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INDEPENDENT AUDITOR'S REPORT to Chowgule Steamships Limited on the Audit of the Consolidated Financial Statements of Chowgule Steamships Overseas Limited

Opinion

We have been appointed as auditors by Chowgule Steamships Limited in its capacity as the ultimate holding company of Chowgule Steamships Overseas Limited, a company incorporated in Guernsey and its Subsidiaries incorporated in Marshall Islands, to carry out the audit of the financial statements of the said Chowgule Steamships Overseas Limited and its subsidiaries for the year ended March 31, 2019. Accordingly we have audited the accompanying consolidated financial statements of Chowgule Steamships Overseas Limited (hereinafter referred to as the 'Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together hereinafter referred to as "the Group"), which comprise (a) consolidated and company statement of financial position as at March 31, 2019, and (b) the consolidated statement of comprehensive income, (c) the consolidated and company statement of changes in equity and (d) the consolidated and company cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information as may be required and in the manner so required and give a true and fair view, of the consolidated state of affairs of the Group as at March 31, 2019, of consolidated statement of comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) and applicable laws. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group, in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by Institute of Chartered Accountants of India (ICAI) 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

As explained in Note no. 1.9 to the financial statements there is a material uncertainty over the going concern assessment of the Group. The Directors of Chowgule Steamships Overseas Limited believe that the financial statements should be prepared on a going concern basis based on the fact 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 realizable value and the disclosure of or provision for additional liabilities. Our opinion is not qualified in this respect.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Company's Directors are responsible for the other information. The other information comprises the information included in the Director's Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Directors are responsible for the preparation and presentation of these consolidated financial statements in terms of applicable laws that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group. The respective Directors and Managing Member of the company and subsidiary companies included in the Group are responsible for maintenance of adequate accounting records for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid. In preparing the consolidated financial statements, the respective Directors and Managing Member of the company and subsidiary companies included in the Group are responsible for assessing the ability of the Group 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 and Managing Member either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Directors and Managing Member of the company and subsidiary companies are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, 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. We are also responsible for expressing our opinion on whether the company has adequate internal financial controls system, in relation to the consolidated financial statements, in place and the operating effectiveness of such controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

We report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of accounts relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
- (c) The Consolidated Statement of financial position, the Consolidated Statement of Comprehensive Income, the consolidated Statement of Changes in Equity and the Consolidated Cash flows statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the International Financial Reporting Standards (IFRSs).
- (e) On the basis of written representations received from the directors of the Holding Company as on 31st March, 2019 as the directors taken on record by the Directors of the Holding Company, none of the directors of the Group companies is disqualified as on 31st March, 2019 from being appointed as a director.
- (f) With respect to the adequacy of internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in Annexure A.

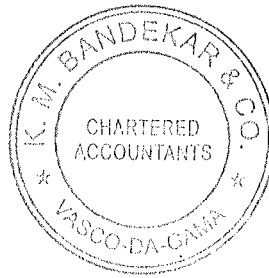
(g) With respect to the other matters to be included in the Auditor's Report in our opinion and to the best of our information and according to the explanations given to us:


i. There were no pending litigations which would impact the consolidated financial position of the Group.

ii. The Group, its associates and jointly controlled entities did not have any material foreseeable losses on long-term contracts including derivative contracts.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated outside India.

For K. M. BANDEKAR & CO.
Chartered Accountants
FRN 100962W




(K. M. BANDEKAR)
PROPRIETOR
M.No.40162

Place of Signature: Vasco da Gama, Goa.

Date: 14th May, 2019

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls

In conjunction with our audit of the consolidated financial statements of the Group as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of Chowgule Steamships Overseas Limited and its subsidiary companies which are companies incorporated outside India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Directors and Managing Member of the Holding company and its subsidiary companies which are companies incorporated outside India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

Auditor's Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. We have also taken cognizance of IFRS to the extent applicable to the Group. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Groups's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Group's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect

the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

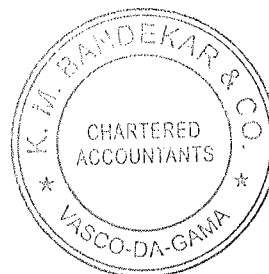
Inherent Limitations of Internal Financial Controls Over Financial Reporting


Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, and its subsidiary companies which are companies incorporated outside India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31,2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control.

For K. M. BANDEKAR & CO.
Chartered Accountants
FRN 100962W




(K. M. BANDEKAR)
PROPRIETOR
M.No.40162

Place of Signature: Vasco da gama, Goa

Date: 14th May, 2019

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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 2019

The Directors present their report and the financial statements for the year ended 31 March 2019.

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. During the year under review the group has sold its vessels and taken them back on lease.

Review of the Business

The group's statement of comprehensive income for the period is set out on page 2.

Directors

The directors of the company and the group as at 31 March 2019, 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

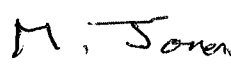
Directors' Responsibilities Statement

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 2019. 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.


Keith R. Le Poidevin
Director
Date : 14/5/19


Michael Jones
Director
Date : 14/5/19

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	<u>Notes</u>	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Revenue	1.3	12,902,029	10,201,375
Cost of Sales		(313,807)	(308,117)
Gross Profit		<hr/> 12,588,222	<hr/> 9,893,258
Indirect and financial expenses		(15,021,030)	(13,290,982)
Operating Loss	5	<hr/> (2,432,808)	<hr/> (3,397,724)
Reversal/(impairment) of vessel value	2	-	4,637,429
Loss on sale of vessels		(10,278,952)	-
Loss on sale of investment		-	(81,828)
Sundry receipts		648	-
Commission receivable		-	60,000
Other interest receivable and similar income		-	26,675
Profit/(Loss) on Ordinary Activities before Taxation		<hr/> (12,711,112)	<hr/> 1,244,552
Tax on profit on ordinary activities	6	-	-
Profit/(Loss) for the Financial Period	17	<hr/> (12,711,112)	<hr/> 1,244,552
Retained Earnings brought forward		(12,713,749)	(13,958,301)
Retained Earnings carried forward		<hr/> (25,424,861)	<hr/> (12,713,749)

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 7 to 16 form part of these financial statements

CHOWGULE STEAMSHIPS OVERSEAS LIMITED COMPANY NO 26415
CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	Notes	Group		Company	
		2019 US\$	2018 US\$	2019 US\$	2018 US\$
Non-current assets					
Vessels	8	51,118,408	64,457,812	-	-
Hull under construction	8	2,484,515	2,484,515	2,484,515	2,484,515
Investments	9	-	-	4,000	4,000
Trade & other receivables: falling due after one year	11	-	-	-	96,506,086
		<u>53,602,923</u>	<u>66,942,327</u>	<u>2,488,515</u>	<u>98,994,601</u>
Current assets					
Inventories	10	192,746	200,700	-	-
Trade & other receivables: falling due within one year	11	1,185,815	533,876	450,000	3,327,943
Cash and cash equivalents	12	1,145,193	1,443,907	84,470	205,233
		<u>2,523,754</u>	<u>2,178,483</u>	<u>534,470</u>	<u>3,533,176</u>
Trade & other payables: Amounts falling due within one year	13	(14,336,603)	(19,808,591)	(9,399,090)	(6,158,693)
Net current liabilities		<u>(11,812,849)</u>	<u>(17,630,108)</u>	<u>(8,864,620)</u>	<u>(2,625,517)</u>
Total assets less current liabilities		<u>41,790,073</u>	<u>49,312,219</u>	<u>(6,376,105)</u>	<u>96,369,084</u>
Trade & other payables: Amounts falling due after one year					
Bank loan	14	-	(34,325,968)	-	-
Payable on Purchase of Property plant & equipment	14	(39,514,934)	-	-	-
		<u>(39,514,934)</u>	<u>(34,325,968)</u>	<u>-</u>	<u>-</u>
Net assets / liabilities		<u>2,275,139</u>	<u>14,986,251</u>	<u>(6,376,105)</u>	<u>96,369,084</u>
Equity / Deficit					
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		(25,424,861)	(12,713,749)	(34,076,105)	68,669,084
Total Equity / Deficit	17	<u>2,275,139</u>	<u>14,986,251</u>	<u>(6,376,105)</u>	<u>96,369,084</u>

The financial statements were approved by the Board of Directors on 14/5/ 2019 and were signed on its behalf by Mr Keith R. Le Poidevin and Mr Michael Jones.

 Director

M. Jones.

 Director

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	<u>2019</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Operating activities				
Profit/(loss) before adjustments	(12,711,112)		1,244,552	
Interest receivable	-		(8,111)	
Other Income receivable	-		(26,675)	
Sundry balance written Off	(2,001)		-	
Loss on Sale of Investments	-		81,828	
Profit on Sale of Vessel	10,278,952		-	
Impairment (reversal) / loss	-		(4,637,429)	
Operating profit/ (loss)	<u>(2,434,161)</u>		<u>(3,345,835)</u>	
Depreciation	4,395,096		4,377,811	
Interest paid	3,669,198		2,098,011	
Increase in trade and other receivables	(673,194)		191,397	
Decrease/(increase) in inventories	7,954		(12,779)	
Decrease in trade and other payables due within one year	(761,643)		549,390	
Net cash inflow from operating activities		<u>4,203,250</u>		<u>3,857,995</u>
Investing activities				
Interest received	-		8,111	
Proceeds on redemption of non current asset investments	-		499,132	
Proceeds from the sale of Fixed Asset	51,543,500		-	
Purchase of Fixed Asset	(52,876,140)		-	
Other Income received	-		26,675	
Net cash outflow from financing activities		<u>(1,332,640)</u>		<u>533,918</u>
Financing activities				
Proceeds from new loan	2,874,375		500,000	
New Long Term loan from Bareboat Charterer	42,263,452		-	
Interest paid	(3,488,514)		(1,770,183)	
Repayment of long-term bank loan	(44,818,637)		(2,297,241)	
Net cash outflow from financing activities		<u>(3,169,324)</u>		<u>(3,567,424)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(298,714)</u>		<u>824,489</u>
Net cash and cash equivalents at the beginning of the year		1,443,907		619,418
Net cash and cash equivalents at the end of the year		<u>1,145,193</u>		<u>1,443,907</u>
Cash and cash equivalents at the end of year comprise:				
Cash at bank and in hand		<u>1,145,193</u>		<u>1,443,907</u>

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Operating activities				
Profit/(loss) before adjustments	(102,745,189)		2,505,518	
Interest received	-		(2,875,876)	
Sundry balance written Off	<u>102,339,674</u>		-	
Operating profit/ (loss)	(405,515)		(370,358)	
Loss on sale of investments	-		81,828	
Interest paid	349,312		303,770	
Increase in trade and other receivables	2,877,943		(2,875,876)	
Decrease in trade and other payables due within one year	<u>16,999</u>		<u>711</u>	
Net cash inflow from operating activities		2,838,739		(2,859,925)
Investing activities				
Interest received	-		2,875,876	
Proceeds on redemption of non current asset investments	<u>-</u>		<u>499,132</u>	
Net cash outflow from financing activities		-		3,375,008
Financing activities				
Proceeds from new loan	2,874,375		500,000	
Write off loan to subsidiaries	(102,339,674)		-	
Interest paid	(289)		-	
Movement in loans with subsidiary companies	<u>96,506,086</u>		<u>(913,915)</u>	
Net cash outflow from financing activities		(2,959,502)		(413,915)
Net increase/(decrease) in cash and cash equivalents		(120,763)		101,168
Net cash and cash equivalents at the beginning of the year		205,233		104,065
Net cash and cash equivalents at the end of the year		<u>84,470</u>		<u>205,233</u>
Cash and cash equivalents at the end of year comprise:				
Cash at bank and in hand		<u>84,470</u>		<u>205,233</u>

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

CONSOLIDATED	Notes	Attributable to equity holders of the Group			Total
		Ordinary Share Capital	Preference Shares	Retained Earnings	
		\$	\$	\$	\$
Balance as at 1 April 2017		9,200,000	18,500,000	(13,958,301)	13,741,699
Total comprehensive income	17	-	-	1,244,552	1,244,552
Balance as at 1 April 2018		9,200,000	18,500,000	(12,713,749)	14,986,251
Total comprehensive income	17	-	-	(12,711,112)	(12,711,112)
Balance as at 31 March 2019		9,200,000	18,500,000	(25,424,861)	2,275,139

COMPANY	Notes	Attributable to equity holders of the Group			Total
		Ordinary Share Capital	Preference Shares	Retained Earnings	
		\$	\$	\$	\$
Balance as at 1 April 2017		9,200,000	18,500,000	66,163,566	93,863,566
Total comprehensive income	17	-	-	2,505,518	2,505,518
Balance as at 1 April 2018		9,200,000	18,500,000	68,669,084	96,369,084
Total comprehensive income	17	-	-	(102,745,189)	(102,745,189)
Balance as at 31 March 2019		9,200,000	18,500,000	(34,076,105)	(6,376,105)

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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, is 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 financial statements have been prepared in accordance with the IFRSs.

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 2019. All infra 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

The group derives its revenue from chartering of its vessels. All revenue relates to hire fee income on chartering of vessel, net of address commission and before payment of brokerage and commission fees.

Effective 1 January, 2018, the group has adopted IFRS 15 Revenue from Contracts with Customers using the cumulative catch-up transition method. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted. The effect on adoption of IFRS 15 was insignificant. The Company has not made any changes in significant judgements in applying this Standard as compared to erstwhile IFRS 18 on Revenue from Operations applicable to the periods prior to 1st January, 2018.

The performance obligations of vessel chartering are satisfied over time and revenue for time chartering is recognised as related services are performed and where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. The group recognises revenue to the extent of performance completed to date in respect of on-going performance obligations as at the year end and hence the group has not disclosed the information for a transaction price allocated to performance obligation which are unsatisfied as of the end of the reporting period.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues). The group does not have any contract assets nor any contract liabilities.

The transaction price is normally fixed as per the time charter agreement and there are no significant judgements involved in allocating the same to the performance obligations which is single performance obligation of vessel chartering and the prices are standalone. There is no variable consideration involved. The customers normally pay for the use and hire of vessels every 15 days in advance.

The amount of revenue recognised in the statement of profit and loss is the same as the contracted price and there are no adjustments made to the contract price.

The group classifies the right to consideration in exchange for deliverables as either a receivable or as Advance Charter hire.

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

FOR THE YEAR ENDED 31 MARCH 2019

1. Principal accounting policies (continued)

1.4 Foreign Currencies

Foreign currency transactions are translated into U.S. Dollars using the exchange rates 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 2019. The Group has made a loss of \$ 12,711,112 (2018: profit \$ 1,244,552), and has net current liabilities of \$11,812,849 (2018: \$17,630,108). Included within creditors due within one year are bank loan instalments for the group totalling Nil (2018: \$10,492,669). 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.

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.

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. Principal accounting policies (continued)

1.12 Bareboat hire purchase / Sale and lease back

As per IFRS 16 Leases, the Company measures right-of-use assets as property, plant and equipment and lease liabilities as other financial liabilities. As a consequence, the Company recognises depreciation of the right-of-use asset and interest on the lease liability. The depreciation is recognised on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The initial lease asset equals the lease liability.

The lease asset is the right to use the underlying asset and is presented in the statement of financial position as part of property, plant and equipment.

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 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 similar date 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 not lower than its value in use including residual value. As a result a no impairment charge has been recognised in the statement of comprehensive income. In the previous year, a reversal of impairment charge has been recognised in the statement of comprehensive income of \$4,637,429.

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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 (crediting)/charging:	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
Auditor's remuneration	-	32,410
Foreign exchange loss / (gain)	103,934	(25,735)
Depreciation - Vessel	4,395,096	4,377,811
	<u>4,395,096</u>	<u>4,377,811</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 loss for the financial year amounted to \$102,745,189 (2018: profit of \$2,505,518).

CHOWGULE STEAMSHIPS OVERSEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

8. Non-current assets — Vessel	Vessels	Hull under construction
Group	<u>US\$</u>	<u>US\$</u>
Cost		
At 1 April 2018	152,595,528	2,484,515
Additions (refer note no. 1.12)	52,878,141	-
Disposal	(152,595,528)	-
At 31 March 2019	<u>52,878,141</u>	<u>2,484,515</u>
Depreciation & Impairment		
At 1 April 2018	88,137,716	-
Charge for the year	4,395,096	-
Disposal	(90,773,079)	-
Impairment reversal		
At 31 March 2019	<u>1,759,733</u>	<u>-</u>
Net book value		
At 31 March 2019	<u>51,118,408</u>	<u>2,484,515</u>
At 1 April 2018	<u>64,457,812</u>	<u>2,484,515</u>
		Hull under construction <u>US\$</u>
Company		
Cost		
At 1 April 2018		2,484,515
Additions		-
Write off for cancellation of Build		-
Write off of capital advance		-
At 31 March 2019		<u>2,484,515</u>
Depreciation & Impairment		
At 1 April 2018		-
Charge for the year		-
Impairment reversal		-
At 31 March 2019		<u>-</u>
Net book value		
At 31 March 2019		<u>2,484,515</u>
At 1 April 2018		<u>2,484,515</u>

CHOWGULE STEAMSHIPS OVERSEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

9. Non-Current Assets - Investments

Group			<u>Other US\$</u>
Cost			
At 1 April 2018			-
Additions			-
Disposals			-
Revaluation			-
			<hr/>
At 31 March 2019			<hr/> <hr/>
At 31 March 2018			<hr/> <hr/>
	<u>Shares in group undertakings</u>	Other investments	<u>Total</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Company			
Cost			
At 1 April 2018	4,000	-	4,000
Additions	-	-	-
Disposals	-	-	-
Revaluation	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2019	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2018	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 Bird LLC	The Marshall Islands	Shipping	Ordinary	100
Sea King 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 2019

10. Inventories	Group		Company	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Lube oil	192,746	200,700	-	-

11. Trade & other receivables: falling due within one year

	Group		Company	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Amounts falling due within one year:-				
Trade receivables	87,981	-	-	-
Prepayments	26,514	27,391	-	-
Debit balances under trade payables	41,962	27,210	-	-
Advance Bareboat Charges	355,975	-	-	-
Accrued interest on fixed deposits	-	10,178	-	2,877,943
Claims receivables	223,383	-	-	-
Other receivables	450,000	469,097	450,000	450,000
	1,185,815	533,876	450,000	3,327,943
Amounts falling due after more than one year:-				
Loan to subsidiary undertakings	-	-	-	96,506,086
	1,185,815	533,876	450,000	99,834,029

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 : falling due within one year

	Group		Company	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Bank loan (Secured)	-	10,492,669	-	-
Payable on Purchase of Property, plant & equipment	2,748,518	-	-	-
Trade payables	2,059,599	2,528,385	-	-
Outstanding liabilities	117,452	64,276	29,165	12,166
Parent Company loan	2,000,000	-	2,000,000	-
Advance charter hire	41,109	408,396	-	-
Amounts owed to Havre S.A. (Unsecured)	6,374,375	5,500,000	6,374,375	5,500,000
Interest accrued not due on loan	995,550	814,865	995,550	646,527
	14,336,603	19,808,591	9,399,090	6,158,693

CHOWGULE STEAMSHIPS OVERSEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

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

	Group		Company	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Bank loan (Secured - see below note no. (i))	-	34,325,968	-	-
Payable on Purchase of Property plant & equipment (See below note no. (ii))	39,514,934	-	-	-
	<u>39,514,934</u>	<u>34,325,968</u>	<u>-</u>	<u>-</u>
Bank loan /Payable on Purchase of Property plant & equipment				
Amounts repayable by instalments:				
Within one year (note 13)	2,748,518	10,492,669	-	-
Between one and two years	2,999,007	4,798,964	-	-
Between two and five years	25,899,968	29,527,004	-	-
Five years & above	10,815,959	-	-	-
	<u>42,263,452</u>	<u>44,818,637</u>	<u>-</u>	<u>-</u>
Due within one year	(2,748,518)	(10,492,669)	-	-
	<u>39,514,934</u>	<u>34,325,968</u>	<u>-</u>	<u>-</u>

Notes :

(i) The bank loan, for a total of \$NIL (2018: \$44,818,637), was secured over the four vessels which was fully paid during the year.

(ii) The amount payable on purchase of Property, Plant & Equipment represent amounts repayable on lease back of vessels as per below chart :

Vessels Secured	Maratha Pride	Maratha Paramount	Maratha Promise	Maratha Prudence
Payable to	NCN Corporation	Northern Shipping Funds III	ABO Sholan Ltd	Northern Shipping Funds III
Amount Outstanding	10,631,260	9,802,558	11,619,658	10,209,976

The terms of repayment is a shown below

Particulars	Maratha Pride	Maratha Paramount	Maratha Promise	Maratha Prudence
1. Amount of installment in USD	Fixed Bareboat @79375 per month Variable Bareboat @ 1 month Libor + 4.25%	For first 12 months \$ 3250/day Balance 48 months - \$ 4250/day	Fixed Bareboat @114796 per month Variable Bareboat @ 1 month ICE Libor + 3%	For first 12 months - \$ 3250/day Balance 48 months - \$ 4250/day
2. Option Premium -Non Refundable	-	\$ 3,100,000	\$3,750,000	\$ 3,100,000
3. Purchase price Option				
End of Year 2	-	\$ 9,400,000	-	\$ 10,200,000
End of Year 3	\$7,892,500	\$ 9,000,000	\$7,117,347+ \$ 500,000	\$ 9,700,000
End of Year 4	\$6,930,000	\$ 8,600,000	\$5,739,796+ \$ 600,000	\$ 9,200,000
End of Year 5	\$5,997,500	\$ 8,200,000	\$4,362,245+ \$ 700,000	\$ 8,700,000
End of Year 6	\$5,005,000	-	\$2,984,694+ \$ 800,000	-
End of Year 7	\$4,042,500	-	\$1,607,143+ \$ 900,000	-
End of Year 8	\$3,080,000	-	\$229,592+ \$ 1,000,000	-
End of charter period	-	-	\$ 1,000,000	-
Put Option at end of period	-	\$ 8,200,000	-	\$ 8,700,000
4. No. of monthly installments outstanding	95	51	95	51

15. Share capital

	Company	
	2019 US\$	2018 US\$
Allotted, Called Up and Fully Paid: 9,200,000 ordinary shares of US\$ 1	9,200,000	9,200,000

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	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Profit/(Loss) for the period	(12,711,112)	1,244,552	(102,745,189)	2,505,518
Increase/(decrease) in equity in the year	(12,711,112)	1,244,552	(102,745,189)	2,505,518
Opening equity	14,986,251	13,741,699	96,369,084	93,863,566
Closing equity	<u>2,275,139</u>	<u>14,986,251</u>	<u>(6,376,105)</u>	<u>96,369,084</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 2019

18. Financial commitments

The group has a commitment for the construction of one hull for ₹240,000,000 (2018: ₹240,000,000) and \$23,100,000 (2018: \$23,100,000). Of this, ₹240,000,000 (2018: ₹240,000,000) which is equivalent to \$2,484,515 (2018: \$2,484,515) has already been paid. The remaining balance is ₹ Nil and \$23,100,000 (2018: ₹ Nil and \$23,100,000).

19. Ultimate parent company

The directors regard Chowgule Steamships Limited, a company registered in India and listed on the Mumbai Stock Exchange, as the ultimate parent company. At 31 March 2019 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	2019		2018	
	Paid	Debtor	Paid	Debtor
Sea Bird LLC	(1,448,140)	-	(92,878)	18,865,619
Sea King LLC	(1,045,009)	-	(91,308)	26,837,993
Sea Lord LLC	(67,865)	-	(337,679)	22,850,107
Sea Link LLC	(395,132)	-	(392,050)	27,952,367

Chowgule Steamships Overseas Limited has waived off loans and interest accrued to its subsidiaries during the year amounting to \$ 1,02,329,997.

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.

22. Audit

An audit of the company's accounts has been undertaken by K.M. Bandekar & Co. at the request of the Company's ultimate holding company, Chowgule Steamships Limited, and a copy of their report is attached to these accounts.