GRAIG MCI LTD

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2018

Registered number: 07281907

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2018

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H G Williams
C L Williams
M Ras (Resigned 31 May 2018)
R Spronk
O S Jensen (Appointed 31 May 2018, resigned 5 June 2019)
A Tiniakos (Appointed 5 June 2019)

SECRETARY

C J G Davies

REGISTERED OFFICE

1 Caspian Point
Caspian Way
Cardiff
CF10 4DQ

BANKERS

ABN Amro Bank N.V.
Rotterdam
The Netherlands

The Royal Bank of Scotland
London

SOLICITORS

Campbell Johnston Clark
London

AUDITOR

Deloitte LLP
Cardiff, United Kingdom

GROUP STRATEGIC REPORT

The directors, in preparing this Group Strategic Report, have complied with s414C of the Companies Act 2006.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The company's principal activity is that of a holding company for the Graig MCI group. The group's principal activities are ship owning and operating. The two vessels Graig Cardiff and Graig Rotterdam are in an index-linked time charter arrangement with Lauritzen Bulkers.

The audited financial statements for the year are set out in the attached pages. The loss after taxation for the financial year amounted to $22.7m (2017 – loss of $2.25m) which has been transferred from reserves.

The shipping market continues to be volatile with difficult trading through most sectors. Losses have been incurred from vessel trading and it has been agreed with the principal lender, ABN Amro Bank NV, that the vessels mv Graig Rotterdam and mv Graig Cardiff that are owned by the company's two subsidiary companies Graig Rotterdam Shipping Ltd and Graig Cardiff Shipping Ltd, will be sold and on receipt of the sale proceeds and settlement of trade creditors the company and it's subsidiaries will be liquidated. Please see post balance sheet event note 18.

The directors have considered the impact of Brexit on the current year's performance and development and its ongoing impact on future years. The directors do not consider that the impact of Brexit represents a change to principal risks for the company.

Details of amounts owed by and to the parent company and other group companies are shown in notes 12 and 13 to the financial statements.

KEY PERFORMANCE INDICATORS

The main indicators for the group are turnover and profit. Turnover has increased from $5.3m to $6.4m and, as stated above, the loss after tax has increased from $2.25m to $22.7m. The significant loss is primarily due to the vessel impairment of $21.4m on mv Graig Cardiff and mv Graig Rotterdam to bring the net value of the vessels each to $10.5m. Further KPIs are also considered for an understanding of the development, performance and position of the business. These include benchmarked earnings against recognised trading index and vessel expenses to budget comparison.

An uplift in earnings is now being seen in 2019 and together with cash repayments during 2019 of $2,021,826 (see note 14) against loan debt, a reduced loss is anticipated in 2019 ahead of the planned vessel sales. Vessel off hires and lost days are significantly favourable to budget.

Minimum cash covenants and vessel loan to value ratios have been renegotiated with ABN Amro Bank N.V and we are fully compliant with these covenants at the date of approval of these financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The group accepts that the business of shipping involves potential volatility in both vessel earnings and values. The group manages this by securing income from recognised commercial managers and charterers and consistently monitoring industry developments when developing its business strategy model. The group also minimises equity exposure to vessel ownership by restricting the number of vessels owned within the group, and applies a risk management policy to operational risks. Regular meetings ensure that risks are identified and mitigated from a team of people who have both in-depth industry knowledge and worldwide market exposure.

The majority of the group's activities are in US dollars, including all of its sales and the majority of the costs. The main ship-trading contracts and agreements are made with US dollars as the base currency. For the reasons summarised above, the directors consider the functional currency of the group to be US dollars.

Interest rate exposure is minimised through various fixing arrangements against the ABN Amro vessel loans. As such, interest rate exposure is not a risk that is significant for the group at the balance sheet date.

GROUP STRATEGIC REPORT (continued)

GOING CONCERN

The group incurred a loss of $22m in the year (2017 loss - $2.25m) The group will cease trading following the sale of the vessels which is expected to occur by the end of 2019.

Given this decision to sell the vessels and cease trading the directors do not believe that the group is a going concern and have therefore prepared the financial statements on a basis other than that of going concern.

No adjustments were identified from ceasing to applying the going concern basis.

ENVIRONMENT

The Graig MCI group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. The company manages its ships in compliance with the international code for ship operation and pollution prevention which requires that the vessels be operated in such a way as to avoid damage to the environment through, as a minimum, garbage management, ballast water management and the prevention of air pollution from ships.

The handysize dry bulk carrier vessels have been constructed with a clear focus on environmental issues with a double hull structure, low-emission machinery and, to minimise the risk of heavy fuel oil spill, all heavy oil is stored in coffered tanks in the engine room.

This report was approved by the Board of Directors on 2 September 2019 and signed on its behalf by:

APPROVAL

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

H G Williams
Director

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 2018.

DIVIDENDS

No dividend could be paid to the shareholders during the year (2017 - $nil).

FUTURE DEVELOPMENTS

The future developments are discussed within the Group Strategic Report on page 2.

FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are discussed within the Group Strategic Report on page 2.

The company's operations expose it to a variety of financial risks including liquidity risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Liquidity risk

The company monitors its level of working capital to ensure it can meet its commitments.

GOING CONCERN

The financial statements are prepared on a basis other than going concern basis (see Group Strategic Report on page 3 for the consideration made by the directors).

DIRECTORS' INDEMNITIES

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such a qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

DIRECTORS

The directors of the company, who served during the financial year and subsequently, are unless stated otherwise, as shown on page 1.

AUDITOR

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any 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.

Deloitte LLP have indicated their willingness to continue in office as the company's auditor and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

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

C J G Davies
Secretary
2 September 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 the group 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAIG MCI LTD

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Graig MCI Ltd:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Graig MCI Ltd (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAIG MCI LTD (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the group and the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the group and 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, 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, for our audit work, for this report, or for the opinions we have formed.

Andrew Woodhead

Andrew Woodhead (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
3 September 2019

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2018

	Note	2018 $	2017 $
TURNOVER	3	6,405,051	5,337,942
Cost of sales		(5,339,399)	(5,414,966)
GROSS LOSS		1,065,652	(77,024)
Administrative expenses		(220,764)	(224,176)
Impairment charge		(21,389,998)	-
OPERATING LOSS		(20,545,110)	(301,200)
Interest receivable and similar income	6	-	5
Interest payable and similar expenses	7	(2,159,132)	(1,939,730)
LOSS BEFORE TAXATION	5	(22,704,242)	(2,240,925)
Tax on loss	8	(9,446)	(10,179)
LOSS FOR THE FINANCIAL YEAR		(22,713,688)	(2,251,104)

All amounts derive from discontinuing operations.

There have been no recognised gains and losses for the current or the prior year other than as stated in the profit and loss account and, accordingly, no separate statement of other comprehensive income is presented.

CONSOLIDATED BALANCE SHEET
As at 31 December 2018

	Note	$	2018 $	$	2017 $
FIXED ASSETS					
Tangible assets	9		20,952,000		44,225,883
CURRENT ASSETS					
Stocks	11	170,810		120,441	
Debtors	12	206,856		139,824	
Cash at bank and in hand		1,280,970		1,961,920	
		1,658,636		2,222,185	
CREDITORS: amounts falling due within one year	13	(29,779,121)		(1,149,633)	
NET CURRENT (LIABILITIES)/ ASSETS			(28,120,485)		1,072,552
TOTAL ASSETS LESS CURRENT LIABILITIES			(7,168,485)		45,298,435
CREDITORS: amounts falling due after more than one year	14		-		(29,753,232)
NET (LIABILITIES)/ASSETS			(7,168,485)		15,545,203
CAPITAL AND RESERVES					
Called-up share capital	16		29,050,000		29,050,000
Profit and loss account	16		(36,218,485)		(13,504,797)
SHAREHOLDERS' (DEFICIT)/FUNDS			(7,168,485)		15,545,203

The financial statements of Graig MCI Ltd, registered number 07281907, were approved by the Board of Directors and authorised for issue on 2 September 2019.

Signed on behalf of the Board of Directors

H G Williams
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2018

	Called-up share capital $	Capital reserve $	Profit and loss account $	Total $
At 31 December 2016	27,900,000	33,589	(11,264,395)	16,669,194
Loss for the financial year	-	-	(2,251,104)	(2,251,104)
Issue of share capital	1,150,000	-	-	1,150,000
Transfer of notional interest on discounted interest-free loan	-	(10,702)	10,702	-
Elimination of capital reserve on capitalisation of loan to equity	-	(22,887)	-	(22,887)
At 31 December 2017	29,050,000	-	(13,504,797)	15,545,203
Loss for the financial year	-	-	(22,713,688)	(22,713,688)
At 31 December 2018	29,050,000	-	(36,218,485)	(7,168,485)

COMPANY BALANCE SHEET
As at 31 December 2018

	Note	2018 $	2018 $	2017 $	2017 $
FIXED ASSETS					
Investments	10		-		15,380,981
CURRENT ASSETS					
Debtors	12	118,705		156,084	
Cash at bank and in hand		32,368		63,602	
		151,073		219,686	
CREDITORS: amounts falling due within one year	13	(9,320)		(55,464)	
NET CURRENT ASSETS			141,753		164,222
TOTAL ASSETS LESS CURRENT LIABILITIES			141,753		15,545,203
NET ASSETS			141,753		15,545,203
CAPITAL AND RESERVES					
Called-up share capital	16		29,050,000		29,050,000
Profit and loss account	16		(28,908,247)		(13,504,797)
SHAREHOLDERS' FUNDS			141,753		15,545,203

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the year amounted to $15,403,450 (2017 – loss of $2,229,742).

The financial statements of Graig MCI Ltd, registered number 07281907, were approved by the Board of Directors and authorised for issue on 2September 2019.

Signed on behalf of the Board of Directors

H G Williams
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 31 December 2018

	Called-up share capital $	Capital reserve $	Profit and loss account $	Total $
At 31 December 2016	27,900,000	33,589	(11,264,395)	16,669,194
Loss for the financial year	-	-	(2,229,742)	(2,229,742)
Issue of share capital	1,150,000	-	-	1,150,000
Transfer of notional interest on discounted interest-free loan	-	(10,702)	10,702	-
Elimination of capital reserve on capitalisation of loan to equity	-	(22,887)	-	(22,887)
Notional interest on discounted interest-free loan to subsidiary companies	-	-	(21,362)	(21,362)
At 31 December 2017	29,050,000	-	(13,504,797)	15,545,203
Loss for the financial year	-	-	(15,403,450)	(15,403,450)
At 31 December 2018	29,050,000	-	(28,908,247)	141,753

CONSOLIDATED CASH FLOW STATEMENT
For the year end 31 December 2018

	Note	$	2018 $	$	2017 $
Net cash inflow from operating activities	(a)		2,618,741		1,815,160
Returns on investments and servicing of finance					
Interest paid		(1,268,419)		(1,067,440)	
Interest received		-		5	
Net cash outflow from returns on investments and servicing of finance			(1,350,322)		(1,067,435)
Taxation					
Corporation tax paid			(9,446)		(10,287)
Cash inflow before financing			1,340,876		737,438
Cash flow from investing activities					
Purchase of tangible fixed assets		-			(611,858)
Financing					
Loan from shareholders		-		650,000	
Bank loan arrangement fee		-		(44,205)	
Loan repayment		(2,021,826)		-	
Net cash (outflow)/inflow from financing			(2,021,826)		605,795
(Decrease)/increase in cash in the year			(680,950)		731,375
Cash and cash equivalents at beginning of year			1,961,920		1,230,545
Cash and cash equivalents at end of year			1,280,970		1,961,920
Reconciliation to cash at bank and in hand					
Cash at bank and in hand			1,280,970		1,961,920
			1,280,970		1,961,920

(a) RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2018 $	2017 $
Operating (loss)	(20,545,110)	(301,200)
Depreciation	1,883,886	1,994,870
Impairment	21,389,998	-
(Increase) /decrease in stocks	(50,368)	9,016
(Increase)/decrease in debtors	(67,032)	38,006
(Decrease)/increase in creditors	7,367	74,468
Net cash inflow from operating activities	2,618,741	1,815,160

NOTES TO THE FINANCIAL STATEMENTS
For the year end 31 December 2018

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Graig MCI Ltd is a private company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 in England and Wales. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report on page 2. The company is registered in Wales.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Graig MCI Ltd is considered to be US dollars because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in US dollars. Foreign operations are included in accordance with the policies set out below.

Graig MCI Ltd meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, intra-group transactions and remuneration of key management personnel.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the consolidated financial statements. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations affected prior to the date of transition.

Going concern

The group incurred a loss of $22m in the year (2017 loss - $2.25m) The group will cease trading following the sale of the vessels which is expected to occur by the end of 2019.

Given this decision to sell the vessels and cease trading the directors do not believe that the group is a going concern and have therefore prepared the financial statements on a basis other than that of going concern.

No adjustments were identified from ceasing to apply the going concern basis.

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of value added tax.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. The capital cost of vessels includes supervision and other pre-delivery costs during building or major modification together with any interest payable during the construction and pre-delivery period. Dry-docking expenditure is also included in the cost of vessels.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Vessels	-	25 years
Dry-docking expenditure	-	less than 1 year

Depreciation is charged from the date vessels first enter operational service.

Impairment

The company reviews all fixed assets for impairment whenever events or circumstances indicate that the carrying value of the assets may not be fully recoverable based upon estimated cash flows. Provision for impairment in the value of fixed assets is made in the profit and loss account.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate of the carrying amount. Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the costs of those assets as noted above.

Investments

Fixed asset investments are shown at cost less provision for impairment. Investments are stated at cost.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Stocks

Stocks are stated at the lower of cost and net realisable value on a first in first out basis.

Foreign currency

Transactions denominated in foreign currencies are translated into US dollars at the exchange rate ruling at the date of transaction. Assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date. These translation differences are dealt with in the profit and loss account.

The financial statements of the foreign subsidiaries are translated into US dollars at the closing rate of exchange and the difference arising from the translation of the opening net investment in the subsidiary at the closing rate is taken directly to reserves.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the group's ordinary activities after deduction of value added tax.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2018

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements to conform to generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. There are no key sources of estimation uncertainty.

Judgements

Depreciation of vessels

The directors have adopted a policy of depreciating vessels over a period of 25 years, which represents the estimated, economic life of the asset. Whilst it is not possible to determine the exact life of these assets, the directors apply rates which are appropriate and consistent with past experience and industry expectations.

Impairment of fixed assets

In light of the Supplemental Deed signed 3 June 2019 and 12 August 2019 the directors have decided to impair the net asset value of the vessel to $10.5m. This has been based on the sale price of mv Graig Rotterdam that was recently sold on 9 July 2019 for $10.5m net.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2018

3. TURNOVER

Turnover is recognised in the United Kingdom and generated in line with vessel operating services provided to worldwide customers

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors were the only employees of the company during the current and the prior financial year. They received no remuneration in respect of services provided to the company during either year.

5. LOSS BEFORE TAXATION

	2018 $	2017 $
The loss before taxation is after charging		
Depreciation of tangible fixed assets - owned assets	1,883,886	1,994,870
Lub-oils and greases	126,766	126,151
Stores and consumables	141,112	122,992
Losses on foreign exchange	7,778	11,297
Impairment charge	21,389,998	-
Audit fees	20,486	20,255

	$	$
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	8,419	8,102
Audit of financial statements of subsidiaries pursuant to legislation	12,067	12,153
Total audit fees	20,486	20,255

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 $	2017 $
Other interest receivable	-	5
	-	5

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 $	2017 $
Bank loans	2,104,342	1,852,445
Deferred finance costs	54,790	76,583
Interest on loan from parent company	-	10,702
	2,159,132	1,939,730

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2018

8. TAX ON LOSS

	2018 $	2017 $
Current taxation		
United Kingdom corporation tax:		
Current tax on loss for the year	9,446	9,218
Adjustment in respect of previous periods	-	961
Total current tax	9,446	10,179

The difference between current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2018 $	2017 $
Loss before tax	(22,704,242)	(2,240,925)
Tax on loss before tax at 19% (2017 – 19.25%)	(4,313,806)	(431,301)
Factors affecting expense for the year		
Expenses not deductible for tax	4,313,806	430,691
Income not taxable		
Tax losses carried forward	-	610
Tonnage tax adjustment	9,446	9,218
Adjustment in respect of previous periods	-	961
Current tax expense for the year	9,446	10,179

The standard rate of tax applied to reported loss is 19% (2017 – 19.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2018. There is a phased reduction in the rate of corporation tax to 17% by 1 April 2020 and this rate has therefore been used to measure deferred tax assets and liabilities where applicable as at 31 December 2018.

The company has a potential deferred tax asset of $ 0(2017 - $138,405) in relation to trading losses. The potential tax asset has not been recognised on the basis that there is insufficient certainty of this asset reversing in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2018

9. TANGIBLE FIXED ASSETS

	The Group Vessels $	Dry-docking $	Total $
Cost			
At 1 January 2018	53,588,309	336,405	53,924,714
At 31 December 2018	53,588,309	336,405	53,924,714
Accumulated depreciation			
At 1 January 2018	9,674,229	24,602	9,698,831
Charge for the year	1,816,605	67,281	1,883,886
Vessel Impairment	21,145,475	244,522	21,389,997
At 31 December 2018	32,636,309	336,405	32,972,714
Net book value			
At 31 December 2018	20,952,000	-	20,952,000
At 31 December 2017	43,914,080	311,803	44,225,883

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to $292,366 (2017 - $292,366).

10. INVESTMENTS

	The Company 2018 $	2017 $
Investments held as fixed assets		
Shares in group companies (note 17)	-	15,380,981
Shares in group companies		
At 1 January	28,052,000	26,902,000
New shares issued	-	1,150,000
Impairment	(28,052,000)	(12,671,019)
At 31 December	-	15,380,981

The impairment of $28,052,000 is in respect of cumulative losses incurred in Graig Cardiff Shipping Ltd and Graig Rotterdam Shipping Ltd. The losses for the year ended 31 December 2018 were $15,380,981 (2017 – $2,226,573).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2018

11. STOCKS

	2018	2017
	$	$
Group		
Vessel lubricating oils and spares	170,810	120,441

12. DEBTORS

	The Group		The Company	
	2018	2017	2018	2017
	$	$	$	$
Amounts falling due within one year				
Amount owed by group undertakings	-	-	118,705	156,084
Other debtors	51,285	22,288	-	-
Prepayments and accrued income	155,571	117,536	-	-
	206,856	139,824	118,705	156,084

Amounts owed within one year by group undertakings accrue no interest and are repayable on demand.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2018	2017	2018	2017
	$	$	$	$
Bank loan (current portion of junior loan – see note 14)	29,053,528	431,408	-	-
Trade creditors	274,665	51,520	-	-
Amounts owed to parent company	3,368	2,054	-	884
Amounts owed to group undertakings	1,275	-	1,275	29,596
Corporation tax	9,446	9,184	-	-
Other creditors	40,456	38,182	-	-
Accruals and deferred income	396,383	617,285	8,045	24,984
	29,779,121	1,149,633	9,320	55,464

Amounts owed to the parent company and group undertakings accrue no interest and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2018

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2018	2017	2018	2017
	$	$	$	$
Bank loan	-	29,753,232	-	-
	-	29,753,232	-	-

The bank loan is in respect of amounts drawn down from a loan facility of $33,786,480 relating to two vessels delivered in 2012 and is stated net of deferred finance costs of $54,791 (2017 - $109,581). These costs will be allocated to the profit and loss account over the term of the loan. In 2018 $54,790 (2017 - $76,583) was charged to the profit and loss account (see note 7).The loan is secured by a mortgage on the vessels.

Borrowings are repayable as follows:

Bank loan	2018 $	2017 $
The Group		
On demand or within one year	29,108,319	431,408
Between one and two years	-	29,862,813
	29,108,319	30,294,221
Unamortised finance costs	(54,791)	(109,581)
	29,053,528	30,184,640

On 31 March 2017, the two vessel-owning companies, Graig Cardiff Shipping Ltd and Graig Rotterdam Shipping Ltd, entered into a Supplemental Agreement which extended the loan facility to December 2019. The loan of $ 29,108,319 (2017 - $30,294,221) is split into a senior loan of $21,500,000 (2017 - $21,500,000), with interest payable quarterly at LIBOR plus a margin of 3.75% and a junior loan of $7,608,319 (2017 - $8,794,221), with interest accruing at LIBOR plus a margin of 8% and payable on 31 December 2019. There are no repayments due on the senior loan until 31 December 2019.

The junior loan is subject to a "cash sweeping" arrangement whereby if the balances on the current bank accounts exceed predetermined limits at each quarter end, then the excess is taken as a loan repayment. At 31 December 2018, the balances were in excess of the limit and an amount of $2,021,826 was repaid during 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2018

15. FINANCIAL INSTRUMENTS

The carrying values of the consolidated financial assets and liabilities are summarised by category below:

	Company		Group	
	2018	2017	2018	2017
	$	$	$	$
Financial assets				
Cash and bank balances	32,368	63,602	1,280,970	1,961,920
Measured at undiscounted amount receivable				
• Trade and other debtors (see note 12)	-	-	51,285	22,288
	32,368	63,602	1,332,255	1,984,208
Financial liabilities				
Measured at amortised cost				
• Loans payable (see notes 13 and 14)	-	-	29,053,528	30,184,640
Measured at undiscounted amount payable				
• Trade creditors (see note 13)	-	-	274,665	51,520
• Amounts owed to parent company (see note 13)	-	884	3,368	2,054
	-	884	29,331,561	30,238,214

16. CALLED-UP SHARE CAPITAL AND RESERVES

	The Group and the Company	
	2018	2017
	$	$
Allotted and fully paid		
29,050,000 (2017 – 29,050,000) ordinary shares of $1 each	29,050,000	29,050,000

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

17. ADDITIONAL INFORMATION ON SUBSIDIARIES

Name of company	Class	% owned	Country of incorporation	Principal activity
Graig Cardiff Shipping Ltd	Ordinary	100	United Kingdom	Ship ownership and operating
Graig Rotterdam Shipping Ltd	Ordinary	100	United Kingdom	Ship ownership and operating

The registered address of both subsidiaries is 1 Caspian Point, Caspian Way, Cardiff, CF10 4DQ.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2018

18. POST BALANCE SHEET EVENTS

In an agreement dated 3 June 2019 "Settlement Agreement and Supplemental Deed" the company as guarantor to its two subsidiaries Graig Rotterdam Shipping Ltd and Graig Cardiff Shipping Ltd has agreed with the principal lender to the subsidiaries, ABN Amro Bank NV, for those subsidiary companies to sell the single vessels they each own: mv Graig Rotterdam and mv Graig Cardiff.

On 9 July 2019 Graig Rotterdam Shipping Ltd entered into a Memorandum of Agreement for the sale of its sole vessel to Nova Ulysses Maritime Co. for an agreed net sales price of £10.5m. The anticipated delivery and receipt of sales proceeds is November 2019.

Graig Cardiff Shipping Ltd did not sell its vessel before the 28 June 2019 deadline and the vessel has come off the market. On 12 August 2019 Graig Cardiff Shipping Ltd entered into a further agreement with the bank to put the vessel back on the market by 15 September, for a Memorandum of Agreement to be entered into with a third party buyer by 31 October 2019, and for the vessel to be delivered to that buyer by 15 December 2019.

It is anticipated that both vessels will be sold and delivered before December 2019 and that sales proceeds will be applied to the settlement of all operating and trade creditors with the balance being paid to the bank as final settlement of the loan outstanding. The company together with its subsidiary companies will then cease to trade and will be wound up in early 2020.

19. RELATED PARTY TRANSACTIONS

Under Section 33 of FRS 102 'Related Party Disclosure', the company is not required to disclose transactions with entities which are wholly-owned by the group.

Graig Shipping Plc (GS) provides management and accounting services to Graig MCI Ltd and its subsidiary companies. During the financial year to 31 December 2018, GS had invoiced $76,440 (2017 - $75,306) in respect of management and accounting services. At 31 December 2018 $3,368 was owed to GS (2017 - $2,054) (see note 13).

Graig MCI Ltd and its wholly-owned subsidiaries are considered as related parties as Graig Shipping Plc owns 50.1% of the issued share capital of Graig MCI Ltd.

20. FOREIGN CURRENCIES

The principal rate of exchange used for translation of foreign currencies to United States dollars at the year-end is as follows:

	2018	2017
£ sterling/United States dollar	1.276	1.3503

21. ULTIMATE PARENT COMPANY AND CONTROLLING COMPANY

The directors consider Idwal Williams and Company Limited, a company incorporated in the United Kingdom and registered in England and Wales, as the company's ultimate parent company and controlling party.

The immediate parent company is Graig Shipping Plc, a company incorporated in Great Britain and registered in England and Wales.

Idwal Williams and Company Limited is the parent of the largest group of which the company is a member and for which the group financial statements are drawn up.

The registered address of the ultimate parent company and immediate parent company is 1 Caspian Point, Caspian Way, Cardiff, CF10 4DQ.

Copies of the financial statements of Idwal Williams and Company Limited and Graig Shipping Plc are available from Companies House, Crown Way, Maindy, Cardiff.