**BUE Kyran Limited**

**Annual Report and Financial statements for the year ended 31 December 2022**

**BUE Kyran Limited**

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# BUE Kyran Limited

## Officers and Professional Advisers

### DIRECTORS

Narayana Prasad Narumanchi Venkata Lakshmi
Martin Helweg

### COMPANY SECRETARY

Narayana Prasad Narumanchi Venkata Lakshmi

### REGISTERED OFFICE

Exchange Tower
19 Canning Street
Edinburgh
Scotland
EH3 8EH
United Kingdom

### SOLICITORS

Addleshaw Goddard (Scotland) Secretarial Limited
Exchange Tower
19 Canning Street
Edinburgh
Scotland
EH3 8EH
United Kingdom

### INDEPENDENT AUDITOR

Just Audit & Assurance Ltd
23 Station Road
Gerrards Cross
Buckinghamshire
SL9 8ES
United Kingdom

**BUE Kyran Limited**
**(Registered No. SC 322254)**
**Annual Report and Financial Statements - 2022**

## DIRECTORS' REPORT

The Directors present their report and audit financial statements for the year ended 31 December 2022.

***Principal activities***

The Company's principal activities continued to be management, lease and charter of maritime vessels together with related marine services.

***Directors and their interests***

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

- Narayana Prasad Narumanchi Venkata Lakshmi
- Martin Helweg

***Results and dividends***

The loss for the year was USD 1,163,015 (2021: profit USD 2,472,309). No dividend was declared or paid during the year (2021: USD Nil). The loss of USD 1,163,015 (2021: profit of USD 2,472,309) has been transferred to reserves.

***Going Concern***

The Company generates revenue through the lease of vessels to third parties and related parties. The Company posted a loss in 2022 of USD 1,163,015 (2021: profit of USD 2,472,309 ) and is in a net current liability position of USD 73,360,057 (2021: USD 75,154,834) and had a net equity deficit of USD 9,079,617 (2021: USD 7,916,603). These conditions raise doubts as to whether the Company will be able to continue as a going concern. However, in their complementary roles as Directors of the intermediate parent company, P&O Maritime Offshore FZE, the Directors have sought support from this parent to enable the Company to continue to operate as a going concern for the foreseeable future and to discharge its liabilities to other parties, as they fall due. The intermediate parent Company, P&O Maritime Offshore FZE has confirmed that it will provide such financial support as may be required to enable the Company to meet its debts and obligations for a period of at least 12 months following the date of signing of these financial statements.

In seeking this support, the Directors acknowledge that the emergence of Covid-19 in early 2020 and the business disruptions caused by the Russia-Ukraine war since February 2022, have resulted in economic uncertainty across the globe and volatility in all markets, including oil and gas, to which the Company's operation are closely linked. As such, the Directors have not only considered the intention of the Parent Company to provide this financial support, should the need arise, but also its ability to do so. They have reviewed the Group's liquidity and its forecasts for the period in question, as well as the assumptions that underpin them and are satisfied that owing to the long-term contracting nature of the Group's business and the blue chip make up of its client base, the Topaz Group's overall going concern position is assured.

Accordingly, despite the current economic uncertainty, these financial statements are prepared on a going concern basis.

## DIRECTORS' REPORT (continued)

***Independent auditor***

Just Audit & Assurance Ltd were appointed as independent auditors for the year ended 31 December 2022 in accordance with section 485 of the Companies Act 2006.

***Directors' indemnity***

As permitted by the Articles of Association, each of the Directors has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the tenure of each Director during the last financial year, and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

***Disclosure of information to auditor***

Each of the persons who is a director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

***Small companies' regime***

This Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. The Directors have also taken the small company exemption from presenting a Strategic report.

***Events after the balance sheet date***

Subsequent to the yearend, Russia launched a large-scale military invasion in Ukraine (Ukrainian crisis). The Company is continuously monitoring risks, uncertainties, and potential impacts on its operations in light of this event. As the situation is fast evolving, the effect of the crisis is subject to significant levels of uncertainty, with the full range of possible effects unknown. These uncertainties have been treated as a non-adjusting event as these events evolved after the reporting date. Accordingly, the financial position and results of operations as at and for the year ended 31 December 2022 have not been adjusted to reflect this impact.

Approved by the Board of Directors
and signed on behalf of the Board

Narayana Prasad Nanduanchi Venkata Lakshmi
Director
27th April 2023

**BUE Kyran Limited**
**(Registered No. SC 322254)**

## DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUE KYRAN LIMITED

**Opinion**

We have audited the financial statements of BUE Kyran Limited (the 'company') for the year ended 31 December 2022, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## Other information

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

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

We have nothing to report in this regard.

## Opinion on other matter prescribed by the Companies Act 2006

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

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

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 5], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to detect irregularities included, but was not limited to, the following:

• obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls;
• obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
• an understanding of the entity's risk assessment process, including the risk of fraud;
• designing our audit procedures to respond to our risk assessment; and
• performing audit work over the risk of management override of controls including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing estimates for bias.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission, or misrepresentation.

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

**Use of our report**
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Russell (Senior Statutory Auditor)
For and on behalf of Just Audit & Assurance Ltd, Statutory Auditor
23 Station Road
Gerrards Cross
Buckinghamshire
SL9 8ES
28.04.2023

**Statement of profit or loss and other comprehensive income for the year ended 31 December 2022**

| | Notes | 2022 USD | 2021 USD |
|---|---|---|---|
| Revenue | 6 | **2,805,688** | **3,797,000** |
| Cost of sales | 7 | **(3,083,083)** | **(2,554,819)** |
| **Gross profit (loss)** | | **(277,395)** | **1,242,181** |
| General and administrative expenses | | **(7,500)** | **(111,251)** |
| Finance costs | 8 | **(29,711)** | - |
| **Profit / (loss) before income tax** | | **(314,606)** | **1,130,930** |
| Income tax (charge) /credit | 9 | **(848,409)** | **1,341,379** |
| **Profit for the year, representing total Comprehensive profit for the year** | | **(1,163,015)** | **2,472,309** |

All activities arise in respect of continuing activities.

The accompanying notes from pages 11 to 28 form an integral part of these financial statements.

The independent auditors' report on financial statements is set out on pages 5 to 7.

## Balance Sheet
## for the year ended 31 December 2022

| | Notes | 2022 USD | 2021 USD |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Marine vessels | 10 | 56,585,817 | 59,470,761 |
| Deferred tax assets | 11 | 7,694,623 | 7,767,470 |
| **Total non-current assets** | | 64,280,440 | 67,238,231 |
| **Current assets** | | | |
| Other receivables | | - | 29,710 |
| Amounts due from related parties | 12 | 13,263,390 | 11,431,405 |
| **Total current assets** | | 13,263,390 | 11,461,115 |
| **Total Assets** | | 77,543,830 | 78,699,346 |
| **EQUITY AND LIABILITY** | | | |
| **Equity** | | | |
| Share capital | 13 | 2 | 2 |
| Accumulated losses | 14 | (9,079,619) | (7,916,605) |
| **Total deficit** | | (9,079,617) | (7,916,603) |
| **Current liabilities** | | | |
| Amounts due to related parties | 12 | 86,615,947 | 86,615,949 |
| Accrued expenses | | 7,500 | |
| **Total Liabilities** | | 86,623,447 | 86,615,949 |
| **Total Equity and Liabilities** | | 77,543,830 | 78,699,346 |

The financial statements of BUE Kyran Limited (registered number: SC322254) were approved by the board of directors on 27th April 2023 and were signed on its behalf by:

Narayana Prasad Narumanchi Venkata Lakshmi
Director

Martin Helweg
Director

The accompanying notes from pages 11 to 28 form an integral part of these financial statements.

The independent auditors' report on financial statements is set out on pages 5 to 7.

## Statement of changes in equity
## for the year ended 31 December 2022

| | Share capital USD | Accumulated losses USD | Total USD |
|---|---|---|---|
| Balance at 1 January 2021 | 2 | (10,388,914) | (10,388,912) |
| Total comprehensive expense and loss for the year | - | 2,472,309 | 2,472,309 |
| Balance at 31 December 2021 | **2** | **(7,916,605)** | **(7,916,603)** |
| Balance at 1 January 2022 | **2** | **(7,916,605)** | **(7,916,603)** |
| Total comprehensive profit for the year | **-** | **(1,163,014)** | **(1,163,014)** |
| **Balance at 31 December 2022** | **2** | **(9,079,619)** | **(9,079,617)** |

The accompanying notes from pages 11 to 28 form an integral part of these financial statements.

The independent auditors' report on financial statements is set out on pages 5 to 7.

**Notes to the financial statements**
**for the year ended 31 December 2022 (continued)**

## 1. Establishment and operations

BUE Kyran Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in Scotland. The address of the registered office of the Company is Exchange Tower, 19 Canning Street, Edinburgh, EH3 8EH.

The Company is a wholly owned subsidiary of BUE Marine Limited (the "Immediate Parent Company"), a Company registered in Scotland. As at 31 December 2021 and 31 December 2022, 'BUE Marine Limited' is fully owned by Topaz Energy & Marine Limited (the Intermediate Parent Company"). Dubai World Corporation, registered in Dubai, is the Ultimate Parent Company.

The Company's principal activities are the management, lease and charter of maritime vessels together with related marine services.

## 2. Application of new and revised International Financial Reporting Standards (IFRSs)

### 2.1 New and amended IFRS Standards that are effective for the current year

During the current year, the company adopted the below amended International Financial Reporting Standards ("IFRS") that are effective for the financial year ended 31 December 2022:

| | Effective date |
|---|---|
| Onerous Contracts- Cost of Fulfilling a Contract-Amendments to IAS 37 | 1 January 2022 |
| Annual Improvements to IFRS Standards 2018-2020 | 1 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 | 1 January 2022 |
| Reference to the Conceptual Framework- Amendments to IFRS 3 | 1 January 2022 |

The adoption of these amendments had no significant impact on the company's financial statements.

### 2.2 New and amended IFRSs in issue but not yet effective and not early adopted

The below new and amended IFRSs which are effective for annual periods beginning after 1 January 2022 are available for early adoption, however; the company has not early applied the following in preparing these financial statements:

| | Effective date |
|---|---|
| Classification of Liabilities as Current or Non- current - Amendments to IAS 1 | 1 January 2023 |
| IFRS 17 Insurance Contracts | 1 January 2023 |
| Disclosure of Accounting Policies- Amendments to IAS 1 and IFRS Practice Statement 2 | 1 January 2023 |
| Definition of Accounting Estimate - Amendments to IAS 8 | 1 January 2023 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction- Amendments to IAS 12 | 1 January 2023 |

Management does not expect that the adoption of the above new and amended standards will have a significant impact on the company's financial statements.

## 3. Basis of preparation

### Basis of accounting

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Topaz Energy and Marine Limited.

The financial statements have been prepared under the historical cost convention, except for financial instruments which are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

### Going concern

The Company generates revenue through the lease of vessels to third parties and related parties. The company posted a loss USD 1,163,015 (2021:Profit USD 2,472,309) for the year after taxation and has a net current liability position of USD 73,360,057 (2021: USD 75,154,834) and had a net equity deficit of USD 9,079,617 (2021: USD 7,916,603).

These conditions raise doubts as to whether the Company will be able to continue as a going concern. However, in their complementary roles as Directors of the intermediate parent company, P&O Maritime Offshore FZE, the Directors have sought support from this parent to enable the Company to continue to operate as a going concern for the foreseeable future and to discharge its liabilities to other parties, as they fall due. The intermediate parent Company, P&O Maritime Offshore FZE has confirmed that it will provide such financial support as may be required to enable the Company to meet its debts and obligations for a period of at least 12 months following the date of signing of these financial statements.

In seeking this support, the Directors acknowledge that the emergence of Covid-19 in early 2020 and the business disruptions caused by the Russia-Ukraine war since February 2022, have resulted in economic uncertainty across the globe and volatility in all markets, including oil and gas, to which the Company's operation are closely linked. A reduction in the demand for oil has suppressed oil prices and reduced activity for the Group's customers. As such, the Directors have not only considered the intention of the Parent Company to provide this financial support, should the need arise, but also its ability to do so. They have reviewed the Group's liquidity and its forecasts for the period in question, as well as the assumptions that underpin them and are satisfied that owing to the long-term contracting nature of the Group's business and the blue chip make up of its client base, the Topaz Group's overall going concern position is assured.

Accordingly, despite the current economic uncertainty, these financial statements are prepared on a going concern basis.

## 3. Basis of preparation (continued)

**Functional currency and presentation currency**

The financial statements are presented in United States Dollars (USD) which is the Company's functional and presentation currency.

## 4. Significant accounting policies

**Revenue recognition**

The Company recognises revenue from its major source, charter of marine vessels in accordance with IFRS 16.

*Marine charter*

Lease rental income is recognised on a straight-line basis over the period of the lease. For the other revenue streams (except for mobilisation and demobilisation, refer below), the Company recognises revenue when it transfers control of a product or service to a customer. The stand-alone selling prices are determined based on the observable price at which the Company sells the products and services on a standalone basis. For items that are not sold separately, the Company estimates stand-alone selling prices using other methods.

*Mobilisation and de-mobilisation*

The mobilisation and de-mobilisation of the vessels is considered to be a distinct service as it is available for customers from other providers in the market. The revenue related to this service is recognised in accordance with IFRS 15, over the term of the contract. The transaction price allocated to these services is recognised as a contract liability at the time of initial recognition and is released on a straight-line basis over the period of contract.

**Finance income and expenses**

Finance income comprises interest income on funds invested. Interest income is recognised in the statement of profit or loss as it accrues, using the effective interest rate method.

Finance expense comprises interest expense on borrowings. All borrowing costs are recognised in the statement of profit or loss using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of property, plant and equipment are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

**Financial instruments**

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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 statement of profit or loss and other comprehensive income.

**4. Significant accounting policies (continued)**

*Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

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.

*Amortised cost and effective interest rate method*

(i) The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial

**4. Significant accounting policies (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in the statement of profit or loss and other comprehensive income and is included in the "finance income - interest income" line item.

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item.

*Impairment of financial assets*

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

The Company always recognises lifetime ECL for trade and other receivables (excluding prepaid expenses). The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

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.

*(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic

**4. Significant accounting policies (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

*Impairment of financial assets (continued)*

expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the aforementioned, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1) The financial instrument has a low risk of default,
2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**4. Significant accounting policies (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

*Impairment of financial assets (continued)*

*(ii) <u>Definition of default</u>*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(ii) <u>Credit-impaired financial assets</u>*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

*(iii) <u>Write-off policy</u>*

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss and other comprehensive income.

*(iv) <u>Measurement and recognition of expected credit losses</u>*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross

**Notes to the financial statements for the year ended 31 December 2022 (continued)**

**4. Significant accounting policies (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

*Impairment of financial assets (continued)*

carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

*(v) Measurement and recognition of expected credit losses (continued)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the Balance Sheet.

*Derecognition of financial assets*

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

***Financial liabilities***

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

## 4. Significant accounting policies (continued)

### Financial instruments (continued)

*Financial liabilities (continued)*

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

*Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently 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.

*Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

*Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss and other comprehensive income.

Financial assets and financial liabilities are recognised on the Company's Balance Sheet when the Company has become a party to the contractual provisions of the instrument.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the

**4. Significant accounting policies (continued)**

amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in statement of profit or loss and other comprehensive income.

**Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except items that are recognised directly in equity or in other comprehensive income.

*Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

*Deferred tax*

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary differences reverse, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

**Marine vessels**

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost of marine vessels includes purchase price paid to third parties including registration and legal documentation costs, all directly attributable costs incurred to bring the vessel into working condition at the area of planned use, mobilisation costs to the operating location, sea trial costs, significant rebuild expenditure incurred during the life of the asset and financing costs incurred during the construction period of vessels. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Capital work in progress is not depreciated. Assets in the course of construction are depreciated from the date that the related assets are ready for commercial use. Depreciation method, useful lives and residual values are reviewed at each reporting date.

Depreciation is provided on a straight-line basis at rates calculated to write off the cost or valuation, less any estimated residual value, of each asset, excluding vessels under construction, over its expected useful life as follows:

| | |
|---|---|
| Marine vessels | 7 years to 30 years |

**4. Significant accounting policies (continued)**

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

The Company disposes of vessels in the normal course of business. Vessels that are held for sale are transferred to inventories at their carrying value. The sale proceeds are accounted for subsequently under revenue.

***Dry docking costs***

The expenditure incurred on vessel dry docking, a component of property, plant and equipment, is amortised over the period from the date of dry docking, to the date on which the management estimates that the next dry docking is due, which ordinarily is within 2 to 7.5 years.

***Vessel refurbishment costs***

*Owned assets*

Costs incurred to refurbish owned assets are capitalised within property, plant and equipment and then depreciated over the shorter of the estimated economic life of the related refurbishment or the remaining life of the vessel.

**Provisions**

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**Leases**

*The Company as a lessor*

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

## 5. Critical accounting judgements and key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Critical judgements in applying Company's accounting policies***

There are no critical judgements made by the management in applying the accounting policies during the year.

***Key sources of estimation uncertainty***

The following are the key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Impairment of marine vessels*

The Company determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36 Impairment of assets. This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels the year ended 31 December 2022 was USD 56,585,817 (2021: USD 59,470,761).

The recoverable amount is determined based on value in use calculations for individual vessels where indicators of impairment were present at the reporting date. These calculations use pre-tax cash flow projections based on the financial budgets approved by management based on the expected utilisation rates of the individual vessels using a discount rate of 9% (2021: 9%).

The projection of cash flows related to vessels is complex and requires the use of various estimates including future day rates, vessel utilisation and discount rates. These estimates are based on a number of key assumptions including asset replacement cost, ongoing maintenance and repair costs and estimated asset usage over the relevant period. These factors make it impracticable to provide sensitivity analysis on one single measure and its potential impact on the recoverable amount of the asset. If the discount rate used for the impairment assessment would have been higher by 1% as at 31 December 2022, this would not would not result in impairment (2021: USD 'Nil').

## 6. Revenue

| | **2022** | 2021 |
|---|---|---|
| | **USD** | USD |
| Lease rent from charter of marine vessels (Note 12) | **2,805,688** | **3,797,000** |

The revenue is solely derived from the Caspian region in the Middle East.

**Notes to the financial statements**
**for the year ended 31 December 2022 (continued)**

## 7. Cost of sales

| | 2022 USD | 2021 USD |
|---|---|---|
| Depreciation of marine vessels (Note 10) | **2,884,943** | 2,884,943 |
| Impairment charge reversal (Note 10) | **-** | (530,000) |
| Cost of sales (vessel other expenses) | **198,140** | 199,876 |
| | **3,083,083** | 2,554,819 |

| | 2022 USD | 2021 USD |
|---|---|---|
| **Auditor's Fee** | **7,500** | 7,500 |

The auditor did not provide any non-audit services to the Company during the year.

**Staff costs**

The Company has no employees other than two directors (2021: two directors), the directors are not remunerated for their service to the Company.

## 8. Finance costs

| | 2022 USD | 2021 USD |
|---|---|---|
| Interest expense | **29,711** | - |

## 9. Income tax

| | 2022 USD | 2021 USD |
|---|---|---|
| *Current taxation* | | |
| Foreign tax | 775,563 | **379,700** |
| Group relief surrendered and paid for | - | **(325,197)** |
| | 775,563 | **54,503** |
| *Deferred tax* | | |
| Prior year adjustment (i) | - | - |
| Current year | 73,256 | **616,198** |
| Impact of change of rate | **(410)** | **(2,012,080)** |
| Total deferred tax | **72,846** | **(1,395,882)** |
| Tax charge/(credit) for the year | **848,409** | (1,341,379) |

**Notes to the financial statements for the year ended 31 December 2022 (continued)**

UK corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The relationship between the tax credit and the accounting loss can be explained as follows:

| | 2022 USD | 2021 USD |
|---|---|---|
| Profit (Loss) before tax | **(314,606)** | **1,130,930** |
| Tax at the UK corporation tax rate of 19% (2021: 19%) | **(59,775)** | **214,877** |
| Tax effect of expenses that are not deductible in determining taxable profit | | **380** |
| Difference in foreign tax claimed by deduction | **227,261** | **307,556** |
| Prior year adjustment (i) | **568,250** | **-** |
| Difference in closing DT tax rate (ii) | **112,673** | **(1,864,192)** |
| Tax credit for the year | **848,409** | **(1,341,379)** |

(i) The material element of the prior year adjustment relates to management decisions taken in the current year, but prior to the submission of the 2019 tax computation in respect of the allocation of available prior year tax losses and shipping allowances across the Group as part of that submission.

(ii) As per The Finance Bill 2022, the corporate tax rate in UK will increase to 25% effective from April 2023 from the current rate of 19%.

## 10. Marine vessels

| | USD |
|---|---|
| **Cost** | |
| **At 31 December 2021** | **134,803,682** |
| **At 31 December 2022** | **134,803,682** |
| **Accumulated depreciation** | |
| At 1 January 2021 | 72,977,978 |
| Depreciation charge during the year | 2,884,943 |
| Impairment charge reversal | (530,000) |
| **At 31 December 2021** | 75,332,922 |
| At 1 January 2022 | 75,332,922 |
| Depreciation charge during the year | 2,884,944 |
| Impairment charge reversal | - |
| **At 31 December 2022** | **78,217,865** |
| **Net carrying amount** | |
| **At 31 December 2022** | **56,585,817** |
| At 31 December 2021 | 59,470,761 |

The Company determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36 *Impairment of Assets*. As a result of the significantly improved market conditions and increased demand, the market is currently buoyant and is expected to continue in the near future supported by better utilisation and rates. In view of the same, the Company has performed an impairment assessment for its marine vessels, which led to the recognition of no impairment loss (2021: reversal of impairment of USD 530,000) against its vessels.

The Company estimated the value in use of the cash-generating unit which is the vessel owning and chartering segment for the vessels with impairment indicators. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amount of all vessels has been determined based on value in use calculations where the indicators of impairment are present at the reporting date. These calculations use pre-tax cash flow projections based on the financial budgets approved by the management covering a period of 3 years based on the expected utilisation rates of the individual vessels using a discount rate of 11.9% (2021: 9%).

## 11. Deferred tax assets

| | 2022 USD | 2021 USD |
|---|---|---|
| As at 1 January | **7,767,470** | 6,371,588 |
| Profit and loss account | **(73,256)** | (616,198) |
| Prior year adjustment (note 9(i)) | **-** | - |
| Impact of change of rate | **410** | 2,012,080 |
| As at 31 December | **7,694,623** | 7,767,470 |

The movement in deferred tax during the year can be broken down as follows:

| | Accelerated tax depreciation USD | Tax losses USD | Other timing Differences USD | Total USD |
|---|---|---|---|---|
| As at 1 January 2021 | 406,973 | - | 5,964,614 | **6,371,588** |
| Impact of change of rate | 105,384 | | 1,906,696 | **2,012,080** |
| Credited to the income statement | (79,038) | - | (537,160) | **(616,198)** |
| Prior year adjustments | - | - | - | **-** |
| As of 31 December 2021 | 433,319 | - | 7,334,150 | **7,767,470** |
| Impact of change of rate | (64,811) | 469,882 | (404,660) | **410** |
| Credited to the income statement | (73,256) | - | - | **(73,256)** |
| As at 31 December 2022 | **295,252** | **469,882** | **6,929,490** | **7,694,623** |

The deferred tax asset balance at 31 December 2022 comprises capital allowances in excess of depreciation USD 295,252 (2021: USD 433,319), short term temporary differences of USD 6,929,490 (2021: USD 7,334,150) and tax losses differences of USD 469,882 (2021: USD Nil).

The Directors consider that the deferred tax asset recognised is recoverable on the basis that the benefit to the Company will either unwind in the form of future capital allowances, or in the form of payment from a related party, where trading losses and shipping allowances are surrendered in future years under the Group's loss relief model.

## 12. Related party transactions and balances

The significant transactions and the related approximate amounts are as follows:

| | 2022 USD | 2021 USD |
|---|---|---|
| Lease rental charged to a related party | **2,805,688** | **3,797,000** |

**Notes to the financial statements**
**for the year ended 31 December 2022 (continued)**

## 12. Related party transactions and balances (continued)

*a) Due from related parties*

| | 2022 USD | 2021 USD |
|---|---|---|
| ***Companies under common ownership and management control*** | | |
| Bautino LLP, Kazakhstan | **9,624,086** | 9,404,959 |
| BUE Turkmenistan Limited, Scotland | - | 1,261,327 |
| Roosalka Shipping Limited Scotland | **3,567,319** | |
| BUE Bulkers Limited, Scotland | **71,985** | 765,119 |
| | **13,263,390** | 11,431,405 |

Amounts due from related parties as at the year-end are unsecured, non-interest bearing and arise in the normal course of business. It is not the practice of the Company to obtain collateral over inter-company receivables and the balances are therefore, unsecured.

The Group has determined that the amounts due from related parties do not carry a material credit risk and hence no expected or specific loss allowance is required on these balances. In the process of making this determination, the Group has considered the terms underlying these balances, the ability of the related parties to settle these balances when due and the right of set off on a Group basis. The balances due from related parties are repayable on demand and there is no historical default rate. The settlement of the related party balances are guaranteed by Topaz Energy and Marine Limited, Bermuda, the Parent Company.

*b) Amounts due to related parties*

| | 2022 USD | 2021 USD |
|---|---|---|
| ***Immediate parent company*** | | |
| BUE Marine Limited, Scotland (i) | **77,123,038** | **77,123,038** |
| ***Companies under common ownership and management control*** | | |
| BUE Kazakhstan Limited, Scotland | **2,580,313** | **2,595,194** |
| Topaz Energy and Marine Limited, Bermuda | **6,255,067** | **6,240,188** |
| BUE Caspian Limited, Scotland | **657,529** | **657,529** |
| | **86,615,947** | **86,615,949** |

Aside from the amount owing to BUE Marine Limited (see note (i) below) amounts due to related parties are non-interest bearing, unsecured and repayable on demand.

(i) Out of the above amounts USD 42,916,159 has been lent to the Company via BUE Marine Limited on a back-to-back basis. The loan is unsecured and interest-free, has no fixed repayment period, and is payable on demand.

## 13. Share capital

| | 2022 USD | 2021 USD |
|---|---|---|
| ***Authorised*** | | |
| 1,000 (2021: 1,000) Ordinary shares of £1 (2021: £1) each | **1,750** | 1,750 |

**Notes to the financial statements for the year ended 31 December 2022 (continued)**

| | | |
|---|---|---|
| ***Allotted, called up and fully paid*** | | |
| 1 (2021: 1) Ordinary share of £1 (2021: £1) | **2** | 2 |

## 14. Accumulated losses

The reserve comprises accumulated losses of the company less any dividends paid.

## 15. Non-cancellable charters

*Charter arrangements - receivable*

The Company leases its marine vessels under operating lease arrangements. The leases typically run for a period of one to ten years and are renewable for a similar period after the expiry date. The lease rental is usually reviewed to reflect market rentals. Future minimum lease rentals receivable under non-cancellable operating leases are as follows as of 31 December:

| | **2022 USD** | 2021 USD |
|---|---|---|
| Within one year | 2,635,300 | 3,806,079 |
| After one year but not more than five years | 3,985,280 | 1,712,340 |
| | 6,620,580 | 5,518,419 |

## 16. Ultimate parent company

The immediate parent company is BUE Marine Limited, a company incorporated in Scotland, the registered address of the immediate parent company is Exchange Tower, 19 Canning Street, Edinburgh, Scotland, EH3 8EH. Group financial statements are prepared for Topaz Energy and Marine Limited, which is the smallest group for which consolidated accounts are prepared of which the company is a member. The address of the registered office of the Company is P.O. Box 1022, Clarendon House, Church Street - West, Hamilton HM DX, Bermuda. Copies of that company's accounts can be obtained from Level 58, Almas Tower, Jumeirah Lake Towers, Dubai, UAE. The largest group for which consolidated accounts are prepared is DP World PLC. The address of the registered office of the Company is P.O. Box 17000, Dubai, United Arab Emirates. Copies of that company's accounts can be obtained from the same address. Dubai World Corporation is the Ultimate Parent Company.

## 17. Subsequent event

The Company is continuously monitoring risks, uncertainties, and potential impacts on its operations of Russia's large scale military invasion of Ukraine (Ukraine crisis). As the situation is fast evolving, the effect of the crisis is subject to significant levels of uncertainty, with the full range of possible effects unknown. These uncertainties have been treated as a non-adjusting event as these events evolved after the reporting date. Accordingly, the financial position and results of operations as at and for the year ended 31 December 2022 have not been adjusted to reflect this impact.

## 18. Approval of financial statements

The financial statements were approved for issuance and signed by the management on behalf of the shareholders on 27th April 2023