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**INDEPENDENT PRACTITIONER'S REPORT  
TO THE BOARD OF DIRECTORS OF CHOWGULE STEAMSHIPS LIMITED**

**Report on the consolidated financial statements of foreign subsidiary**

We have examined the accompanying consolidated financial statements of the "the Group", consisting of Chowgule Steamships Overseas Limited incorporated at Guernsey and its four wholly owned subsidiaries, all incorporated in the Marshall Islands, as at 31<sup>st</sup> March, 2018, and Consolidated Balance Sheet, Statement of Profit & Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and, a summary of the significant accounting policies and other explanatory information, in US Dollars and in Indian Rupees for the purpose of expressing an opinion regarding the accuracy of translation of the aforesaid statements from US Dollars into Indian rupees and conversion to the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 (hereinafter referred to as "the Act") to the extent information available in the audited financial statements.

**Management's Responsibility for the consolidated financial statements**

The Board of Directors of Chowgule Steamships Limited are responsible for the conversion of these consolidated financial statements from International Financial Reporting Standards to IND AS, in terms of the requirements of the Act that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act and translation of the consolidated financial statements from US Dollars into Indian rupees.

The preparation of these consolidated financial statements is the responsibility of the Management including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

The Independent Auditors Report also states that the Managing Members of the Group confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgement and estimates have been made in the preparation of the financial statements for the year ended 31<sup>st</sup> March, 2018. The Managing Members of the Group also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on going concern basis.

The Independent Auditors Report also states that the Managing Members of the Group are responsible for keeping proper accounting records, for ensuring that the consolidated financial statements comply with the Companies (Guernsey) Law 2008, for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

### **Practioner's Responsibility**

Our responsibility, is to express an opinion regarding the, accuracy of the conversion of these consolidated financial statements into Indian Rupees as on 31<sup>st</sup> March, 2018, Consolidated Financial Statements Conversion into the Ind AS and compliance thereof with the requirements of Schedule III of the Companies Act, 2013 and the Companies (Accounts) Rules, 2014 to the extent information available in the audited financial statements.

We did not audit the books of accounts of the Group as they are maintained outside India. The consolidated financial Statements of the Group have been audited by independent auditors in accordance with the statute as applicable in the country of incorporation. We have relied on the audited consolidated financial statements and report as at 31<sup>st</sup> March, 2018 of the said Auditors as furnished to us.

We conducted our examination of the consolidated financial statements in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us and on the consideration of the independent audit report referred to above, we are of the opinion that the consolidated financial statements give a true and fair view in conformity, with the accounting principles generally accepted in India and are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to these consolidated financial statements, of the state of affairs of the Group, consolidated Statement of Profit and Loss (including Other Comprehensive Income) of the results of operations of the Group, the Statement of Changes in Equity of the Group for the year then ended and cash flows statement, of the cash flows of the Group for the year ended on that date to the extent information available in the audited financial statements.

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

KRESTON REEVES LLP  
Chartered Accountants and Statutory Auditors  
Third Floor  
24 Chiswell Street  
London  
EC1Y 4YX

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

Incorporated in Guernsey  
Company No. 26415

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CHOWGULE STEAMSHIPS OVERSEAS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the audited financial statements for the year ended 31 March 2018.

General Information

Chowgule Steamships Overseas Limited is a company incorporated in Guernsey. Its registered address is Borough House, Rue du Pre, St. Peter Port, Guernsey, GY1 3QU.

Principal Activity

The principal activity of the group is that of ship owning and chartering of four vessels.

Review of the Business

The group's statement of comprehensive income for the period is set out on page 4.

Directors

The directors of the company and the group as at 31 March 2018, all of whom have been directors for the whole of the year ended on that date, were:

V V Chowgule  
M Jones  
J E Langlois  
K R Le Poidevin

Directors' Responsibilities Statement

The directors are required by Guernsey company law to prepare financial statements for each financial year that give a true and fair view of the state of the affairs of the group and company as at the end of the year and of the profit or loss for the period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgement and estimates have been made in the preparation of the financial statements for the year ended 31 March 2018. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.


The directors are responsible for keeping proper accounting records, for ensuring that the financial statements comply with the Companies (Guernsey) Law 2008, for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.


Auditors

A resolution proposing the re-appointment of Kreston Reeves LLP as auditors will be proposed at the Annual General Meeting.

Statement of disclosure to auditor

- (a) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

  
.....  
John E. Langlois  
Director

  
.....  
Michael Jones  
Director

.....  
Date 4 May 2018

.....  
Date 8 May 2018

INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
CHOWGULE STEAMSHIPS OVERSEAS LIMITED

**Opinion**

We have audited the financial statements of Chowgule Steamships Overseas Limited for the year ended 31 March 2018, which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, a consolidated and a company statement of cash flows, a consolidated and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation is applicable law and International Financial Reporting Standards (IFRS's).

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law 2008. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the company's and group's affairs as at 31 March 2018, and of its profit and loss for the year then ended and the company and group's cashflows;
- the financial statements have been properly prepared in accordance with applicable law and IFRSs; and
- the information given in the Directors' Report is consistent with the financial statements.

**Basis of audit 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

**Conclusions relating to going concern**

*Emphasis of matter*

As explained in Note 1.9 to the financial statements there is a material uncertainty over the going concern assessment of the company. The Directors of Chowgule Steamships Overseas Limited believe that the financial statements should be prepared on a going concern basis based on the fact that the required refinancing will be secured and the ultimate parent Company, Chowgule Steamships Limited, will continue to offer financial support when required.

The financial statements do not reflect any adjustments which would be required if the going concern assessment was not appropriate. Such adjustments might include the write down of certain receivables, non-current assets and inventories to net realisable value and the disclosure of or provision for additional liabilities. Our opinion is not qualified in this respect.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Member's report, other than the financial statements and our Auditors' 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.

INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
CHOWGULE STEAMSHIPS OVERSEAS LIMITED

**Independent auditors' report to the directors of Chowgule Steamships Overseas Limited (continued)**

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement on page 1, 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 members 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 members either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' 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 Auditors' 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, representations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant deficiencies in internal control that we identify during our audit.



Michael Cook BA(Hons) FCA (Senior Statutory Auditor),  
KRESTON REEVES LLP  
Chartered Accountants and Statutory Auditors  
London

Date: 8 May 2018

**CHOWGULE STEAMSHIPS OVERSEAS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	<u>Notes</u>	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
<b>Revenue</b>	1.3	10,201,375	6,742,028
Cost of Sales		(308,117)	(91,932)
<b>Gross Profit</b>		<u>9,893,258</u>	<u>6,650,096</u>
Indirect and financial expenses		(13,290,982)	(12,743,277)
<b>Operating Loss</b>	5	<u>(3,397,724)</u>	<u>(6,093,181)</u>
Reversal of impairment of vessel value	2, 8	4,637,429	80,443
Write off for cancellation of build	8	-	(5,184,515)
Loss on sale of investments		(81,828)	(195,412)
Commission receivable		60,000	411,875
Other interest receivable and similar income		26,675	58,184
<b>Profit/(loss) on Ordinary Activities before Taxation</b>		<u>1,244,552</u>	<u>(10,922,606)</u>
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
<b>Profit/(loss) for the Financial Year</b>	17	1,244,552	(10,922,606)
<b>Retained Earnings brought forward</b>		<u>(13,958,301)</u>	<u>(3,035,695)</u>
<b>Retained Earnings carried forward</b>		<u><u>(12,713,749)</u></u>	<u><u>(13,958,301)</u></u>

The group has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of other comprehensive income has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period as stated above, and their historical cost equivalents.

The notes on pages 9 to 18 form part of these financial statements



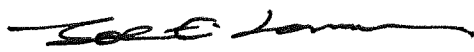
CHOWGULE STEAMSHIPS OVERSEAS LIMITED – COMPANY NO. 26415

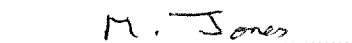
CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

		<u>Group</u>		<u>Company</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>Notes</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<b>Non current assets</b>					
Vessels	8	64,457,812	64,198,194	-	-
Hull under construction	8	2,484,515	2,484,515	2,484,515	2,484,515
Investments	9	-	580,960	4,000	584,960
Trade & other receivables falling due after one year	11	-	-	96,506,086	95,592,171
		<u>66,942,327</u>	<u>67,263,669</u>	<u>98,994,601</u>	<u>98,661,646</u>
<b>Current assets</b>					
Inventories	10	200,700	187,921	-	-
Trade & other receivables falling due within one year	11	533,876	725,272	3,327,943	452,068
Cash and cash equivalents	12	1,443,907	619,418	205,233	104,065
		2,178,483	1,532,611	3,533,176	556,133
Trade & other payables: Accounts falling due within one year	13	<u>(19,808,591)</u>	<u>(11,515,426)</u>	<u>(6,158,693)</u>	<u>(5,354,213)</u>
<b>Net current liabilities</b>		<u>(17,630,108)</u>	<u>(9,982,815)</u>	<u>(2,625,517)</u>	<u>(4,798,080)</u>
<b>Total assets less current liabilities</b>		49,312,219	57,280,854	96,369,085	93,863,566
<b>Trade &amp; other payables: Amounts falling due after one year</b>					
Bank loan	14	<u>(34,325,968)</u>	<u>(43,539,155)</u>	-	-
<b>Net assets</b>		<u>14,986,251</u>	<u>13,741,699</u>	<u>96,369,085</u>	<u>93,863,566</u>
<b>Equity</b>					
Called up share capital	15	9,200,000	9,200,000	9,200,000	9,200,000
Preference shares	16	18,500,000	18,500,000	18,500,000	18,500,000
Retained earnings		<u>(12,713,749)</u>	<u>(13,958,301)</u>	68,669,084	66,163,566
<b>Total Equity</b>	17	<u>14,986,251</u>	<u>13,741,699</u>	<u>96,369,084</u>	<u>93,863,566</u>

The financial statements were approved by the Board of Directors on 4 May 2018 and were signed on its behalf by John E. Langlois and Michael Jones

  
 .....  
 Director

  
 .....  
 Director

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	<u>2018</u>	<u>2017</u>
	<u>US\$</u>	<u>US\$</u>
<b>Operating activities</b>		
Profit/(loss) before adjustments	1,244,552	(10,922,606)
Reversal of impairment of vessels	(4,637,429)	(80,443)
Write off for cancellation of build	-	5,184,515
Loss on sale of investments	81,828	195,412
Commission receivable	-	(411,875)
Other interest receivable	(8,111)	(2,898)
Other income receivable	<u>(26,675)</u>	<u>(55,286)</u>
<b>Operating loss</b>	<b>(3,345,835)</b>	<b>(6,093,181)</b>
Depreciation	4,377,811	4,373,064
Interest paid	2,098,011	1,922,698
Decrease in trade and other receivables	191,397	370,083
Increase in inventories	(12,779)	(19,259)
Increase in trade and other payables due within one year	<u>549,390</u>	<u>732,821</u>
<b>Net cash inflow from operating activities</b>	<b>3,857,995</b>	<b>1,286,226</b>
<b>Investing activities and servicing of finance</b>		
Interest received	8,111	2,898
Other income received	26,675	55,286
Proceeds from the sale of non current investments	499,132	347,392
Write off of capital advance	-	12,348
Commission received	<u>-</u>	<u>161,875</u>
<b>Net cash inflow from investing activities</b>	<b>533,918</b>	<b>579,799</b>
<b>Financing activities</b>		
Interest paid	(1,770,183)	(1,618,442)
Proceeds from new loan	500,000	2,250,000
Repayment of long-term bank loan	<u>(2,297,241)</u>	<u>(3,084,482)</u>
<b>Net cash outflow from financing activities</b>	<b><u>(3,567,424)</u></b>	<b><u>(2,452,924)</u></b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>824,489</b>	<b>(586,899)</b>
Net cash and cash equivalents at the beginning of the year	619,418	1,206,317
<b>Net cash and cash equivalents at the end of the year</b>	<b><u>1,443,907</u></b>	<b><u>619,418</u></b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u>1,443,907</u>	<u>619,418</u>

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	<u>2018</u>	<u>2017</u>
	<u>US\$</u>	<u>US\$</u>
<b>Operating activities</b>		
Profit/(Loss) before adjustments	2,505,518	(5,340,729)
Interest received	(2,875,876)	(2,898)
Commission receivable	-	(411,875)
	<u>                    </u>	<u>                    </u>
<b>Operating loss</b>	(370,358)	(5,755,502)
Write off for cancellation of build	-	5,184,515
Loss on sale of investments	81,828	195,412
Interest paid	303,770	299,417
Increase in trade and other receivables	(2,875,876)	(202,068)
Decrease in trade and other payables due within one year	711	(1,447)
	<u>                    </u>	<u>                    </u>
<b>Net cash outflow from operating activities</b>	(2,859,925)	(279,673)
<b>Investing activities and servicing of finance</b>		
Interest received	2,875,876	2,898
Interest paid	-	(729)
Proceeds on redemption of non current asset investments	499,132	347,392
Write off of capital advance	-	12,292
Commission received	-	161,875
	<u>                    </u>	<u>                    </u>
<b>Net cash inflow from investing activities</b>	3,375,008	523,728
<b>Financing activities</b>		
Proceeds from new loan	500,000	2,250,000
Movement in loans with subsidiary companies	(913,915)	(2,541,838)
	<u>                    </u>	<u>                    </u>
<b>Net cash (outflow)/inflow from financing activities</b>	(413,915)	(291,838)
<b>Net decrease in cash and cash equivalents</b>	101,168	(47,784)
<b>Net cash and cash equivalents at the beginning of the year</b>	104,065	151,849
<b>Net cash and cash equivalents at the end of the year</b>	<u>          205,233          </u>	<u>          104,065          </u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u>          205,233          </u>	<u>          104,065          </u>

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED	Note	Attributable to equity holders of the Group			
		Ordinary Share Capital \$	Preference shares \$	Retained Earnings \$	Total \$
Balance as at 1 April 2016		9,200,000	18,500,000	(3,035,695)	24,664,305
Total comprehensive income	17	-	-	(10,922,606)	(10,922,606)
Balance as at 1 April 2017		<u>9,200,000</u>	<u>18,500,000</u>	<u>(13,958,301)</u>	<u>13,741,699</u>
Total comprehensive income	17	-	-	1,244,552	1,244,552
Balance as at 31 March 2018		<u><u>9,200,000</u></u>	<u><u>18,500,000</u></u>	<u><u>(12,713,749)</u></u>	<u><u>14,986,251</u></u>

COMPANY	Note	Attributable to equity holders of the Group			
		Ordinary Share Capital \$	Preference shares \$	Retained Earnings \$	Total \$
Balance as at 1 April 2016		9,200,000	18,500,000	71,504,295	99,204,295
Total comprehensive income	17	-	-	(5,340,729)	(5,340,729)
Balance as at 1 April 2017		<u>9,200,000</u>	<u>18,500,000</u>	<u>66,163,566</u>	<u>93,863,566</u>
Total comprehensive income	17	-	-	2,505,518	2,505,518
Balance as at 31 March 2018		<u><u>9,200,000</u></u>	<u><u>18,500,000</u></u>	<u><u>68,669,084</u></u>	<u><u>96,369,084</u></u>

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

**1. Principal accounting policies**

The financial statements have been prepared in accordance with applicable international accounting standards. A summary of the significant accounting policies, which have been applied consistently, are set out below.

**1.1 Basis of Accounting**

The financial statements are prepared in accordance with the historical cost convention.

The preparation of financial statements in compliance with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

**Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the IFRSs.

**1.1.1 Changes in accounting policy and disclosure**

**a) New and amended standards adopted by the Group**

There were no amendments to existing standards and interpretations effective for periods on or after 1 January 2017, for which adoption of these amendments to existing standards and interpretations would have had a material impact on the financial statements of the group.

**b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company**

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2018 but which have not been adopted early:

IFRS 9 - Financial Instruments - classification and measurement  
IFRS 15 - Revenue from contracts with customers

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2019 but which have not been adopted early:

IFRS 16 - Leases

The directors do not expect that the adoption of the standards and interpretations listed above will have a material impact on the financial statements of the company in future periods.

**1.2 Basis of Consolidation**

The consolidated statement of comprehensive income, statement of financial position and statement of cashflow include the financial statements of the company and all its subsidiary undertakings made up to 31 March 2018. All intra group balances are eliminated fully on consolidation.

On acquisition of a subsidiary, all subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their conditions at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

**1.3 Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

**a) Charter hire**

Revenue is recognised on an accruals basis and relates to hire fee income received on chartering out a vessel, net of address commission before payment of brokerage and commission fees

**b) Investment income**

Investment income is recognised on an accruals basis by reference to the principal outstanding and at the effective interest rate.

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1. Principal accounting policies (continued)

1.4 Foreign Currencies

Foreign currency transactions are translated into U.S. Dollars using the exchange rate prevailing at the date of the transactions.

Assets and liabilities in foreign currencies are translated into U.S. Dollars at rates of exchange ruling at the end of the financial year.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1.5 Currency of Preparation

The financial statements have been prepared in U.S. Dollars.

1.6 Non-current assets and depreciation

Non-current assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Maratha Pride	Vessel	Over 20 years straight line
Maratha Paramount	Vessel	Over 20 years straight line
Maratha Promise	Vessel	Over 20 years straight line
Maratha Prudence	Vessel	Over 20 years straight line

1.7 Impairment of vessel

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Group's non-current assets. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. Reversal of any impairment loss is recognised as income in the Statement of Comprehensive Income.

1.8 Investments

Investments are held at cost less any provisions required to reflect impairment in values.

1.9 Going concern

The financial statements have been prepared on a going concern basis for the year ended 31 March 2018. The Group has made an operating loss of \$3,397,724 (2017: \$6,093,181), and has net current liabilities of \$17,630,108 (2017: \$9,982,815). Included within creditors due within one year are bank loan instalments for the group totalling £10,492,669 (2017: \$3,576,723) which the Directors have confirmed are currently under renegotiation in order that the loan repayments can be met as they fall due. The Directors are confident they will be able to renegotiate the terms for a period of at least 12 months from approval of the financial statements and for this reason we believe the going concern assessment in the financial statements is reasonable. In addition the Company has received continued financial support from its ultimate parent company, Chowgule Steamships Limited.

The financial statements do not reflect any adjustments which would be required if the going concern assessment was not appropriate. Such adjustments might include the write down of certain receivables, non-current assets and inventories to net realisable value and the disclosure of or provision for additional liabilities.

**CHOWGULE STEAMSHIPS OVERSEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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

**1.10 Trade receivables**

Trade receivables are recognised initially at transaction price and subsequently measured at amortised cost, less any impairment.

All receivables are regularly reviewed and a provision for impairment of trade receivables is established where there is objective evidence that all amounts may not be collectible according to the original terms of the sales transaction. Bad debts are written off as incurred.

**1.11 Inventories**

Lubricants are valued at the lower of cost and net realisable value. Cost is based on the purchase price. Net realisable value is based on the selling price less all costs to complete.

**1.12 Bareboat Charges**

Bareboat charges payable under bareboat charter agreements are charged against income on a straight line basis over the charter term.

**1.13 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**1.14 Bank borrowings and loans**

Interest-bearing bank loans are recorded as the proceeds are received, net of direct issue costs (which equate to fair value). Finance charges including premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**1.15 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks.

**1.16 Financial instruments**

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other receivables and payables, loans from banks and other third parties and loans to and from related parties.

Debt instruments (other than those wholly repayable or receivable within one year) are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

**2. Judgments in applying accounting policies and key sources of estimation uncertainty**

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

*Impairment of non-current assets - vessels (Note 8)*

The annual value of the vessel is sensitive to changes in the value in use. During the year the Managing Member assessed the value in use of the vessel in operation including its residual value at the end of useful life. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor of 7%.

As a result of this exercise, it has been identified that the vessel's carrying value in the statement of financial position is lower than its value in use including residual value. As a result a reversal of impairment charge has been recognised in the Statement of Comprehensive Income of \$4,637,429 (2017: \$80,443).

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

**3. Directors' Emoluments**

None of the directors received any emoluments for their services during the year.

**4. Employee information**

Other than the directors the company has no employees with direct employment contracts. However, the group uses a ship management company which supplies crew and administrative services for the operation of the group's vessels.

**5. Operating loss**

The operating loss is arrived at after charging/(crediting):

	<u>2018</u>	<u>2017</u>
	<u>US\$</u>	<u>US\$</u>
Auditor's remuneration	32,410	30,009
Foreign exchange gain	(25,735)	(1,741)
Depreciation - Vessel	<u>4,377,811</u>	<u>4,373,064</u>

**6. Taxation**

With effect from 1 January 2008, the standard rate of income tax for Guernsey companies changed. From this date the company is now taxed at the new company standard rate of 0% (previously 0%). Therefore no tax charge is included in the financial statements.

The subsidiary companies are all registered in the Marshall Islands and as they are non resident companies they are not subject to any tax charge.

**7. Profit/(Loss) of Parent Company**

As permitted by the Companies (Guernsey) Law 2008, the statement of comprehensive income of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to \$2,505,518 (2017: loss of \$5,340,729).

**8. Non-Current Assets**

	<u>Vessels</u>	<u>Hull under construction</u>
	<u>US\$</u>	<u>US\$</u>
<b>Group</b>		
<b>Cost</b>		
At 1 April 2017	152,595,528	2,484,515
Additions	-	-
Write off for cancellation of build	-	-
Write off of capital advance	-	-
At 31 March 2018	<u>152,595,528</u>	<u>2,484,515</u>
<b>Depreciation &amp; Impairment</b>		
At 1 April 2017	88,397,334	-
Charge for the year	4,377,811	-
Impairment reversal	(4,637,429)	-
At 31 March 2018	<u>88,137,716</u>	<u>-</u>
<b>Net book value</b>		
At 31 March 2018	<u>64,457,812</u>	<u>2,484,515</u>
At 31 March 2017	<u>64,198,194</u>	<u>2,484,515</u>



CHOWGULE STEAMSHIPS OVERSEAS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2018

8. **Non-Current Assets (continued)**

	Hull under construction <u>US\$</u>
<b>Company</b>	
<b>Cost</b>	
At 1 April 2017	2,484,515
Additions	-
Write off for cancellation of build	-
Write off of capital advance	-
At 31 March 2018	<u>2,484,515</u>
<b>Depreciation</b>	
At 1 April 2017	-
Impairment of hulls	-
At 31 March 2018	<u>-</u>
<b>Net book value</b>	
At 31 March 2018	<u><u>2,484,515</u></u>
At 31 March 2017	<u><u>2,484,515</u></u>

9. **Non-Current Assets - Investments**

	Other <u>US\$</u>
<b>Group</b>	
<b>Cost</b>	
At 1 April 2017	580,960
Additions	-
Disposals	(580,960)
Revaluation	-
At 31 March 2018	<u>-</u>
At 31 March 2017	<u><u>580,960</u></u>

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

9.	Non-Current Assets - Investments (continued)	Shares in group undertakings <u>US\$</u>	Other investments <u>US\$</u>	Total <u>US\$</u>
	<b>Company</b>			
	<b>Cost</b>			
	At 1 April 2017	4,000	580,960	584,960
	Additions	-		-
	Disposals		(580,960)	(580,960)
	Revaluation	-	-	-
		<u>4,000</u>	<u>-</u>	<u>4,000</u>
	At 31 March 2018	<u>4,000</u>	<u>-</u>	<u>4,000</u>
	At 31 March 2017	<u>4,000</u>	<u>580,960</u>	<u>584,960</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

**Subsidiary undertakings**

At the year end the company owned 100% of the share capital of the following companies:

Company	Country of registration or incorporation	Principal activity	Class	Shares held %
Sea King LLC	The Marshall Islands	Shipping	Ordinary	100
Sea Bird LLC	The Marshall Islands	Shipping	Ordinary	100
Sea Lord LLC	The Marshall Islands	Shipping	Ordinary	100
Sea Link LLC	The Marshall Islands	Shipping	Ordinary	100

The four subsidiaries are consolidated under the acquisition method of accounting.

CHOWGULE STEAMSHIPS OVERSEAS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2018

10.	<b>Inventories</b>	Group		Company	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
	Lube oil	<u>200,700</u>	<u>187,921</u>	<u>-</u>	<u>-</u>

11.	<b>Trade &amp; other receivables</b>	Group		Company	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
	<b>Amounts falling due within one year:-</b>				
	Trade receivables	-	187,307	-	-
	Prepayments	27,391	30,942	-	-
	Debit balances under trade payables	27,210	35,597	-	-
	Accrued interest on fixed deposits	10,178	2,067	2,877,943	2,068
	Other receivables	<u>469,097</u>	<u>469,359</u>	<u>450,000</u>	<u>450,000</u>
		<u>533,876</u>	<u>725,272</u>	<u>3,327,943</u>	<u>452,068</u>
	<b>Amounts falling due after more than one year:-</b>				
	Loan to subsidiary undertakings	-	-	96,506,086	95,592,171
		<u>533,876</u>	<u>725,272</u>	<u>99,834,029</u>	<u>96,044,239</u>

12. **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks by the group companies.

13. **Trade & other payables: Amounts falling due within one year**

		Group		Company	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
	Bank loan (Secured)	10,492,669	3,576,723	-	-
	Trade payables	2,528,385	2,190,352	-	-
	Outstanding liabilities	64,276	50,509	12,166	11,455
	Advance charter hire	408,396	210,806	-	-
	Amounts owed to Havre S.A. (Unsecured)	5,500,000	5,000,000	5,500,000	5,000,000
	Interest accrued not due on loan	814,865	487,036	646,527	342,758
		<u>19,808,591</u>	<u>11,515,426</u>	<u>6,158,693</u>	<u>5,354,213</u>

CHOWGULE STEAMSHIPS OVERSEAS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2018

14. Trade & other payables: Amounts falling due after one year

	Group		Company	
	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Bank loan (Secured – see below)	34,325,968	43,539,155	-	-
Bank loan				
Amounts repayable by instalments:				
Within one year (note 13)	10,492,669	3,576,723	-	-
Between one and two years	4,798,964	14,318,964	-	-
Between two and five years	29,527,004	29,220,191	-	-
	<u>44,818,637</u>	<u>47,115,878</u>	-	-
Due within one year	<u>(10,492,669)</u>	<u>(3,576,723)</u>	-	-
	<u>34,325,968</u>	<u>43,539,155</u>	-	-

The bank loan, for a total of \$44,818,637 (2017: \$47,115,878), is secured over the following vessels;

- 1) Maratha Pride
- 2) Maratha Paramount
- 3) Maratha Promise
- 4) Maratha Prudence

15. Share capital

	Company	
	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Allotted, Called Up and Fully Paid: 9,200,000 ordinary shares of US\$1	<u>9,200,000</u>	<u>9,200,000</u>

The Ordinary shares carry rights to dividends and distributions and to receive notice of or attend and general meetings of the company and to a vote at general meetings.

16. Preference shares

The company has previously issued convertible redeemable preference shares for a total of \$18,500,000. These shares carry no voting rights or any rights over the distribution of profit from the company. These shares are convertible into ordinary shares at the option of the holders in the ratio of 1:1 up until the day before the tenth anniversary of issue when the option reverts to the company. The company also has an option to redeem these shares after the tenth anniversary of issue for cash at \$1.10 per share.

17. Reconciliation of movements in equity

	Group		Company	
	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Profit/(Loss) for the year	1,244,552	(10,922,606)	2,505,518	(5,340,729)
Increase/(decrease) in equity in the year	1,244,552	(10,922,606)	2,505,518	(5,340,729)
Opening equity	<u>13,741,699</u>	<u>24,664,305</u>	<u>93,863,566</u>	<u>99,204,295</u>
Closing equity	<u>14,986,251</u>	<u>13,741,699</u>	<u>96,369,084</u>	<u>93,863,566</u>

The profit and loss reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

**18. Financial commitments**

The group has a commitment for the construction of one hull for ¥240,000,000 (2017: ¥240,000,000) and \$23,100,000 (2017: \$23,100,000). Of this, ¥240,000,000 (2017: ¥240,000,000) which is equivalent to \$2,484,515 (2017: \$2,484,515) has already been paid. The remaining balance is ¥Nil and \$23,100,000 (2017: ¥Nil and \$23,100,000).

**19. Ultimate parent company**

The directors regard Chowgule Steamships Limited, a company registered in India and listed on the Bombay Stock Exchange, as the ultimate parent company. At 31 March 2018 Chowgule Steamships Limited had a 100% interest in the equity capital of Chowgule Steamships Overseas Limited.

**20. Related party transactions**

During the year Chowgule Steamships Overseas Limited had the following transactions with fully owned subsidiary undertakings:

**Subsidiary company**

	2018		2017	
	US\$		US\$	
	Paid	Debtor	Paid	Debtor
Sea Bird LLC	(92,878)	18,865,619	(1,034,970)	18,772,741
Sea King LLC	(91,308)	26,837,993	(293,370)	26,746,685
Sea Lord LLC	(337,679)	22,850,107	(718,579)	22,512,428
Sea Link LLC	(392,050)	27,952,367	(494,919)	27,560,317

**21. Financial Instruments**

**Derivatives and other financial instruments**

The Group's financial instruments comprise borrowings, some cash and liquid resources and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has not entered into any derivative transactions in the year. The Group does not trade in financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

**Interest rate risk**

The Group finances operations through bank borrowings and finance leases. At the year-end all of the Group's bank borrowings were at floating rates of interest. It is the Group's policy to have all borrowings at a floating rate of interest and this policy is reviewed periodically to ensure it is appropriate.

**Currency risk**

The Group's policy is not to hedge transactions, and to buy and sell currency at spot rate where applicable. Each company has assets and liabilities in its native currency only.

**Financial assets and liabilities**

The fair values of the financial assets and liabilities of the group do not materially differ from their book value.

CHOWGULE STEAMSHIPS OVERSEAS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2018

**22. Contingent Liabilities**

Two subsidiary companies, Sea Lord LLC and Sea Bird LLC have provided their vessels as additional security on a loan taken out by Garud B.V., a company incorporated in Holland that operates in the shipping industry, for a maximum of \$10,000,000. No provision has been made because the directors consider that Garud B.V. has the financial resources to meet the loan repayments as they fall due and it is therefore unlikely that this company will incur any additional liability.