Kingdom. Its registered office is situated at 13-14 Hobart Place, London SW1W 0HH.

The immediate parent company is Orchard Marine Limited, a company incorporated in the British Virgin Islands, which is controlled equally, under a joined 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 vessels.

2. Basis of preparation

2.1. Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

2.2. Consolidation

The consolidated financial statements include the audited financial statements of the Company for the period ended 31st December 2017 and its subsidiary companies.

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.

All intercompany balances and transactions are eliminated on consolidation.

2.3. Going concern

During the financial period ended 31st December 2017, the Group incurred a total comprehensive expense of US$77,000, as at that date, the Group's current liabilities exceed its current assets by US$1,887,000. The consolidated financial statements of the Group have been prepared on a going concern basis as 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.

3. Recent accounting pronouncements

3.1. New interpretations and revised standards effective for the year ended 31st December 2017

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

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

3.2. Standards and interpretations in issue but not yet effective

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

3. Recent accounting pronouncements continued...

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

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

The principal change to the measurement of financial assets measured at amortised cost or fair value through other comprehensive income is that impairments will be recognised on an expected loss basis compared to the current incurred loss approach. As such, where there are expected to be credit losses these are recognised in profit or loss. For financial assets measured at amortised cost the carrying amount of the asset is reduced for the loss allowance. For financial assets measured at fair value through other comprehensive income the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial assets.

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

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

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

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

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

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

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

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

3. Recent accounting pronouncements continued...

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

IFRS 16 Leases continued...
On application of the standard the disclosures are likely to increase for both lessors and lessees. The standard includes principles on disclosing the nature, amount, timing and variability of lease payments and cash flows, by providing qualitative and quantitative information.

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

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

4. Summary of significant accounting policies

4.1. Foreign currencies

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

4.2. Leases

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

4.3. Revenue

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

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

4.4. Income tax

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

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

Deferred tax is provided in full using the liability method on all temporary differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax is not provided when the amounts involved are not significant.

4. Summary of significant accounting policies continued ...

4.5. Vessels

Vessels are stated at cost less accumulated depreciation and impairment losses (refer to accounting policy 4.9). 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 reporting date. Depreciation commences when the vessel is ready for its intended use.

4.6. Dry-docking and special survey costs

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

4.7. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.8. Impairment of assets

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

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

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

4.9. Trade and other receivables

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

4.10. Cash and cash equivalents

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

4.11. Trade and other payables

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

4. Summary of significant accounting policies continued ...

4.12. Financial instruments

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.

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

The Group assesses at the reporting date whether there is objective evidence that a financial asset is impaired. Impairment losses are incurred only if there is objective evidence that a loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The 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.

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

4.13. *Significant accounting judgements*

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

Leases

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

4.14. Significant accounting estimates

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

Revenue recognition

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

Asset impairment testing

The Group reviews its 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. For non-current assets the recoverable is the higher of fair value less costs to sell and estimated value in use (refer to accounting policy 4.8). Any impairment is recognised in profit or loss (see note 8).

Residual values and estimated remaining lives

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

5. Operating leases

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

	Period from 16th October 2017 to 31st December 2017 US$'000
Less than one year	2,033
	2,033

The minimum future lease rentals receivable are assigned to the bank as security to the Finance leases (note 13).

6. Finance costs

	Period from 16th October 2017 to 31st December 2017 US$'000
Interest payable on finance leases	(42)
	(42)

7. Taxation

The Group 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%.

Current tax

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

	Period from 16th October 2017 to 31st December 2017 US$'000
Loss before taxation	(77)
Taxation at applicable rates	(15)
Effect of U.K. tonnage tax regime	15
Current tax charge	-

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8. Investment in subsidiaries

Details of the Group's subsidiaries at 31st December 2017 is as follows:

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

9. Vessels

Group	Vessel under finance Lease US$'000	Dry-docking US$'000	Total US$'000
Cost			
At date of incorporation	-	-	-
Additions	29,224	500	29,724
At 31st December 2017	29,224	500	29,724
Accumulated depreciation			
At date of incorporation	-	-	-
Charge for the period	(29)	(8)	(37)
At 31st December 2017	(29)	(8)	(37)
Net book value			
At 31st December 2017	29,195	492	29,687

The vessel with a net book value of US$29,687,000 is mortgaged as security against the finance lease (note 13).

During the 2017, the vessel was sold and leased back and proceeds received amounted to US$19,500,000.

The Group has performed an impairment test for its vessel by comparing the carrying amount of the vessel to its recoverable amount, being the greater of its value in use and its fair value less cost to sell. In assessing value in use, a discount rate of 5.89% was used for the container vessel. The carrying value of the vessel as of 31st December 2017 is stated after impairment losses of US$nil. The Group defines its cash generating unit as a single vessel.

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

The main assumptions used in performing the value in use calculation at the reporting date are as follows:
- contracted hire rates until the expiry of the current agreement;
- hire rate estimates for the first five years based on forecast and the remaining years based on 10 years historical average;
- operating expenses – crew and technical costs, based on the approved operating budget for 2017 and increasing at a flat rate of 2.8% annually;
- annual utilisation 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.

9. Vessels continued...

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 additional impairment provision.

10. Other receivables

Group	2017 US$'000
Accrued income	135
Amounts due from immediate parent company	46
	181

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

11. Cash and cash equivalents

Group and Company

	2017 US$'000
Current accounts	260
	260

Cash and cash equivalents are secured against the finance lease (note 13).

12. Trade and other payables

Group	2017 US$'000
Trade payables	169
Accruals	84
Amounts due to immediate parent company	704
Amounts due to related companies	1
Other payables	1
	959

Company	2017 US$'000
Amounts due to related companies	1
	1

The amounts due to the immediate parent company and related companies are unsecured, interest –free and re-payable on demand.

13. Finance leases

The amounts outstanding under finance leases at 31st December 2017 are due as follows:

Minimum lease payments	**2017 US$'000**
Within one year	2,573
Between one and five years	9,409
Over five years	15,577
	27,559
Unearned finance income	(8,103)
Present value of lease obligations	19,456

Present value of minimum lease payments	**2017 US$'000**
Within one year	1,369
Between one and five years	5,465
Over five years	12,622
	19,456
Current portion	(1,369)
Non-current portion	18,087

14. Risk and financial instruments

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.

Categories of financial instruments:

	2017 US$'000	**Fair value US$'000**
Financial assets		
Loans and receivables:		
- Other receivables	181	181
- Cash and cash equivalents	260	260
	441	441

	2017 US$'000	**Fair value US$'000**
Financial liabilities		
At amortised cost:		
- Trade and other payables	959	959
- Finance lease	19,456	19,456
	20,415	20,415

14. Risk and financial instruments continued ...

The fair value of all financial assets and liabilities approximate their carrying value at the reporting date.

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

14.1. 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 31st December 2017, concentration of credit risk for the Group exists to the extent that 25% of trade and other receivables are due from immediate parent company.

14.2. 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. The Group is in a net current liability position at the year end and management have received support from a shareholder to enable it to pay its current liabilities in the foreseeable future.

The following table represents the maturity of financial liabilities:

31st December 2017	Carrying amount US$'000	Contractual cash flow US$'000	Less than one year US$'000	One to five years US$'000	Over five years US$'000
Trade and other payables	959	959	959	-	-
Finance lease	19,456	27,559	2,573	9,409	15,577
Total	20,415	28,518	3,532	9,409	15,577

14.3 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

The Group has no significant assets or liabilities denominated in currencies other than United States dollars and was therefore not exposed to currency risk at the reporting date.

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14. Risk and financial instruments continued ...

14.3 Market risk continued...

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 Company's financial assets and liabilities (excluding short-term receivables and payables) as at 31st December 2016 and 2015 was:

31st December 2017	Fixed rate items US$'000	Floating rate items US$'000	Items on which no interest is paid US$'000	Total carrying value US$'000
Financial assets				
Cash and cash equivalents	-	260	-	260
Financial liabilities				
Finance lease	19,456	-	-	19,456

14.4 Capital 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 finance leases of US$19,456,000 and all components of equity aggregating to an amount of US$9,713,000.

15. Share capital

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

16. Contributed surplus

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

17. Related party transactions

The Group was charged was charged management fees of US$3,000 by Lomar Shipping Limited, a company controlled by the family M.G. Logothetis.

The directors of the Company did not receive any remuneration during the financial periods ended 31st December 2017.

18. Events after the reporting period

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