Registered number: 00157048

GRAIG SHIPPING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

COMPANY INFORMATION

Directors	Hugh G Williams Christopher L Williams Christopher J G Davies Philip D Atkinson Christopher J Hilton
Company secretary	Victoria M Dwyer-Davies
Registered number	00157048
Registered office	1 Caspian Point Caspian Way Cardiff South Glamorgan CF10 4DQ
Bankers	ABN Amro Bank N.V.
	Barclays Bank Plc
Solicitors	Acuity Legal Limited 3 Assembly Square Cardiff Bay Cardiff CF10 4PL
	Campbell Johnston Clark 59 Mansell Street London E1 8AN
Auditor	Deloitte LLP 5 Callaghan Square Cardiff CF10 5BT

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors, in preparing this group Strategic Report, have complied with S414C of the Companies Act 2006.

Business review

The company is a wholly-owned subsidiary of Idwal Williams and Company Limited and acts as the holding company for the Graig Shipping group.

The group's principal activities are the owning of vessels and ship inspection services. The group is also providing ship related technical consultancy and brokering services to a wide range of global clients with shipping interests.

The group loss for the financial year (after tax and attributable to the owners of the company) was $15m (2017 - $1.2m profit) as shown in the company's consolidated profit and loss account on page 11. The company only loss for the financial year (after tax) was $9.9m (2017 - $6.5m).

The consolidated balance sheet on page 13 shows a net asset decrease from $15.4m net assets to $10.9m net liabilities. During the year, cash and short-term investments decreased from $3.8m to $2.5m. The company only balance sheet on page 15 shows a net decrease from $7.7m net assets to $3.7m net liabilities.

The shipping market continues to be volatile with difficult trading through most sectors. Losses have been incurred from vessel trading and it has been agreed with the principal lender, ABN Amro Bank NV, that the vessels mv Graig Rotterdam and mv Graig Cardiff that are owned by subsidiary companies Graig Rotterdam Shipping Ltd and Graig Cardiff Shipping Ltd respectively, will be sold and on receipt of the sale proceeds and settlement of trade creditors Graig MCI Limited, Graig Rotterdam Shipping Limited and Graig Cardiff Shipping Limited will be liquidated. Please see post balance sheet event note 20.

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

Details of amounts owed by and to the parent company and other group companies are shown in notes 14 to 16 of the financial statements.

Key performance indicators

The key performance indicators for the group are turnover and profit after tax. Turnover in respect of continuing operations has increased by 13.1% and the result after tax and attributable to the owners of the company has moved from a profit of $1.2m to a loss of $15m. The significant loss is primarily due to the vessel impairment of $21.4m on mv Graig Cardiff and mv Graig Rotterdam to bring the net value of the vessels each to $10.5m. The main subsidiary businesses have further KPIs which are appropriate for an understanding of the development, performance and position of the business.

These include:

- For the ship-owning subsidiary companies: benchmarked vessel earnings against recognised trading index and vessel expenses to budget comparisons. An uplift in earnings is now being seen in 2019 and a reduced loss with cash surpluses is anticipated for 2019 ahead of planned vessel sales. Vessel operating costs have been significantly below budget and this is expected to continue. Vessel off-hires and lost days are significantly favourable to budget.

- For the consultancy and vessel inspection business turnover and gross margin targets, client diversification, and the number of enquiries and conversions to orders. This business continues to grow steadily with strong gross margins.

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Environment

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

New designs are also being developed, where there is a focus on environmental issues and increased emphasis on fuel efficiency and the need to reduce emissions through the use of high efficiency propellers, electric main engines and electric deck machinery.

Going concern

The financial position of the group, its cash flows, liquidity position and borrowing facilities, are as set out in the attached financial statements. In addition, the principal risks and uncertainties section below details the policies and processes in place to manage financial risk and operational risk.

The holding company, Idwal Williams and Company Limited, has made available a loan facility of $6.5m to support the company for the period to 31 December 2021. The group has sufficient financial resources together with long-term relationships with a number of customers around the world. There is no reliance on any major suppliers or customers and there is no significant reliance on external borrowings other than standard vessel mortgage arrangements. There are loan covenants attached to the vessel borrowings but these have not been breached during 2018 and throughout 2019. Graig MCI Limited will cease trading following the sale of the vessels which is expected to occur by the end of 2019. Given this decision to sell the vessels and cease trading the directors do not believe that Graig MCI Limited group is a going concern and have therefore prepared the financial statements of that company on a basis other than that of going concern.

The directors believe that the company is well placed to manage its business risks successfully. After making enquiries, the directors have an expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Principal risks and uncertainties

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

The majority of the group's activities are in US dollars, including all of the company's sales and the majority of the costs including borrowing costs and interest payments. However, there is a currency exchange risk with some UK costs (e.g. Cardiff office and UK-based employees) being in pounds Sterling. The group's treasury function monitors this risk and, where considered necessary, appropriate forward contracts are taken out for the purchase of currencies. The main ship-trading contracts and agreements are made with US dollars as the base currency. For the reasons summarised above, the directors consider the functional and presentation currency of the group to be US dollars.

Future developments

The group will exit vessel ownership in 2019 with the sale of its two vessels.

The group continues to develop its Diamond 2 new bulk vessel design and with partners to promote this to Chinese Shipyards and leasing companies, and other global owners. Successful implementation of this project will generate considerable future income flows.

The vessel inspection business continues to grow strongly with increasing market share and the company is investing significantly in new systems to support the continued growth of this business.

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

Hugh G Williams
Director

Date: 19 September 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Dividends

No dividend was paid to the immediate parent company during the year or to the date of signing (2017 - $nil).

Future developments

Details of future developments can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Financial risk management

The group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the board of directors. The group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group uses foreign exchange forward contracts to hedge these exposures.

Credit risk

The group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long-term and short-term debt finance.

Directors

The directors of the company, who served throughout the financial year and subsequently are as shown on page 1.

Directors' indemnities

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

Employees

Details of the number of employees and related costs can be found in note 7 to the financial statements.
The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Comprehensive training programmes are in place for staff across all disciplines.

Post balance sheet events

Post balance sheet events are shown in note 20.

Auditor

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

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and

- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

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

CJG Davies

Christopher J G Davies
Director

Date: 19 September 2019

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRAIG SHIPPING PLC

Opinion
In our opinion the financial statements of Graig Shipping plc (the 'parent company') and its subsidiaries (the 'group'):

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

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 23.

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

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

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

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRAIG SHIPPING PLC (CONTINUED)

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

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

We have nothing to report in respect of these matters.

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

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

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

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

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRAIG SHIPPING PLC (CONTINUED)

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

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

We have nothing to report in respect of these matters.

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

David Hedditch

David Hedditch (Senior Statutory Auditor)

for and on behalf of
Deloitte LLP

5 Callaghan Square
Cardiff
CF10 5BT

Date: 23 September 2019

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Continuing operations 2018 $000	Discontinued operations 2018 $000	Total 2018 $000	*Continuing operations 2017 $000*	*Discontinued operations 2017 $000*	*Total 2017 $000*
Turnover	3	10,332	-	10,332	*9,134*	*1,447*	*10,581*
Cost of sales		(7,481)	-	(7,481)	*(7,220)*	-	*(7,220)*
Gross profit		2,851	-	2,851	*1,914*	1,447	*3,361*
Administrative expenses		(5,457)	-	(5,457)	*(4,518)*	*(1,357)*	*(5,875)*
Impairment charge		(21,390)	-	(21,390)	-	-	-
Other operating income		50	-	50	*218*	-	*218*
Profit on disposal of operations		-	-	-	-	*4,466*	*4,466*
Operating (loss)/profit		(23,946)	-	(23,946)	*(2,386)*	4,556	*2,170*
Interest receivable and similar income	4	4	-	4	*7*	-	*7*
Interest payable and similar expenses	5	(2,392)	-	(2,392)	*(2,112)*	-	*(2,112)*
(Loss)/Profit before tax		(26,334)	-	(26,334)	*(4,491)*	4,556	*65*
Tax on loss	8	(9)	-	(9)	*50*	-	*50*
(Loss)/Profit for the financial year		(26,343)	-	(26,343)	*(4,441)*	4,556	*115*
(Loss)/Profit for the year attributable to:							
Owners of the parent		(15,017)	-	(15,017)	*(3,203)*	*4,441*	*1,238*
Non-controlling interests		(11,326)	-	(11,326)	*(1,238)*	*115*	*(1,123)*
		(26,343)	-	(26,343)	*(4,441)*	4,556	*115*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 $000	*2017* *$000*
(Loss)/Profit for the financial year	(26,343)	*115*
(Loss)/Profit for the year	**(26,343)**	*115*
(Loss)/Profit attributable to:		
Owners of the company	(15,017)	*1,238*
Non-controlling interest	(11,326)	*(1,123)*
	(26,343)	*115*

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 $000		*2017 $000*
Fixed assets					
Intangible assets	9		7		*5*
Tangible assets	10		20,977		*44,272*
Deferred tax asset	8		135		*134*
			21,119		*44,411*
Current assets					
Stocks	12	169		*120*	
Debtors: amounts falling due within one year	13	1,138		*2,525*	
Debtors: amounts falling due after more than one year	13	-		*100*	
Cash at bank and in hand		2,506		*3,775*	
		3,813		*6,520*	
Creditors: amounts falling due within one year	14	(30,513)		*(1,665)*	
Net current (liabilities)/assets			(26,700)		*4,855*
Total assets less current liabilities			(5,581)		*49,266*
Creditors: amounts falling due after more than one year	15		(5,315)		*(33,836)*
Net (liabilities)/assets			(10,896)		*15,430*
Capital and reserves					
Called up share capital			3,161		*3,161*
Capital reserve			185		*418*
Profit and loss account			(10,690)		*4,094*
Equity attributable to owners of the parent Company			(7,344)		*7,673*
Non-controlling interests			(3,552)		*7,757*
			(10,896)		*15,430*

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

The financial statements of Graig Shipping Plc, registered number 00157048, were approved by the Board of Directors and authorised for issue by:

Hugh G Williams
Director

Christopher J G Davies
Director

Date: 19 September 2019

The notes on pages 21 to 42 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 $000		*2017 $000*
Fixed assets					
Intangible assets	9		**7**		*5*
Tangible assets	10		**15**		*34*
Investments	11		**537**		*9,674*
			559		*9,713*
Current assets					
Debtors: amounts falling due within one year	13	**530**		*2,051*	
Cash at bank and in hand		**923**		*1,503*	
		1,453		*3,554*	
Creditors: amounts falling due within one year	14	**(373)**		*(1,512)*	
Net current assets			**1,080**		*2,042*
Total assets less current liabilities			**1,639**		*11,755*
Creditors: amounts falling due after more than one year	15		**(5,315)**		*(4,082)*
Net (liabilities)/assets			**(3,676)**		*7,673*
Capital and reserves					
Called up share capital			**3,161**		*3,161*
Revaluation reserve			**65**		*1,485*
Capital reserve			**185**		*418*
Profit and loss account carried forward			**(7,087)**		*2,609*
			(3,676)		*7,673*

**COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018**

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Hugh G Williams
Director

Date: 19 September 2019

The notes on pages 21 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Capital reserve	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	$000	$000	$000	$000	$000	$000
At 1 January 2017	3,161	492	2,683	6,336	8,304	14,640
Comprehensive income/(expense) for the year						
Profit/(loss) for the year	-	-	1,238	1,238	(1,123)	115
Other comprehensive expense for the year	-	-	-	-	-	-
Total comprehensive income/(expense) for the year	-	-	1,238	1,238	(1,123)	115
Issue of share capital	-	-	-	-	574	574
Elimination of minority interest on disposal of subsidiary undertaking	-	-	-	-	2	2
Notional interest on discounted interest-free loan from parent company	-	110	-	110	-	110
Transfer of notional interest on discounted interest-free loan from parent undertaking	-	(184)	184	-	-	-
Notional interest on discounted loan to subsidiary undertaking	-	-	(11)	(11)	-	(11)
At 31 December 2017	3,161	418	4,094	7,673	7,757	15,430
Comprehensive income/(expense) for the year						
Loss for the year	-	-	(15,017)	(15,017)	(11,326)	(26,343)
Other comprehensive expense for the year	-	-	-	-	-	-
Total comprehensive income/(expense) for the year	-	-	(15,017)	(15,017)	(11,326)	(26,343)
Transfer of notional interest on discounted interest-free loan from parent company	-	(233)	233	-	-	-
Issue of share capital	-	-	-	-	17	17
Total transactions with owners	-	(233)	233	-	17	17
At 31 December 2018	3,161	185	(10,690)	(7,344)	(3,552)	(10,896)

The notes on pages 21 to 42 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Revaluation reserve	Capital reserve	Profit and loss account	Total equity
	$000	$000	$000	$000	$000
At 1 January 2017	3,161	6,786	492	(4,103)	6,336
Comprehensive income/(expense) for the year					
Profit for the year	-	-	-	6,539	6,539
Other comprehensive expense for the period	-	(5,301)	-	-	(5,301)
Total comprehensive income/(expense) for the year	-	(5,301)	-	6,539	1,238
Notional interest on discounted interest-free loan from parent company	-	-	110	-	110
Transfer of notional interest on discounted interest-free loan from parent company	-	-	(184)	184	-
Transfer of notional interest on discounted interest-free loan to subsidiary company	-	-	-	(11)	(11)
At 31 December 2017	3,161	1,485	418	2,609	7,673
Comprehensive income/(expense) for the year					
Loss for the year	-	-	-	(9,929)	(9,929)
Other comprehensive expense for the period	-	(1,420)	-	-	(1,420)
Other comprehensive income/(expense) for the year	-	(1,420)	-	-	(1,420)
Total comprehensive income/(expense) for the year	-	(1,420)	-	(9,929)	(11,349)
Transfer of notional interest on discounted interest-free loan from parent company	-	-	(233)	233	-
At 31 December 2018	3,161	65	185	(7,087)	(3,676)

The notes on pages 21 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 $000	2017 $000
Cash flows from operating activities		
Loss for the financial year	(26,343)	115
Adjustments for:		
Interest received	(4)	(7)
Interest paid	2,392	2,112
Impairments of fixed assets	21,390	-
Taxation charge	9	(50)
Profit on disposal of subsidiary	-	(4,466)
Depreciation of tangible assets	1,937	2,047
Amortisation of intangible assets	7	13
Loss on disposal of tangible assets	-	(7)
(Increase)/decrease in stocks	(48)	9
Decrease in debtors	1,410	26
Decrease in amounts owed by participating interests	1	-
Increase/(decrease) in creditors	229	(418)
Increase in amounts owed to group companies	5	-
Corporation tax received	58	2
Net cash generated from operating activities	1,043	(624)
Cash flows from investing activities		
Interest received	4	7
Purchase of intangible fixed assets	(9)	(2)
Purchase of tangible fixed assets	(33)	(654)
Sale of tangible fixed assets	-	26
Proceeds from sale of subsidiary	-	2,853
New loans to group undertakings	-	(100)
Net cash from investing activities	(38)	2,130

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 $000	*2017* *$000*
Cash flows from financing activities		
Interest paid	(2,159)	*(1,067)*
New loans from group companies	1,000	*880*
Repayment of loans	(2,022)	*(250)*
Junior loan interest	890	*-*
Bank loan arrangement fee	-	*(45)*
Issue of ordinary shares	17	*574*
Net cash used in financing activities	(2,274)	*92*
Net (decrease)/increase in cash and cash equivalents	(1,269)	*1,598*
Cash and cash equivalents at beginning of year	3,775	*2,177*
Cash and cash equivalents at the end of year	2,506	*3,775*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,506	*3,775*
	2,506	*3,775*

The notes on pages 21 to 42 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

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

1.1 General information and basis of accounting

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

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Graig Shipping Plc meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement (for the company only), intra-group transactions and remuneration of key management personnel.

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

1.2 Basis of consolidation

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

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

1.3 Going concern

The financial statements have been prepared under the going concern basis as discussed in the strategic report. The financial statements are prepared in accordance with applicable United Kingdom accounting standards.

1.4 Tangible fixed assets

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

1. Accounting policies (continued)

1.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Vessels	- 4% per annum
Office and computer equipment	- 15%-25% per annum
Computer software	- 25% per annum
Leasehold improvements	- over the period of the lease (or UEL if shorter)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Profit and Loss Account.

Depreciation is charged from the date vessels are available for use. Dry-docking expenditure included in the cost of vessels is charged to the profit and loss account over the dry-docking cycle of three or five years.

Impairment

The company reviews all fixed assets for impairment whenever events or circumstances indicate that the carrying value of the assets may not be fully recoverable based upon estimated cash flows.
In addition to the depreciation charge, vessel values have been impaired down to anticipated net sale proceeds and provision for impairment is made in the profit and loss account.

1.5 Impairment of fixed assets and goodwill

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

1.6 Finance costs

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

1.7 Investments

Except as noted below, fixed asset investments are shown at cost less provision for impairment.

In the company-only balance sheet, for investments in subsidiaries the carrying value of the investments is the underlying net assets of the individual subsidiaries as permitted by the alternative valuation rules. Decreases in the carrying value are offset against the revaluation reserve to the extent that a surplus is present, with any excess over the surplus taken to the profit and loss account.

1. **Accounting policies (continued)**

1.8 Taxation

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

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

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

1.9 Stocks

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

1.10 Leases

Operating lease rentals are charged on a straight-line basis over the lease term. The rent free period is spread over the life of the lease.

1.11 Foreign currency translation

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

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

1.12 Pensions

The group operates defined contribution pension schemes. The pension costs are charged to the profit and loss account over the service lives of the employees in the group's pension schemes.

1.13 Financial instruments

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

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

Derivative financial statements

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

1. Accounting policies (continued)

1.13 Financial instruments (continued)

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Fair value measurement

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

1.14 Turnover

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

Vessel income

Vessels owned by the group operate on an index-linked time charter arrangement with Lauritzen Bulkers A/S, Copenhagen, Denmark.

Chartering income

Turnover is recognised as the vessels are chartered to customers.

Brokering of ship-building

Profit is recognised on long-term commission income contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Losses are recognised in full at the point the contract has been designated a loss-making contract. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

Premium income

Premium income is recognised in entirety on contract effectiveness.

Ship inspection income

Ship inspection income is recognised on completion of the vessel survey.

1.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

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

The preparation of financial statements to conform to generally accepted accounting practice requires management to make estimates and judgments that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Judgments

Depreciation of vessels

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

Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year, are discussed at note 11.

3. Turnover

Turnover and loss/profit before tax relate to shipping activities. An analysis of turnover by geographical destination and class of business is as follows:

	2018 $000	*2017* *$000*
Geographical location		
Europe	8,926	*8,898*
Asia	667	*236*
North America	595	-
South America	19	-
Middle East	73	-
Africa	52	-
Continuing activities	10,332	*9,134*

	2018 $000	*2017* *$000*
Class of business		
Vessel earnings	6,405	*5,338*
Supervision of building vessels	-	*236*
Project management	3,712	*2,326*
Brokering of ship building	-	*1,110*
Royalties from oil exploration licences	6	*95*
Brokerage on charting vessels	50	*29*
Licence to occupy Cardiff office	156	-
Directorships	3	-
	10,332	*9,134*

4. Interest receivable and similar income

	2018 $000	*2017* *$000*
Bank interest receivable	4	*6*
Other interest receivable	-	*1*
	4	*7*

5. Finance costs

	2018 $000	*2017* *$000*
Bank loan interest payable	2,104	*1,852*
Interest on loan from parent company	233	*184*
Deferred finance costs	55	*76*
	2,392	*2,112*

6. (Loss)/Profit before taxation

The (loss)/profit before taxation is stated after charging/(crediting):

	2018 $000	*2017* *$000*
Depreciation of tangible fixed assets	1,937	*2,047*
Amortisation of intangible fixed assets	7	*13*
Profit on forward currency contracts	-	*(215)*
Profit on disposal of tangible fixed assets	-	*(7)*
Foreign exchange loss/(gain)	8	*(11)*
Impairment charge	21,390	*-*
Operating lease costs - other	202	*296*
Audit fees		
Fees payable to the company's auditor for the audit of the company's annual accounts	17	*18*
Audit of financial statements of subsidiaries pursuant to legislation	29	*37*
Total audit fees	46	*55*

7. Employees

Staff costs were as follows:

	Group 2018 $000	*Group 2017 $000*
Wages and salaries	2,088	*3,253*
Social security costs	195	*303*
Other pensions costs	205	*274*
	2,488	*3,830*

Pension contributions outstanding at the end of the year were $12,000 (2017 - $1,000). The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	*2017 No.*
Employees based in UK	26	*39*
Employees based in China	4	*12*
Sub-contractors based in Asia	-	*3*
	30	*54*

Directors' remuneration

	2018 $000	*2017 $000*
Group		
Directors' emoluments (excluding pension contributions)	827	*811*
Company contributions to money purchase pension schemes	94	*115*
Sums paid to third parties in respect of directors' services	16	*35*
	937	*961*

Employees (continued)

Remuneration of highest paid director

	2018	2017
	$000	$000
Emoluments (excluding pension contributions)	247	254
Company contributions to money purchase pension schemes	-	-
	247	254

During the year 3 directors (2017 - 5) were members of money purchase pension schemes.

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension contributions payable by the group to the funds amounted to $205,000 (2017 - $274,000).

8. Taxation

	2018	2017
	$000	$000
Corporation tax		
Current tax on profits/(losses) for the year	9	(50)
Total current tax	9	(50)

	2018	2017
	$000	$000
Deferred tax		
Deferred tax	135	134
Total deferred tax	135	134

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2017 - lower than)* the standard rate of corporation tax in the UK of 19% *(2017 - 19.25%)*. The differences are explained below:

	2018 $000	*2017 $000*
(Loss)/Profit on ordinary activities before tax	**(26,334)**	*(4,491)*
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**(4,998)**	*(864)*
Effects of:		
Expenses not deductible for tax purposes	**4,433**	*449*
Income not taxable	-	*(18)*
Effects of group relief/other reliefs	-	*(13)*
Increase in tax losses	**565**	*379*
Tonnage tax adjustment	**9**	*9*
Adjustments in respect of previous periods	-	*1*
Effects of differences in tax rates	-	*8*
Other	-	*(1)*
Tax credit for the year	**9**	*(50)*

The tax charge (credit) of $9,000 (2017 - $(50,000)) on loss before tax on continuing operation of $26,312,000 (2017 - $4,491,000) excludes the tax on income and gains from the discontinued operations of $nil (2017- $4,556,000) of $nil (2017- $nil). Both of these have been included in the profit on disposal of operations.

The standard rate of tax applied to the reported loss is 19% (2017 - 19.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016. The phased reduction in the rate of corporation tax lowers the rate to 17% by 1 April 2020; this rate has therefore been used to measure deferred tax assets and liabilities as at 31 December 2018 and is not anticipated to materially affect the future tax charge.

A deferred tax asset of $135,000 (2017 - $134,000) has been recognised in respect of trading losses as the directors believe there is sufficient evidence that the asset will be recovered from trading profits in the near future. Apart from the $135,000 above (2017 - $134,000), a deferred tax asset has not been provided in relation to surplus tax losses and capital losses, as there is insufficient evidence that there will be suitable taxable gains in the foreseeable future. The amount of net assets not recognised is approximately $1,500,000 and $1,300,000 respectively (2017 - $2,000,000 and $1,300,000).

9. Intangible assets

Group

	Computer software $000
Cost	
At 1 January 2018	70
Additions	9
Disposals	(43)
At 31 December 2018	36
Amortisation	
At 1 January 2018	65
Charge for the year	7
On disposals	(43)
At 31 December 2018	29
Net book value	
At 31 December 2018	7
At 31 December 2017	*5*

9. Intangible assets (continued)

Company

	Computer software $000
Cost	
At 1 January 2018	27
Additions	9
At 31 December 2018	36
Amortisation	
At 1 January 2018	22
Charge for the year	7
At 31 December 2018	29
Net book value	
At 31 December 2018	7
At 31 December 2017	*5*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Tangible fixed assets

Group

	Vessels $000	Dry-docking $000	Office & computer equipment $000	Leasehold improvements $000	Total $000
Cost or valuation					
At 1 January 2018	53,588	336	837	-	54,761
Additions	-	-	4	29	33
Disposals	-	-	(190)	-	(190)
At 31 December 2018	53,588	336	651	29	54,604
Depreciation					
At 1 January 2018	9,674	25	791	-	10,490
Charge for the year on owned assets	1,816	67	25	29	1,937
Disposals	-	-	(190)	-	(190)
Impairment charge	21,146	244	-	-	21,390
At 31 December 2018	32,636	336	626	29	33,627
Net book value					
At 31 December 2018	20,952	-	25	-	20,977
At 31 December 2017	*43,914*	*312*	*46*	-	*44,272*

The company reviews all fixed assets for impairment whenever events or circumstances indicate that the carrying value of the assets may not be fully recoverable based upon estimated cash flows. The vessels have been impaired down to a net recoverable amount of $10.5m for each vessel.

10. Tangible fixed assets (continued)

Company

	Office equipment $000
Cost or valuation	
At 1 January 2018	590
At 31 December 2018	590
Depreciation	
At 1 January 2018	556
Charge for the year on owned assets	19
At 31 December 2018	575
Net book value	
At 31 December 2018	15
At 31 December 2017	*34*

11. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Holding	Type	Principal activity
Graig Investments Limited	United Kingdom	100 %	Ordinary	Shipping investments
Its subsidiaries (indirectly owned)				
Marlin 1 Limited	Hong Kong	100 %	Ordinary	Dormant, being liquidated
Marlin 2 Limited	Hong Kong	100 %	Ordinary	Dormant, being liquidated
Marlin 3 Limited	Hong Kong	100 %	Ordinary	Dormant, being liquidated
Idwal Brokers Limited	Hong Kong	100 %	Ordinary	Dormant, being liquidated
Idwal Marine Services Limited	United Kingdom	91.5 %	Ordinary	Shipping consultancy services
Graig China Limited	United Kingdom	100 %	Ordinary	Non-trading
Garth Resources Limited	United Kingdom	100 %	Ordinary	Ship building contracts & oil licences
Its subsidiaries (indirectly owned)				
Diamond Chengxi 1 Limited	Marshall Islands	100 %	Ordinary	Dormant, being liquidated
Diamond Chengxi 2 Limited	Marshall Islands	100 %	Ordinary	Dormant, being liquidated
Diamond Chengxi 3 Limited	Marshall Islands	100 %	Ordinary	Dormant, being liquidated
Diamond Chengxi 4 Limited	Marshall Islands	100 %	Ordinary	Dormant, being liquidated
Diamond Chengxi 5 Limited	Marshall Islands	100 %	Ordinary	Dormant, being liquidated
Diamond Chengxi 6 Limited	Marshall Islands	100 %	Ordinary	Dormant, being liquidated
Diamond Wuhu 1 Limited	Marshall Islands	100 %	Ordinary	Dormant, being liquidated
Diamond Wuhu 2 Limited	Marshall Islands	100 %	Ordinary	Dormant, being liquidated
Diamond Wuhu 3 Limited	Marshall Islands	100 %	Ordinary	Dormant, being liquidated
Diamond Wuhu 4 Limited	Marshall Islands	100 %	Ordinary	Dormant, being liquidated
Graig MCI Ltd	United Kingdom	50.1 %	Ordinary	Holding company
Its subsidiaries (indirectly owned)				
Graig Cardiff Shipping Ltd	United Kingdom	50.1 %	Ordinary	Ship owning and operating
Graig Rotterdam Shipping Ltd	United Kingdom	50.1 %	Ordinary	Ship owning and operating

Subsidiary and related companies operate principally in countries of incorporation and the UK companies are registered in England and Wales.

The registered office of the companies incorporated in the United Kingdom is 1 Caspian Point, Cardiff, CF10 4DQ.

The registered office of the companies incorporated in Hong Kong is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

11. Fixed asset investments (continued)

Company

	Shares in group companies $000
Cost or valuation	
At 1 January 2018	9,674
Provision release	71
Revaluations	(1,420)
Impairment	(7,788)
At 31 December 2018	537
Net book value	
At 31 December 2018	537
At 31 December 2017	*9,674*

The impairment of investments in group companies is in respect of losses incurred in the financial year by group companies. Impairment costs have been charged to the profit and loss account (note 1 Accounting Policy for investments). The revaluation of investments in group companies is in respect of a decrease in the underlying net assets of individual subsidiaries. The decrease in the underlying net assets is transferred from the revaluation reserve (note 1 Accounting Policy for investments).

The following subsidiaries are exempt from audit by way of parental guarantee under S479A of the Companies Act:

- Graig Investments Limited - 01692351
- Graig China Limited - 04610783
- Garth Resources Limited - 01972686

12. Stocks

	Group 2018 $000	*Group 2017 $000*
Vessel consumables and spares	169	*120*
	169	*120*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Debtors

	Group 2018 $000	*Group 2017 $000*	Company 2018 $000	*Company 2017 $000*
Due after more than one year				
Loan	-	*100*	-	-
	-	*100*	-	-

On 8 June 2017 Graig Investments Limited, a subsidiary of Graig Shipping PLC, entered into an agreement to make available a $200,000 working capital facility to Rotterdam Shipping Company Limited, a company incorporated in Marshall Islands. On 27 June 2017 the company loaned $100,000 to Rotterdam Shipping Company Limited against this facility.

The loan is repayable on the earlier of the final maturity date of 30 June 2022 or on the sale of the vessel m.v. MCP Rotterdam. The loan is subject to 2% interest per annum. On 18 April 2018 a further advance of $100,000 was paid to Rotterdam Shipping Company Limited. On 20 June 2018 it was agreed to advance a further $375,000 to Rotterdam Shipping Company Limited. A final loan was approved and advanced in December 2018 of $10,000. The total loan to Rotterdam Shipping Company Limited being $585,000. This has been now been written off at year end following the sale of the vessel MCP Rotterdam in January 2019.

	Group 2018 $000	*Group 2017 $000*	Company 2018 $000	*Company 2017 $000*
Due within one year				
Trade debtors	648	*494*	10	*12*
Amounts owed by group undertakings	-	-	302	*308*
Amounts owed by parent company	-	*1*	-	*1*
Corporation tax	9	*67*	-	-
Other debtors	85	*1,612*	19	*1,550*
Prepayments and accrued income	396	*277*	199	*107*
Financial instruments	-	*74*	-	*73*
	1,138	*2,525*	530	*2,051*

Amounts owed by group undertakings and by the parent company falling due within one year accrue no interest and are repayable on demand.

14. Creditors: Amounts falling due within one year

	Group 2018 $000	*Group 2017 $000*	Company 2018 $000	*Company 2017 $000*
Bank loan	29,054	*431*	-	-
Trade creditors	605	*194*	130	*64*
Amounts owed to group undertakings	5	-	5	*1,148*
Corporation tax	-	*9*	-	-
Other taxation and social security	76	*108*	76	*108*
Other creditors	59	*44*	15	*4*
Accruals and deferred income	714	*879*	147	*188*
	30,513	*1,665*	373	*1,512*

Amounts owed to group undertakings and the parent company falling due within one year accrue no interest and are repayable on demand.

15. Creditors: Amounts falling due after more than one year

	Group 2018 $000	*Group 2017 $000*	Company 2018 $000	*Company 2017 $000*
Bank loan	-	*29,754*	-	-
Amounts owed to parent company	5,315	*4,082*	5,315	*4,082*
	5,315	*33,836*	5,315	*4,082*

The bank loan is in respect of amounts drawn down from a loan facility of $33,786,000. This relates to two vessels delivered in 2012 and is stated net of deferred finance costs of $55,000 (2017 - $110,000). These costs will be allocated to the profit and loss account over the term of the loan. The loan is secured by a mortgage on the vessels. On 31 March 2017, the two vessel-owning companies, Graig Cardiff Shipping Ltd and Graig Rotterdam Shipping Ltd, entered into a Supplemental Agreement which extended the loan facility from 31 December 2017 to 31 December 2019. The loan balance of $29,108,000 (2017 - $30,294,000) is split into a senior loan of $21,500,000 (with interest payable quarterly at LIBOR plus a margin of 3.75%) and a junior loan of $7,608,000 (2017 - $8,794,000) (with interest accruing at 8% and payable on 31 December 2019). There are no repayments due on the loans until the sale of the vessels later in 2019. The junior loan is subject to a "cash sweeping" arrangement whereby if the balances on the current bank accounts exceed predetermined limits at each quarter end, then the excess is taken as a loan repayment. At 31 December 2018, the balances were in excess of the limit and an amount of $2,022,000 was repaid during 2018.

The amount owed to the parent company at 31 December 2018 totalled $5,500,000 (2016 - $4,500,000) which has been discounted to $5,315,000 (2016 - $4,082,000). The loans are interest free and repayable by 31 December 2019. A notional interest rate of 5% has been applied to the loans. Since the year end the loan has been extended to $6.5m, repayable by 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. Financial instruments

	Group 2018 $000	*Group 2017 $000*	Company 2018 $000	*Company 2017 $000*
Financial assets				
Cash and bank balances	2,506	*3,775*	923	*1,503*
Trade and other debtors	733	*2,106*	530	*2,051*
Amounts due from parent company	-	*1*	-	-
Derivative financial assets, due within one year	-	*74*	-	-
	3,239	*5,956*	1,453	*3,554*
Financial liabilities				
Loans payable, measured at amortised cost	-	*29,754*	-	-
Loans payable to parent, measured at discounted amount payable	5,315	*4,082*	-	-
Trade and other creditors, measured at undiscounted amount payable	664	*238*	1,080	*2,042*
	5,979	*34,074*	1,080	*2,042*

17. Derivative financial instruments

	2018 $000	*2017 $000*
The Group		
Assets: Forward foreign currency contracts	-	*74*
	-	*74*

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Forward foreign currency contracts

There were no forward foreign currency contracts outstanding at the year-end.

The average contractual exchange rate for forward foreign currency contracts outstanding at 31 December 2017 was 1.2279, with a notional value of £600,000 and a fair value of $74,000.

Graig Shipping Plc enters into forward contracts to hedge against foreign currency fluctuations. At 31 December 2018, the group was contracted to purchase Sterling to the value of £nil (2017 - £600,000).

18. Called-up share capital and reserves

	2018 $000	*2017* *$000*
Allotted and fully paid		
10,000,000 ordinary shares of 20p each	3,161	*3,161*
	3,161	*3,161*

Share capital has been translated at the historic rate of $1.58065/£.

Profit and loss reserve

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

Capital reserve

On adoption of the requirements of FRS 102, a discount was recognised on interest-free loans from the parent company, Idwal Williams and Company Limited. Total loans of $5,500,000 have been received up to the period ended 31 December 2018 and are repayable by 31 December 2021. The loans have been discounted based on a notional interest rate of 5% and the effective discount of $533,000 has been credited to the capital reserve.

Loan interest is calculated at the notional rate of 5% and the effective interest charged through the profit and loss account. Interest charges for the year ended 31 December 2018 were $233,000 (2017 - $184,000). An amount equal to the effective interest charges has been released from the capital reserve and transferred to the profit reserve (See Statement of Changes in Equity).

Revaluation reserve

The revaluation of investments in group companies, as shown on the company-only balance sheet, is in respect of a decrease in the underlying net assets of individual subsidiaries. The decrease in the underlying net assets is transferred from the revaluation reserve (note 1 Accounting Policy for investments).

19. Related party transactions

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

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

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

Graig Shipping Plc provides a right to occupy premises to Idwal Marine Services Ltd. During the financial year to 31 December 2018 Graig Shipping had invoiced $33,422 (2017 - $nil) in respect of the licence to occupy. At 31 December 2018 there was an amount owed by Idwal Marine Services Ltd of $33,422 (2017 - £nil).

Christopher Hilton, a non-executive director, provides consultancy services to the Graig group through a company called Regulae Limited in which he and his wife are joint shareholders. During the financial year Regulae Limited invoiced $15,971 (2017 - $35,291) to Graig Shipping Plc in respect of these services. At 31 December 2018 there was an amount owed to Regulae Limited of $15,971 (2017 - £nil).

20. Post Balance Sheet Events

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

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

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

It is anticipated that both vessels will be sold and delivered before 31 December 2019 and that sales proceeds will be applied to the settlement of all operating and trade creditors with the balance being paid to the bank as final settlement of the loan outstanding. Graig MCI Limited together with its subsidiary companies will then cease to trade and will be wound up in early 2020.

21. Financial commitments

At 31 December 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 $000	*Group 2017 $000*	**Company 2018 $000**	*Company 2017 $000*
Expiry				
Within 1 year	**182**	*8*	**127**	*126*
Between two and five years	**267**	*134*	**267**	*136*
	449	*142*	**394**	*262*

Capital commitments

The group has no capital commitments at 31 December 2018 (2017 - $nil).

22. Foreign currencies

The principal rate of exchange used for translation of £ sterling to United States dollars at the year-end was 1.276 (2017 - 1.3503).

23. Ultimate parent company and controlling party

The directors consider Idwal Williams and Company limited, a company incorporated in the United Kingdom and registered in England and Wales, to be the ultimate parent company and controlling party of Graig Shipping Plc.

The immediate parent company is Idwal Williams and Company Limited, a company incorporated in Great Britain and registered in England and Wales.

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

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

Copies of the financial statements of Idwal Williams and Company Limited are available from its registered office at 1 Caspian Point, Caspian Way, Cardiff, CF10 4DQ and from Companies House, Crown Way, Maindy, Cardiff.