Company number. 08257782

# Global Prime Limited

## Report and Financial Statements

For the year ended 31 December 2018

## Corporate information

### Director
Dan David Ungar

### Company Secretary
Robin Woods

### Registered office
14 Cavendish Place
London
United Kingdom
W1G 9DJ

### Bankers
Sumitomo Mitsui Trust Bank Limited
Nordea Bank Norge ASA

### Auditors
Ernst & Young LLP
1 More London Place
London
United Kingdom
SE1 2AF

## Strategic Report

The director presents the Strategic Report for the year ended 31 December 2018.

### Principal activity

The principle activity of the company from when it commenced trading has been the ownership and operation of a 54,500 Dwt dry bulk carrier.

### Review of the business

#### Results for the year under review

The performance of the business during the year was in line with expectations. The company maintains a strong net asset position, finishing the year with net assets of US$6.2m (2017: US$5.4m). The profit for the year is US$0.8m (2017: US$0.3m)

The Company's results are reflected in detail in the financial statements and the Company's key performance indicators across the year and prior year are shown in the table below:

| | 2018 | 2017 | % Change |
|---|---|---|---|
| | US$ | US$ | |
| Revenue | 4,412,652 | 4,373,428 | 1 |
| Operating expenses | 2,820,516 | 2,924,785 | -3.6 |
| Net cash inflow from operating activities | 2,604,920 | 2,580,552 | 0.9 |

Revenue remained approximately at the same level as the previous year.

Operating expenses are US$ 0.1m lower and net cash inflow from operating activities is approximately the same level as the previous year.

### Future developments

The director is confident that the long term nature of the Time Charter the vessel has in place will help the Company continue to deliver a quality service to the charterer whilst still focusing on cost management.

### Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are broadly grouped as currency, interest rate, credit and liquidity risks as detailed below:

### Currency risk

The Company can be exposed to foreign exchange risk. The majority of the Company's revenue and expenses are in the same currency, i.e. the US dollar.

### Interest rate risk

The Company will consider using interest rate swaps in order to manage its exposure to floating rates of interest related to secured bank debt.

## Strategic Report (continued)

### Credit risk

No material exposure is considered to exist in respect of trade and other receivables, as is typical in the shipping industry hire for the Company's vessel is contractually required to be paid by the charterers in advance. The charter contract contains rights under which the Company may cancel trading arrangements should non-payment occur. The Company also has a lien over cargo should a charterer default under an agreement.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its loan and other obligations. The Company aims to mitigate its liquidity risk by managing cash generation from its operation. The Company closely monitors its cash balances and loan obligations and maintains a rolling cash flow forecast to ensure that there are sufficient funds available to meet all financial obligations. The Company loan covenants are also monitored closely on a current and forecast basis.

This report was approved by the board on 12. June 2019 and signed on its behalf.

Dan David Ungar
Director

## Director's Report

The director presents his report for the year ended 31 December 2018.

**Director of the company**

The director who served during the year and up to the date of signing the financial statements is Dan David Ungar.

**Dividends**

The director does not recommend any payment of a dividend (2017: US$ Nil).

**Post balance sheet event**

During March 2019 the vessel underwent a 5 year dry dock and ballast water treatment installation.

**Going concern**

The Company has net current liabilities at the year-end amounting to US$ 6.3m (2017: US$ 5.6m), in addition the Company is subject to minimum security cover ratio requirements based on the market values of vessels at a consolidated Group level, which were met as at 31 December 2018.

The director has prepared and reviewed forecasts, which indicate that the Company is able to trade profitably over the coming year and beyond and generate sufficient cash flow to enable it to meet its obligations as they fall due. The director considers the Company's ability to reliably generate profits and cash flows to be strong, due to the long term charter in place for its vessel with a substantial and creditworthy customer. The director is therefore of the opinion that the Company is able to meet its obligations as they fall due.

The director has received the ultimate parent undertaking's commitment to provide adequate financial support to the company, if required, for a period of at least twelve months from the approval date of the balance sheet to enable it to meet its liabilities as and when they fall due.

Accordingly based on the above analysis the director has prepared the accounts under the going concern basis which he considers to be appropriate.

**Auditors**

The auditors Ernst and Young are willing to continue in office and a resolution proposing their reappointment will be submitted to the forthcoming AGM.

This report was approved by the board on 10 June 2019 and signed on its behalf.

Dan David Ungar
Director

**Statement of director's responsibilities in respect of the financial statements**

The director is responsible for preparing the Strategic Report, Director's Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the director must not approve the financial statements unless he is 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 those financial statements, the director is required to:

- Select suitable accounting policies and then apply them consistently;
- Make suitable judgements and estimate that reasonable and prudent;
- State whether applicable UK Accounting Standard 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 and it is inappropriate to presume that the Company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 AUDITORS' REPORT TO THE MEMBERS OF GLOBAL PRIME LIMITED

### Opinion

We have audited the financial statements of Global Prime Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20, 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 FRS 102 "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 company's affairs as at 31 December 2018 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 below. 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.

### 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.

### Conclusions relating to going concern

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLOBAL PRIME LIMITED *(continued)***

## Other information

The other information comprises the information included in the Strategic Report and the Directors' Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## 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 Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

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

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

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLOBAL PRIME LIMITED *(continued)***

## Responsibilities of directors *(continued)*

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.

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

Ernst & Young LLP

Steven Lunn (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

24 June 2019

# Income Statement

**for the year ended 31 December 2018**

| | Notes | 31 December 2018 US$ | 31 December 2017 US$ |
|---|---|---|---|
| ***Turnover*** | 2 | 4,412,652 | 4,373,428 |
| Cost of sales | | (2,822,285) | (2,912,995) |
| ***Gross profit*** | | 1,590,367 | 1,460,433 |
| Administrative expenses | | 1,769 | (11,790) |
| Other operating income | | 30,043 | 46,962 |
| ***Operating profit*** | 3,15 | 1,622,179 | 1,495,605 |
| Loss on foreign exchange translation of bank loan | | (352,683) | (687,198) |
| Interest receivable | 5 | 1,470 | 711 |
| Interest payable and similar charges | 5 | (455,653) | (509,695) |
| ***Profit on ordinary activities before taxation*** | | 815,313 | 299,423 |
| Tax on profit on ordinary activities | 6 | (5,794) | (6,573) |
| ***Profit on ordinary activities after taxation for the financial year*** | | 809,519 | 292,850 |

All amounts relate to continuing activities.

# Statement of Comprehensive Income

**for the year ended 31 December 2018**

There is no other comprehensive income for both periods presented.

# Statement of Changes in Equity

**for the year ended 31 December 2018**

| | *Called-up share capital* *US$* | *Retained earnings* *US$* | *Total shareholders' equity* *US$* |
|---|---|---|---|
| At 1 January 2017 | 2 | 5,114,577 | 5,114,579 |
| Profit for the year | - | 292,850 | 292,850 |
| At 31 December 2017 | 2 | 5,407,427 | 5,407,429 |
| Profit for the year | - | 809,519 | 809,519 |
| At 31 December 2018 | 2 | 6,216,946 | 6,216,948 |

**Calles-up share capital**

Called-up share capital represents the issued and fully paid up equity share capital of the Company.

**Retained earnings**

Retained earnings represent the cumulative total comprehensive income attributable to the Company.

# Statement of Financial Position

**at 31 December 2018**

| | Notes | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|---|
| ***Assets*** | | | |
| ***Non-current assets*** | | | |
| Tangible fixed assets | *7* | 26,454,607 | 27,569,426 |
| ***Current assets*** | | | |
| Stocks | *8* | 50,717 | 73,202 |
| Debtors | *9* | 653,459 | 14,144 |
| Cash at bank and in hand | *10* | 654,112 | 566,602 |
| ***Total current assets*** | | 1,358,288 | 653,948 |
| ***Creditors:*** amounts falling due within one year | *11* | (7,628,694) | (6,261,635) |
| ***Net current liabilities*** | | (6,270,406) | (5,607,687) |
| ***Total assets less current liabilities*** | | 20,184,201 | 21,961,739 |
| ***Creditors:*** amounts falling due after more than one year | *12,13* | (13,967,253) | (16,554,310) |
| ***Net assets*** | | 6,216,948 | 5,407,429 |
| ***Capital and reserves*** | | | |
| Called up share capital | *14* | 2 | 2 |
| Retained earnings | | 6,216,946 | 5,407,427 |
| ***Total equity attributable to the owners of the company*** | | 6,216,948 | 5,407,429 |

These financial statements were approved by the board on [illegible] June 2019 and signed on its behalf by:

Dan David Ungar

# Statement of Cash Flows

**for the year ended 31 December 2018**

| | Notes | 31 December 2018 US$ | 31 December 2017 US$ |
|---|---|---|---|
| ***Net cash inflow from operating activities*** | 15 | 2,604,920 | 2,580,552 |
| ***Investing activities*** | | | |
| Interest received | | 1,470 | 711 |
| Interest paid | | (460,916) | (510,839) |
| ***Net cash outflows from investing activities*** | | (459,446) | (510,128) |
| ***Financing activities*** | | | |
| Bank loan repayments | | (1,503,930) | (1,484,210) |
| Related party loans repaid | | (1,403,400) | (1,403,400) |
| Parent company loan drawn down | | 849,366 | 955,533 |
| ***Net cash outflows from financing activities*** | | (2,057,964) | (1,932,077) |
| ***Increase in cash and cash equivalents*** | | 87,510 | 138,347 |
| ***Cash and cash equivalents 1 January*** | | 566,602 | 428,255 |
| ***Cash and cash equivalents 31 December*** | 10 | 654,112 | 566,602 |

# Notes to the financial statements
**for the year ended 31 December 2018**

## 1. Principal accounting Policies

### Statement of compliance
Global Prime Limited is a limited company incorporated in England. The registered office is 14 Cavendish Place, London, W1G 9DJ.

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2018.

### Basis of preparation
The financial statements for Global Prime Limited were authorised for issue by the Board of Directors on 20June 2018. The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The accounts are prepared in United States Dollars (US$). The financial statements are presented on a rounded basis to the nearest US Dollar, unless otherwise indicated.

### Judgement and key source of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

***Time charters***
Management have considered whether the time charter arrangement contains or is expected to be treated as a lease, and in doing so whether such a lease is a finance or an operating lease. They have concluded that the arrangement does not meet the definition of a finance lease.

The following are the Company's key sources of estimation uncertainty:

***Impairment of non-financial assets***
Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used.

# Notes to the financial statements
**for the year ended 31 December 2018**

## 1. Principal accounting policies *(continued)*

### Significant accounting policies

***Impairment of non-financial assets***

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists, the Company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment charge in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

***Going concern***

The Company has net current liabilities at the year-end amounting to US$6.3m (2017: US$5.6m), in addition the Company is subject to minimum security cover ratio requirements based on the market values of vessels at a consolidated Group level, which were met as at 31 December 2018.

The director has prepared and reviewed forecasts, which indicate that the Company is able to trade profitably over the coming year and beyond and generate sufficient cash flow to enable it to meet its obligations as they fall due. The director considers the Company's ability to reliably generate profits and cash flows to be strong, due to the long term charter in place for its vessel with a substantial and creditworthy customer. The director is therefore of the opinion that the Company is able to meet its obligations as they fall due.

The director has received the ultimate parent undertaking's commitment to provide adequate financial support to the company, if required, for a period of at least twelve months from the approval date of the balance sheet to enable it to meet its liabilities as and when they fall due.

Accordingly based on the above analysis the director has prepared the accounts under the going concern basis which they consider to be appropriate.

***Turnover***

Revenues are recorded when services are rendered when the Company has signed charter agreements or other evidence of an arrangement, the price is fixed and collection is reasonably assured.

Deferred revenues relate to amounts received prior to being earned. These amounts are recognised as revenues over the related charter period to which they relate and are included within deferred income.

The Company employs its vessel on time charter, for which it receives a fixed hire rate per day. The hire income is recognised on an accruals basis in line with the provision of the vessel to the charterer. Due allowance is made for off hire when the vessel is unavailable for to the charter and no income is being earned under the contractual arrangements.

# Notes to the financial statements

**for the year ended 31 December 2018**

## 1. Principal accounting policies *(continued)*

***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided to write off the cost of each vessel, after allowing for an estimated residual (scrap) value, over its estimated useful life of 25 years from the date the asset becomes available for use, which is normally the year in which it is constructed.

The carrying values of tangible fixed assets are reviewed for impairments when events or changes in circumstances indicate the carrying value may not be recoverable.

***Estimating residual values***

The residual value of the asset at the reporting date is calculated as if the asset were already of the age and in the condition that it will be in when the Company expects to dispose of it. Residual value does not include expected future inflation. The estimated residual value is based on the two dominant scrap markets (for bulkers) in Bangladesh and India.

***Dry docking***

The vessel is subject to a major service (dry dock) typically every 60 months dependent on its specification and age. These costs are treated as periodic overhaul costs and are required to be incurred if the vessel is to trade and receive regulatory approval. Dry docking costs are capitalised as a short life asset and written off to the income statement on a straight line basis over the estimated period to the next scheduled dry dock. There was no dry dock expenditure during the year.

***Stocks***

Stocks are stated at the lower of cost and net realisable value on a first in first out basis. Stocks represent spares, stores and victuals and are included at purchase cost and represent consumable items with no sales value.

***Provisions for liabilities***

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material the provisions are discounted using an appropriate risk adjusted discount rate.

***Foreign currencies***

Transactions in foreign currencies are converted into U.S. Dollars at the rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into U.S. Dollars at the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with in the income statement.

# Notes to the financial statements

**for the year ended 31 December 2018**

## 1. Principal accounting policies *(continued)*

### *Cash and cash equivalents*

Cash and short term deposits in the statement of financial position normally comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, if the term is longer to qualify as cash and cash equivalents the deposit must be subject to insignificant penalties on early termination.

For the purpose of the company cash flow statement cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

### *Short-term debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

### *Interest-bearing loans*

All interest-bearing loans and borrowings, which are basic financial instruments are initially recognised at the present value of cash payable to the lender (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included in finance expenses in the income statement.

### *Debt issuance costs*

The cost incurred in raising debt finance is capitalised and offset against the loan balance and written off over the life of the debt on a systematic basis so as to produce a systematic charge approximating to interest.

### *Related parties*

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals.

# Notes to the financial statements

**for the year ended 31 December 2018**

## 2. Turnover

Turnover represents the amounts derived from the provision of services, being the time chartering of the vessel, which falls within the Company's ordinary and continuing activities.

## 3. Operating profit

Operating profit is stated after charging:

| | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|
| Depreciation of owned tangible fixed assets | 1,114,819 | 1,114,819 |
| Gain on foreign exchange transactions | (11,883) | (13,513) |
| Auditors' remuneration – audit services | 5,455 | 10,582 |

## 4. Staff costs

The director received no remuneration in respect of his services as a director of the Company during the year (2017: US$ Nil).

There were no employees during the year (2017: none), all crew are employed by an independent third party and recharged to the Company.

The Company have not been charged any fees (2017: US$ nil) in respect of management services provided by a related party, DAO Maritime Limited, a company incorporated in United Kingdom of which Dan David Ungar is also a Director. All fees related to the management services provided by DAO Maritime Limited to DAO Shipping subsidiaries are recharged to and paid by the fellow subsidiary companies.

## 5. Interest payable and similar charges

| | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|
| Interest received | 1,470 | 711 |
| Interest on bank loans, overdrafts and related party loans | (455,653) | (509,695) |

Included in the above interest payable amounts is US$86,498 (2017: US$103,838) in respect of the loans from Ray Car Carriers Limited, a related party, referred to in note 7 and 13. Interest charges on these loans commenced from 7 February 2014.

# Notes to the financial statements

**for the year ended 31 December 2018**

## 6. Tax on profit on ordinary activities

The Company's vessel is held in a United Kingdom ('UK') company which is entered in the UK tonnage tax regime, under which its vessel owning and operating activities are taxed based on the net tonnage of the vessel operated and not on profits. Any income and profits outside the tonnage tax regime are taxed under the normal UK corporation tax rules however no such income or profits arose in the year. Therefore, no reconciliation of an expected tax charge based on the profits for the year has been presented.

The tax charge may be summarised as follows:

| | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|
| Amounts due under UK Tonnage Tax | 5,794 | 6,573 |
| *Total tax charge* | 5,794 | 6,573 |

## 7. Tangible fixed assets

| | *Vessel US$* |
|---|---|
| Cost: | |
| At 1 January 2018 | 31,915,691 |
| Additions during the year | - |
| At 31 December 2018 | 31,915,691 |
| Depreciation: | |
| At 1 January 2018 | 4,346,265 |
| Charge for the year | 1,114,819 |
| At 31 December 2018 | 5,461,084 |
| Net book value: | |
| At 31 December 2018 | 26,454,607 |
| At 1 January 2018 | 27,569,426 |

The vessel is subject to legal mortgages and charges as set out in note 13. The vessel was acquired from a related party, Ray Car Carriers Limited (an Isle of Man company) (RCC) during a prior year in doing so the company receive a loan from RCC. The total outstanding to RCC at 31 December 2018 is US$1,403,400 (2017: US$2,806,800).

## 8. Stocks

| | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|
| Spares, stores and victuals | 50,717 | 73,202 |

The purchase price and replacement cost of stocks are not significantly different. Stocks recognised as an expense in the year were US$47,128 (2017: US$70,172).

# Notes to the financial statements
**for the year ended 31 December 2018**

## 9. Debtors

| | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|
| Other debtors | 9,212 | - |
| Prepayments and accrued income | 644,247 | 14,144 |
| | 653,459 | 14,144 |

## 10. Cash at bank and in hand

Cash at bank and in hand included the following amounts:

| | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|
| Cash at bank and in hand | 654,112 | 566,602 |
| | 654,112 | 566,602 |

## 11. Creditors: amounts falling due within one year

| | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|
| Trade creditors | 5,879 | 4,545 |
| Tax creditor | 5,873 | 6,573 |
| Current instalments on bank loans (note 13) | 1,514,877 | 1,482,468 |
| Current instalments on related party loans (note 13) | 1,403,400 | 1,403,400 |
| Accruals and deferred income | 647,690 | 163,040 |
| Parent company loan with no fixed repayment terms | 4,050,975 | 3,201,609 |
| | 7,628,694 | 6,261,635 |

The parent company loan is unsecured and interest free.

## 12. Creditors: amounts falling due after more than one year

| | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|
| Bank loans repayable by instalments (note 13) | 13,967,253 | 15,150,910 |
| Related party loans repayable by instalments (note 13) | - | 1,403,400 |
| | 13,967,253 | 16,554,310 |

# Notes to the financial statements

**for the year ended 31 December 2018**

## 13. Loans

Bank loans and related party loans are as follows:

| | 31 December 2018 US$ | 31 December 2017 US$ |
|---|---|---|
| Within one year | 2,918,277 | 2,885,868 |
| Between one and two years | 1,514,877 | 2,885,868 |
| Between two and five years | 4,544,630 | 4,447,403 |
| More than five years | 7,907,746 | 9,221,039 |
| | 16,885,530 | 19,440,178 |
| Less amounts due within one year (note 11) | (2,918,277) | (2,885,868) |
| Total non-current loans | 13,967,253 | 16,554,310 |

In a prior period, the Company obtained a Japanese Yen loan under a secured bank loan facility provided by Sumitomo Mitsui Trust Bank. The loan balance as at 31 December 2018 amounted JPY1,706,750 (2017: JPY 1,873,750,000). The loan is repayable in 39 quarterly instalments of JPY 41,750,000 commencing on 9 May 2014 and a final repayment of JPY 871,750,000 comprising last instalment of JPY 41,750,000 and a balloon instalment of JPY 830,000,000 which falls due in 2024. The loan bears interest at JPY LIBOR plus 2.3% and is secured by first preferred legal charges over the Company's vessels along with assignment of earnings and insurance policies. The loan is also subject to a limited guarantee provided to the bank by a related party, Ray Car Carriers Limited, incorporated in the Isle of Man.

The related party loan repayable by instalments represents a loan from Ray Car Carriers Limited. The original loan taken in a prior year totalled US$7,017,000 and is repayable by way of 20 quarterly instalments of US$350,850 and is also subject to an interest rate of US$ LIBOR plus 1.6%.

## 14. Share capital

| Authorised | 31 December 2018 US$ | 31 December 2017 US$ |
|---|---|---|
| 100 ordinary shares of £1 each | 2 | 2 |
| | 2 | 2 |
| *Ordinary shares issued, called up and fully paid* | | |
| 100 ordinary shares of £1 each | 2 | 2 |
| | 2 | 2 |

# Notes to the financial statements

**for the year ended 31 December 2018**

## 15. Notes to the statement of cash flows

Reconciliation of profit to net cash inflow from operating activities

| | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|
| Operating profit | 1,622,179 | 1,495,606 |
| Depreciation of tangible assets | 1,114,819 | 1,114,819 |
| Increase in debtors | (639,315) | (5,156) |
| Increase/(decrease) in creditors | 491,247 | (45,058) |
| Decrease in stocks | 22,485 | 26,390 |
| Tax paid | (6,495) | (6,049) |
| Net cash inflows from operating activities | 2,604,920 | 2,580,552 |

## 16. Commitments and contingencies

As at the balance sheet date the Board is not aware of any claims or contingent liabilities that warrant disclosure within the financial statements, other than the security related to the Company's bank loans set out in note 13.

## 17. Financial instruments

| | *31 December 2018 US$* | *31 December 2017 US$* |
|---|---|---|
| *Financial assets that are debt instruments measured at amortised cost* | | |
| Other debtors | 9,212 | - |
| Cash at bank | 654,112 | 566,602 |
| *Financial liabilities that are debt instruments measured at amortised cost* | | |
| Trade creditors and accruals | 64,931 | 70,144 |
| Bank Loans and related party loans | 16,885,530 | 19,440,178 |
| Parent company loans | 4,050,975 | 3,201,609 |

## 18. Post balance sheet events

During March 2019 the vessel underwent a 5 year dry dock and ballast water treatment installation.

## 19. Related party transactions

All relevant related party transactions are reported in notes 4, 5, 7, 11 and 13.

# Notes to the financial statements
**for the year ended 31 December 2018**

## 20. Immediate and ultimate holding company and controlling shareholder
The immediate and ultimate holding company is DAO Shipping Limited (Isle of Man Company). The controlling shareholder is Dan David Ungar. Financial statements of the parent company are not publicly available.