Fishing Company S.A.

Financial Statements

For the year ended 31 December 2018

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report on pages 5 - 6, is made to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of the Fishing Company S.A. (further – the Company).

Management is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

In preparing the financial statements, the management is responsible for:

- Selecting suitable accounting policies and applying them consistently;
- Making reasonable assumptions and estimates;
- Compliance with relevant IFRSs and disclosure of all material deviations in Notes to the financial statements;
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in trading for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRSs;
- Taking all reasonable steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2018 were approved on 17 May 2018 on behalf of the Company management:

Director ______________________ Andrii Kolomiichenko

Chief Accountant ______________________ Ivan Chorniy

Kyiv, 17 May 2018

For the year ended 31 December 2018

Dear Shareholders and Members of the public

We are pleased to present the annual report for 2018. This year results (2018) has been in line with the general trend of profitability growth assured by Company and the net profit for the year has comprised USD 826 thousand and net cash flows from operating activity has comprised USD 1 032 thousand that are the record positive results for the Company and serve as an evidence of sustainable development and growth.

Company's revenues consistently constitute USD 1,43 million and correspond to the long-term charter agreements for the 2 vessels the Company owns to date and correspond to the income (generated starting from April 2018) under long term sub-charter agreement for "Tamanskiy" vessel that belongs to the SE "Service". Operating expenses were significantly decreased in 2018 and comprised USD 409 thousand and mainly consist of legal, consulting (support of vessel "Tamanskiy") and audit services, other services, employee benefits expense and other expenses, expenses related to business trips to inspect vessels that belong to the Company. The largest bank payment during reporting year was the payment of dividends to the budget of Ukraine according to results of activity in 2017 and according to the Protocol of decision of the sole shareholder on payment of dividends dated 06.06.2018 and the written decision of the sole director of the Company as of 26.06.2018, the amount of dividends transferred in favor of the state of Ukraine for the year 2017 comprised a record amount of USD 704 thousand dollars. The important event of the reporting year was a litigation arbitration dispute between the Company and SE "Service", which was held during April-September 2018 at the International Commercial Arbitration Court at the Ukrainian Chamber of Commerce in relation to the recognition of SE "Service" debt towards the Company in the amount of 220 thousand US dollars for the debt paid for the "Tamansky" vessel in 2015-2017 and USD 10 thousand liability for the legal expenses incurred by the Company. International Commercial Arbitration Court by its Decision dated 28 September 2018 has obliged SE "Service" to pay USD 230 thousand in favor of the Company, which was confirmed by a procedural decision of the Kyiv Court of Appeal dated 01.03.2019.The company has initiated the debt withholding procedure with the attraction of State Execution Service and that was reflected in the financial statements of the Company.

Management effort in 2018 has resulted in exceptional finance results USD 826 thousand and cash flows from operating activity of USD 1 032 thousand that even after payment of USD 704 thousand in June 2018 has led to increase of Company cash balance to USD 1 645 thousand. Management is persuaded that profit after tax should be applied as a base for accrual of dividends in this period and that amount of dividends should comprise 50% of net profit that is consistent with the current Decree of the Cabinet of Ministers of Ukraine # 364 dated April 24, 2019, by which the Government of Ukraine has set the basic standard for the calculation of dividends for companies under the control of the state of Ukraine. The company is subject to this rate of dividends and the management has decided to announce dividends to the Company's shareholders in the amount of 50% of the profit, which corresponds to the amount of USD 413 thousand.

The Company also has commissioned extensive work into its corporate governance system and code overhaul after the balance sheet date that should lead to a positive result in 2019. Management of the Company plans to invest available balance of the amount of cash, after approval from the Supervisory Board and the Company's shareholder, on the development of marine fisheries in the Black Sea waters, with the involvement of the infrastructure of the State Agency of Fisheries of Ukraine and with the involvement of available quotas for industrial seafood production with the further organization of processing seafood and their export as one of the alternative sources of increase of the level of income and profitability of the Company.

The company's management plans also to focus its efforts on minimizing commercial risks such as reducing the rental rates of its own vessels due to significant fleet depreciation and the expiration of existing charter agreements, the development of alternative variants of own participation in fishing industry on the basis of existing vessels and in accordance with the implementation of perspective development plans.

Director ______________________ Andrii Kolomiichenko

Chief Accountant ______________________ Ivan Chorniy

Kyiv, 17 May 2018

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INDEPENDENT AUDITOR'S REPORT

FISHING COMPANY S.A.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018
(in USD thousand, unless otherwise stated)

	Notes	2018	2017
Income from bareboat	13	1 432	1 325
Other income	14	257	1 030
Legal, consulting and audit services	15	(21)	(192)
Other services	15	(173)	(110)
Employee benefits expense		(99)	(80)
Other expenses	16	(119)	(376)
EBITDA *		**1 277**	**1 597**
Loan interest		-	-
Depreciation of fleet	6	(451)	(658)
Profit before tax		**826**	**939**
Income tax expense		-	-
Net profit for the year		**826**	**939**
Other comprehensive income			
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods			
Revaluation of fleet		1 505	(3 397)
Total other comprehensive income		**1 505**	**(3 397)**
Total comprehensive income for the period		**2 331**	**(2 458)**

Andrii Kolomiichenko
Director

Ivan Chorniy
Chief Accountant

***** EBITDA is a non-IFRS measure defined as earnings before interest, taxation, depreciation and amortization as well as gains and losses on disposals non-current assets.

FISHING COMPANY S.A.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018
(in USD thousand, unless otherwise stated)

	Notes	31 December 2018	31 December 2017
Assets			
Non-current assets			
Fleet	6	25 612	20 748
Accumulated depreciation	6	(17 379)	(13 571)
Computers		8	3
Accumulated depreciation		(2)	-
Other accounts receivables	8	243	-
Total non-current assets		**8 482**	**7 180**
Current assets			
Trade accounts receivables	7	271	271
Other accounts receivables	8	-	17
Cash and cash equivalents	9	1 645	1 321
Total current assets		**1 916**	**1 609**
Total assets		**10 398**	**8 789**
Equity and liabilities			
Equity			
Share capital	12	50	50
Additional capital	12	10 560	10 560
Revaluation reserve	12	5 155	3 870
Retained earnings		(5 602)	(5 944)
Total equity		**10 163**	**8 536**
Current liabilities			
Accounts payables	10	7	12
Other current liabilities	11	228	241
Total current liabilities		**235**	**253**
Total liabilities		**235**	**253**
Total equity and liabilities		**10 400**	**8 789**

Andrii Kolomiichenko
Director

Ivan Chorniy
Chief Accountant

FISHING COMPANY S.A.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018
(in USD thousand, unless otherwise stated)

	Share capital	Additional capital	Revaluation reserve	Retained earnings	Total
As at 31 December 2016	**50**	**10 560**	**7 696**	**(6 733)**	**11 573**
Profit for the year				939	**939**
Revaluation deficit of fleet			(3 397)		**(3 397)**
Total comprehensive income for the year			**(3 397)**	**939**	**(2 458)**
Transfer of the revaluation reserve			(429)	429	-
Dividends paid				(579)	(579)
As at 31 December 2017	**50**	**10 560**	**3 870**	**(5 944)**	**8 536**
Profit for the year				826	828
Revaluation of fleet			1 505		1 505
Total comprehensive income for the year			**1 505**	**826**	**2 331**
Transfer of the revaluation reserve			**(220)**	220	**220-**
Dividends paid				(704)	**(704)**
As at 31 December 2018	**50**	**10 560**	**5 155**	**(5 602)**	**10 163**

Andrii Kolomiichenko
Director

Ivan Chorniy
Chief Accountant

FISHING COMPANY S.A.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018
(in USD thousand, unless otherwise stated)

	Notes	2018	2017
Cash flows from operating activities			
Net profit / (loss) before tax		**826**	**939**
Adjustments for:			
Depreciation	6	451	658
Bad debt impairment expenses	16	(18)	262
Income from arbitration		(230)	-
Changes in working capital:			
Trade and other accounts receivable	7, 8	22	(178)
Accounts payable	10	(5)	(57)
Other current liabilities	11	(13)	40
Net cash flows from operating activities		**1 032**	**1 666**
Cash flows from investing activities		(4)	(3)
Net cash flows from/(used in) in investing activities		**(4)**	**(3)**
Cash flows from financing activities			
Dividends	12	(704)	(580)
Net cash flows used in financing activities		**(704)**	**(580)**
Net increase/(decrease) in cash and cash equivalents		324	1 083
Cash and cash equivalents at 1 January		1 321	238
Cash and cash equivalents at 31 December		**1 645**	**1 321**

Andrii Kolomiichenko
Director

Ivan Chorniy
Chief Accountant

1. Background

The Company is registered in the British Virgin Islands as a limited liability company on 04 September 1997. The sole shareholder is the State Agency of Fisheries of Ukraine. The Company's activities are mainly related to exploitation of fishing boats. Company's vessels are fishing in the area of New Zealand and Mauritania.

The Company registered address is at 3d floor, Yamraj Building, Market Square, P.O. Box 3175, Road Town, Tortola, British Virgin Islands.

2. Basis of preparation

Statement of compliance

These financial statements are prepared in compliance with IFRSs as published by the International Accounting Standards Board (further - IASB).

Reporting date and reporting period

The date of the annual financial statements for 2018 is 31 December 2018. Previous reporting period lasted from 1 January 2017 to 31 December 2017.

Functional currency and reporting unit of measurement

The financial statements are presented in USD, which is also the Company's functional currency. All financial information presented in USD, rounded to the nearest thousand, unless otherwise indicated.

Transactions in other currencies are considered as foreign currency transactions. Foreign currency transactions are initially recognized in the functional currency at the rate at the date of transaction. All exchange differences are shown in the Statement of comprehensive income.

Going Concern

The financial statements have been prepared on the going concern assumption, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The financial statements do not include any adjustments to reflect the possible future effects on compensation and classification of assets the amounts and classification of liabilities that may arise as a result of such uncertainty.

3. Basic accounting assumptions and estimates

The Company has a number of estimates and assumptions regarding its future activities. These estimates and assumptions are constantly evaluated based on past experience and other factors, including expectations of future events that are considered reasonable in the current circumstances. In future, actual events may differ from those estimates and assumptions. Below are some of the estimates and assumptions, associated with a high risk of significant adjustments to the carrying amount of assets and liabilities for the subsequent fiscal year.

Useful lives of fleet.

Depreciation of fleet is charged over the useful life. Useful lives are based on the use of management's assessment of the period during which the asset will generate profit. These periods are regularly reviewed for further compliance. With regard to the assets of long-term use, changes in the estimates used could lead to significant changes in the book value. The effect of change in estimates related to the expected useful life of the fleet to the depreciation charge is disclosed in note 6.

Leasing classification

The Company has entered into bareboat charter agreements on its vessels. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the vessels and the present value of the minimum lease payments not amounting to substantially all of the fair value of the vessels, that it retains all the significant risks and rewards of ownership of these vessels and accounts for the contracts as operating leases.

Impairment of non-current assets

Management evaluates whether there is any indication that vessels may be impaired. In assessing whether there is any indication that an asset may be impaired, the Company considers internal and external sources of information.

External sources of information include:

a) There are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

3. Basic accounting estimates (continued)

b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

d) The carrying amount of the net assets of the entity is more than its market capitalization.

Internal sources of information include:

a) Evidence is available of obsolescence or physical damage of an asset.

b) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

c) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Management performs assessment whether any indication of impairment exists on a regular basis each year. When the appropriate indication exists, the management performs assessment of recoverable amount of non-current assets via performance of value in use assessment.

Litigation

In accordance with IFRS, the Company recognizes a provision only in case of a current liability related to past event, possibility of economic benefits transfer, and reliable estimate of the transfer costs. In case if these requirements are not met, information on the contingent liability can be disclosed in Notes to the financial statements. Realization of any contingent liability that was not currently recognized or disclosed in the financial statements may have significant impact on the financial position of the Company. The application of these principles of the accounting policy in respect of litigation requires the Company management to estimate various factual and legal issues beyond its control. The Company reviews unsettled legal cases following the events in the proceedings at each reporting date to assess the need for provisions in its financial statements. Among the factors which influence accrual of the provision, are the nature of litigation, claims or assessments, court proceedings and the potential level of losses, duration of the litigation (including after the date of the financial statements, but before the date of their issue), the opinion of legal advisors, the experience gained in similar cases, and intention of the Company management.

Impairment of trade and other receivables.

The credit risk rates for calculating provision for expected credit losses were calculated on the basis of historical or public information used to determine expected credit losses. Management evaluates expected credit losses through the evaluation of the debtors' capability to repay the amounts due. Factors considered when analysing accounts receivable include ranging of receivables by their ageing as compared to crediting terms provided to customers, financial conditions, as well as maturities of receivables on previous operations. Should the repayment be made on the level lower than management estimations, the Company will recognize impairment loss. The appropriate information is disclosed in notes 7 and 8.

4. Summary of significant accounting policies

Fleet

The fleet comprising of two vessels is accounted for under revaluation model, being the fair value less accumulated depreciation and subsequent accumulated impairment losses. Management believes that the recognition of fixed assets at revaluated amounts provides more accurate reflection of the market conditions in a rapidly changing market of industrial fishing vessels.

Revaluations are carried out with sufficient regularity so that the carrying amount does not differ materially from the revalued amount at the reporting date.

(in USD thousand, unless otherwise stated)

4. Summary of significant accounting policies (continued)

Depreciation was charged based on the estimated residual value and remaining useful life of assets, excluding scrap value from residual value for the purpose of estimation. The remaining useful life was estimated up until the year ended 31 December 2018 as the difference between the total useful life and actual time of fixed asset exploitation. Management has changed their assessment related to the useful life for fleet.

	Useful life (years) as at	
	31 December 2018	**31 December 2017**
Fleet	35	35
Other	2-25	2-25

Revaluation surplus of the carrying amount as a result of property and equipment revaluation is charged to the revaluation reserve in the Statement of financial position, except when it changes the revaluation decrease of the same asset previously recognized in profit or loss; this part is recognized as profit or loss. Revaluation loss of the carrying amount is recognized in profit or loss, except when the write-down directly compensates the revaluation surplus of the same assets posted in previous period, and included in the revaluation reserve.

Difference between depreciation accrued on the original cost of the asset and depreciation accrued on the revalued carrying amount of the asset is transferred annually from the revaluation reserve to retained earnings. Besides, accumulated depreciation at the revaluation date is excluded reducing gross carrying amount and then received amount is recalculated based on the revaluated amount of the asset. Upon disposal of an asset the remaining revaluation reserve of the asset is transferred to the retained earnings.

Capital repair expenses are recognized in the carrying amount of an item of property and equipment if all recognition criteria are met.

The item of property and equipment is written off when there are no future economic benefits expected from using such asset. Profit or loss resulted from retirement of the asset (calculated as the difference between net proceedings from retirement and carrying amount of the asset) is included in the Statement of comprehensive income for the reporting period when the asset is derecognized.

Depreciated cost, useful lives and the depreciation methods are analysed at the end of each financial year and adjusted as necessary.

Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there are indicators of impairment of these assets. If any such indicators exist, the recoverable amount of the asset is calculated for the purpose of determining the amount of the impairment loss (if any). If it is not possible to determine the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value of the asset less costs to sell and value in use of the asset. The value in use is estimated by discounting future cash flows to the present value of the assets using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the current value of an asset or cash-generating unit exceeds its recoverable amount, the carrying amount of the asset (unit) is reduced to its recoverable amount. An impairment loss is recognized directly in the statement of comprehensive income. In the case of subsequent recovery of impairment losses, the carrying amount of the asset (cash-generating unit) is increased to the amount received in the revised estimate of its recoverable amount so that such increased amount does not exceed the carrying amount that would have been determined if in previous years an impairment loss of the asset (cash-generating unit) was not recognized. Any reversal of an impairment loss is recognized directly in the statement of comprehensive income.

Recognition of financial instruments

The Company recognizes financial assets and liabilities in its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4. Summary of significant accounting policies (continued)

Financial assets

Financial assets of the Company consist of accounts receivable.

When a financial asset is recognized initially, it is measured at its fair value plus, in the case of investments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. When the Company becomes a contractual party, it determines embedded derivatives in the contract, if any. Embedded derivatives are separated from the host contract that is not assessed at fair value through profit or loss in case the economic character and risks of embedded derivatives materially differ from similar quotients of the host contract.

The Company classifies its financial assets after initial recognition and, where allowed or appropriate, reclassifies at each financial year-end.

All purchase or sale transactions related to financial assets on `standard terms` are recognized at the transaction date, i.e. at the date when the Company undertakes an obligation to acquire an asset. Purchase or sale transactions on `standard terms` means purchase or sale of financial assets that requires to supply an asset within the term determined by legislation or rules accepted in a certain market.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After the initial recognition, loans and receivables are accounted for at amortized cost using the effective interest rate method, less provision for impairment. The amortized cost is calculated considering premiums and discounts occurred during acquisition and include commissions that are an integral part of the effective interest rate and transaction costs. Income and expenses occurred during de recognition of an asset in the financial statements, impairment and accrual of amortization, are recorded in the statement of comprehensive income for the period.

At the initial recognition, loans extended are recorded at fair value of the given funds, which is determined using market interest rates on similar instruments, if they are substantially different from the interest rate on the loan extended. In future, loans are evaluated at amortized cost using the effective interest rate method. The difference between the fair value of the given funds and the amount of the loan repayment is reflected as interest receivable, over the term for which the loan is extended. The amortized cost is calculated taking into account any costs attributable to the transaction, and any discount or premium at repayment.

Loans with maturity date exceeding twelve months from the reporting date are included into long-term loans.

Impairment of financial assets

The Company uses a simplified approach for recognition of expected credit losses at an amount equal to lifetime expected credit losses for trade and other receivables in accordance with IFRS 9. The Company recognises expected credit losses and changes in expected loan losses as at each reporting date to reflect changes in credit risk after initial recognition.

The accounting policy applied to the periods ended before 1 January 2018

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

At initial recognition financial liabilities can be attributed to those estimated at fair value through profit and loss, if the following criteria are met: (i) attributing to this category excludes or materially reduces inconsistence in accounting methods that might otherwise arise at liability assessment or recognition of profit or loss related to such liability; (ii) liabilities comprise a part of financial liability group that is being managed and results of which are assessed at fair value in compliance with risks management policy; (iii) financial liability includes an embedded derivative that should be reported separately in financial statements.

As at 31 December 2018 the Company had no financial liabilities that could be attributed to those estimated at fair value through profit and loss. Trade payables and other short-term monetary liabilities, which are initially recognized at fair value, subsequently carried at amortized cost using the effective interest method. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and discount payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

4. Summary of significant accounting policies (continued)

Fair value of financial instruments

The fair value of financial instruments traded in active markets at each reporting date is determined based on quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of similar instruments, discounted cash flow analysis or other valuation models.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the cost, which equals fair value of the received amount of funds, net of the expenses connected with the loan receiving.

After the initial recognition, interest-bearing loans and borrowings are accounted at the amortized cost using the effective interest rate method.

Profit and loss are reflected in net profit or loss at the moment of the liability retirement, and during amortization.

As at 31 December 2018 Company does not have interest bearing loans and borrowings.

De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed the obligation to pay to a third party received cash flows in full without material delay under "transit" agreement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be requested to repay.

Financial liabilities

A financial liability is derecognized when the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognized and a new liability is recognized with recognition of the difference in the respective carrying amounts in the statement of comprehensive income for the period.

Cash and cash equivalents

Cash and cash equivalents include cash in bank and on hand.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement. As at the date of the agreement's entering into force it is necessary to determine whether the fulfilment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Company as a lessor

Lease agreements where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct transaction costs are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental payments are recognized as revenue in the period in which they are earned.

Income from operating leases shall be recognized in income on a straight-line basis over the lease period, except where another systematic basis provides more adequate reflection of the schedule of reduction of benefits of the use of the leased asset.

Company generates income from rent of two vessels under the bareboat charter agreements and recognizes revenue on monthly basis based on the rate per month under each contract.

4. Summary of significant accounting policies (continued)

Contingencies

Contingent liabilities are not recognized in the financial statements, except when it is probable that settling an obligation will require an outflow of economic resources, and the amount of such liabilities can be reliably measured. Such obligations are posted, except when the possibility of an outflow of economic resources is remote.

Provisions

Provisions are recognized, when the Company has a current liability (legal or constructive) arising as a result of past events, and it is highly probable that the outflow of economic benefits will be necessary to settle the liability, and the amount of such liability can be reliably measured. If the Company expects to refund a part or all the provisions, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the compensation highly probable. Costs related to the provision, are recognized in the statement of comprehensive income, net of the recovery. If the influence of the time value of money is significant, the provisions are discounted at the current pre-tax rate that reflects, where applicable, the risks specific to a particular liability. Where discounting is used, the unwinding of discount is recognized as finance costs.

Income and expense recognition

Revenue is measured at fair value of the consideration received or receivable. The estimated cost of customer returns, the amount of discounts and value added tax are deducted from revenue. Revenue is recognized only when the following recognition criteria are met:

Income from bareboat. Revenue from bareboat is recognized in income on a straight-line basis based monthly rate per bareboat agreement for each vessel over the lease term.

General and administrative expenditures. General and administrative expenditures, incurred in connection with earnings generated under the lease income under the bareboat agreements are recognized as an expense.

Depreciation charge. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The useful life of an asset is defined in terms of the asset's expected utility to the Company. Depreciation charge is estimated using the straight line method. The depreciation method applied to an asset is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with IAS 8.

Financial income and financial expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.
Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets.

Dividends

Dividends are recorded on the date they are declared by shareholders at the general shareholders meeting.

Income tax

According to the effective legislation, the income tax is not payable on British Virgin Islands.

5. New and amended standards and interpretations

The following amended standards that are relevant to the Company became effective from 1 January 2018.

Adoption of IFRS 9 “Financial Instruments”. The Company adopted IFRS 9 “Financial Instruments” from 1 January 2018. In accordance with the transitional provisions in IFRS 9, the Company elected not to restate comparative figures. The management of the Company estimated that the effect of transition to expected credit loss model to the opening retained earnings as of the date of initial application of the standards, 1 January 2018, is immaterial.

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Company:

Adoption of IFRS 15 “Revenue from Contracts with Customers” (issued on 28 May 2014 and effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 2 “Share -based Payment” (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 4 – “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).

Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018)."

Amendments to IAS 40 “Transfers of Investment Property” (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Company has not early adopted

IFRS 16 “Leases” (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019)

IFRIC 23 “Uncertainty over income tax treatments” (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).

Definition of a business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).

Definition of materiality - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

(in USD thousand, unless otherwise stated)

New Accounting Pronouncements are not expected to have any material impact on the Company when adopted, except for IFRS 16. According to estimations of the company management adoption of IFRS 16 will lead to recognition of liabilities under bareboat contract for "Tamanskiy" and contractual asset for the same value. The duration of the contract comprises 4 years and 5 months. The value of contractual liabilities was estimated applying discounted cash flow techniques and applicable rate was 5,5% The estimated value of contractual liabilities as at 31 December 2018 comprise USD 650 thousand and the value of contractual asset as at 31 December 2018 comprise USD 650 thousand as well.

6. Fleet

Movement in fleet for the year ended 31 December was as follows:

	Fleet	Total
Historical / revaluated cost		
As at 31 December 2016	**30 278**	**30 278**
Revaluation	(9 530)	**(9 530)**
As at 31 December 2017	**20 748**	**20 748**
Revaluation	**4 864**	**4 864**
As at 31 December 2018	**25 612**	**25 612**
Accumulated depreciation		
As at 31 December 2016	**(19 046)**	**(19 046)**
Accrued during the year	(658)	**(658)**
Revaluation	6 133	**6 133**
As at 31 December 2017	**(13 571)**	**(13 571)**
Accrued during the year	(449)	**(449)**
Revaluation	(3 359)	**(3 359)**
As at 31 December 2018	**(17 379)**	**(17 379)**
Net book value		
As at 31 December 2018	**8 233**	**6 728**
As at 31 December 2017	**7 177**	**7 177**
As at 31 December 2016	**11 232**	**11 232**

The items of fleet disclosed as at 31 December 2018 and 31 December 2017 are accounted for under the revaluation model. The Company has estimated depreciation charge for the year ended 31 December 2018 based on the fair value as at 31 December 2017 and based on remaining useful life.

Valuation processes

The Company periodically engages external, independent and qualified valuers to determine the fair value of the Company's vessels. As at 31 December 2018 and as at 31 December 2017, the fair values of vessels have been determined by independent valuation firm MNTZ TRANSSERVICE - 1.

As at 31 December 2016, the fair values of vessels has been determined by two valuers: valuation of FV Kapitan Rusak was performed by Imona-Expert LLC on the basis of a survey conducted by the Shipping Register of Ukraine in February 2016 and valuation of FV Profesor Mykhaylo Aleksandrov – by New Zealand Marine Brokers LTD with a on-site visit to the vessel by the valuer.

Changes of the valuation techniques

The Company uses valuation techniques that are appropriate under the circumstances provided sufficient data are available to measure fair value in order to maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

In order to improve the reliability of valuation of fishing vessel Professor Mykhailo Aleksandrov as at 31 December 2016 valuation technique was changed as compared to 31 December 2015. In view of the availability of level 2 inputs market based valuation approach was applied. The valuation was performed by New Zeeland valuer. Market data related to the acquisition transaction of vessels of similar class and type that relate to level 2 inputs that was used for valuation. Valuation of fishing vessel Kapitan Rusak was performed as at 31 December 2016 applying the combination of methods such as market approach and income approach. As at 31 December 2016 valuation technique was changed as compared to 31 December 2015 due to availability of the market data related to the acquisition transactions for vessels of similar class and type in which occurred during year 2016. The new application of level 2 inputs was performed by Imona-Expert LLC for valuation of vessel Kapitan Rusak to improve the valuation technique.

The valuation of vessels Professor Mykhailo Aleksandrov and Kapitan Rusak as at 31 December 2018 was performed by independent valuation firm MNTZ TRANSSERVICE - 1 applying combination of methods such as, income approach and market approach. The valuation of vessels Professor Mykhailo Aleksandrov and Kapitan Rusak as at 31 December 2017 was performed by independent valuation firm MNTZ TRANSSERVICE - 1 applying combination of methods such as, income approach and market approach.

(in USD thousand, unless otherwise stated)

6. Fleet (continued)

Description of valuation techniques used and key inputs to valuation of fleet

The Company carries its fleet at fair value. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The methods and key assumptions used to determine the fair value as at 31 December 2018 of the vessels and sensitivity analyses are further disclosed below:

Vessel Name	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Profesor Mykhaylo Aleksandrov	Weighted average based on income approach and market comparison technique	• Estimated rental rate per month: USD 50 425 • Discount rate: 18 % in 2019, 17 % in 2019, 16% in 2020, 15% since 2021 • Fair value of vessel obtained using Comparative Method: USD 3 150 thousand • Fair value of vessel obtained using Income Method: USD 4 082 thousand Allocation of valuation results between DCF (100%) and Comparative Method (0%).	The estimated fair value would increase (decrease) if: • Estimated rental rate per month were higher (lower); • Estimated discount rate were lower (higher); • Remaining useful life were higher (lower); • Fair value of vessel obtained using Comparative Method were higher (lower); Allocation of value obtained via comparative method were lower (higher).
Kapitan Rusak	Weighted average based on income approach and market comparison technique	• Estimated rental rate per month: USD 60 000 • Discount rate: 18 % in 2019, 17 % in 2020, 16% since 2021 • Fair value of vessel obtained using Comparative Method: USD 3 150 thousand • Fair value of vessel obtained using Income Method: USD 4 150 thousand • Allocation of valuation results between DCF (100%) and Comparative Method (0%)	The estimated fair value would increase (decrease) if: • Estimated rental rate per month were higher (lower); • Estimated discount rate were lower (higher); • Remaining useful life were higher (lower); • Fair value of vessel obtained using Comparative Method were higher (lower); • Allocation of value obtained via comparative method were lower (higher).

For the discounted cash flow method, applied in combination with comparative method for Kapitan Rusak and for Profesor Mykhaylo Aleksandrov the fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset’s life. The basic rental rate is estimated under existing contracts.

For comparative method applied in combination with discounted cash flow method for for Kapitan Rusak and for Profesor Mykhaylo Aleksandrov, the fair value was compared to available market information. That information was linked to information and trading systems but was not limited to those sources. The combination of two methods for valuation of Kapitan Rusak was estimated as sum of 100% of value obtained via DFC method and 0% of value obtained via comparative method.

The company does not bear exploitation expenses under existing bare boat agreements for two vessels. The crew is employed by the charterers and maintenance costs are incurred by the charterers as well.

(in USD thousand, unless otherwise stated)

6. Fleet (continued)

The duration of the cash flows and the specific timing of inflows are determined by events such as rent reviews, lease renewal. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of vessel. Periodic cash flow is typically estimated as gross income increased for growth rate and divided for discount rate. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The key assumptions used to determine the fair value as at 31 December 2017 of the vessels and sensitivity analyses are further disclosed below:

Vessel Name	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Profesor Mykhaylo Aleksandrov	Weighted average based on income approach and market comparison technique	• Estimated rental rate per month: USD 50 425 • Discount rate: 18 % in 2018, 17 % in 2019, 16% since 2020 • Fair value of vessel obtained using Comparative Method: USD 3 675 thousand • Fair value of vessel obtained using Income Method: USD 3 804 thousand • • Allocation of valuation results between DCF (100%) and Comparative Method (0%).	The estimated fair value would increase (decrease) if: • Estimated rental rate per month were higher (lower); • Estimated discount rate were lower (higher); • Remaining useful life were higher (lower); • Fair value of vessel obtained using Comparative Method were higher (lower); • Allocation of value obtained via comparative method were lower (higher).
Kapitan Rusak	Weighted average based on income approach and market comparison technique	• Estimated rental rate per month: USD 60 000 • Discount rate: 18 % in 2018, 17 % in 2019, 16% since 2020 • Remaining useful life: 35 years • Fair value of vessel obtained using Comparative Method: USD 3 335 thousand • Fair value of vessel obtained using Income Method: USD 3 374 thousand • Allocation of valuation results between DCF (100%) and Comparative Method (0%)	The estimated fair value would increase (decrease) if: • Estimated rental rate per month were higher (lower); • Estimated discount rate were lower (higher); • Remaining useful life were higher (lower); • Fair value of vessel obtained using Comparative Method were higher (lower); • Allocation of value obtained via comparative method were lower (higher).

For the discounted cash flow method, applied in combination with comparative method for Kapitan Rusak and for Profesor Mykhaylo Aleksandrov the fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset’s life. The basic rental rate is estimated under existing contracts.

For comparative method applied in combination with discounted cash flow method for for Kapitan Rusak and for Profesor Mykhaylo Aleksandrov, the fair value was compared to available market information. That information was linked to information and trading systems but was not limited to those sources.

(in USD thousand, unless otherwise stated)

6. Fleet (continued)

If vessels were measured using the cost model, the carrying amounts would be, as follows:

	31 December 2018	**31 December 2017**
Cost	9 140	9 140
Accumulated depreciation and impairment	(5 705)	(5 476)
Net carrying amount	**3 435**	**3 663**

The depreciation charge would comprise USD 229 thousand for the year ended 31 December 2018 if vessels were measured using historical cost model.

7. Trade accounts receivable

As at 31 December trade accounts receivable was as follows:

	31 December 2018	**31 December 2017**
Limmat Inter S.A.	120	120
CIT "Beautiful Scenery"	151	151
Total trade accounts receivable	**271**	**271**

Receivables from Limmat Inter S.A. as at 31 December 2018 relate to rental fees for November and December 2018 owed for the freight of the FV "Kapitan Rusak" under the bareboat charter agreement dated 11 November 2011.

Receivables from Cyprus International Trust "Beautiful Scenery" as at 31 December 2018 relate to rental fees for October, November and December 2018 owed for the freight of the FV "Profesor Mykhaylo Aleksandrov" according to the bareboat charter agreement dated 05 May 2004.

As at 31 December, the ageing analysis of trade receivables is, as follows:

			Past due but not impared				
	Total	**Neither past due nor impaired**	**< 30 days**	**30 - 60 days**	**61 - 90 days**	**91 - 120 days**	**> 120 days**
31 December 2018	271	111	110	50			
31 December 2017	271	111	110	50	-	-	-

The ageing of trade accounts receivable is less than one year. Under the contract with CIT "Beautiful Scenery" payments are to be executed monthly for the past period. Under contractual terms the Limmat Inter S.A. provides a three month deposit as a guarantee and has to perform payment monthly before the 20^{th} for the coming month.

8. Other accounts receivable

As at 31 December other accounts receivable was as follows:

	31 December 2018	**31 December 2017**
State Company Kerchenskyy Fishing Sea Port	-	262
State Company "Service"	230	18
Other	-	1
Provision for impairment	(1)	(281)
Prepayment	17	17
Total other receivable	**246**	**17**

As at 31 December 2017, due to the impairment the 100% provision was charged for accounts receivable from State Company "Kerchenskyy Fishing Sea Port" and State Company "Service" in the amount of USD 281 thousand.

Receivable from State Company "Kerchenskyy Fishing Sea Port" relate to payments performed by Fishing Company S.A. under the guarantee agreements with State Company "Kerchenskyy Fishing Sea Port" and third parties, to settle liabilities of State Company "Kerchenskyy Fishing Sea Port for oil tanker "Tamanskyy". The additional information related to the transaction is disclosed in note 18.

(in USD thousand, unless otherwise stated)

8. Other accounts receivable (continued)

Fishing Company S.A. has initiated a litigation against State Company "Service" to recover 262 USD of debt that was previously written of via provision at the end of 2017. As at 1 October 2018 the International Commercial Arbitration Court at the Ukrainian Chamber of Commerce has issued a decision related to the litigation between Fishing Company S.A. and State Company "Kerchenskyy Fishing Sea Port". According to that decision State Company " Service " is obliged to repay USD 220 thousand of principle amount and amount of USD 10 thousand legal costs incurred by Fishing Company S.A.

As at 31 December, the ageing analysis of other receivables is, as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**< 30 days**	**30 - 60 days**	**61 - 90 days**	**91 - 120 days**	**> 120 days**
31 December 2018	230	230	-	-	-	-	-
31 December 2017	-	-	-	-	-	-	-

9. Cash and cash equivalents

As at 31 December cash and cash equivalents was as follows:

	31 December 2018	**31 December 2017**
Current accounts in USD	756	1 117
Current accounts in EUR	889	204
Total cash at banks	**1 645**	**1 321**

10. Accounts payable

As at 31 December accounts payable was as follows:

	31 December 2018	**31 December 2017**
Legal services	4	11
Other	3	1
Total accounts payable	**7**	**12**

11. Other current liabilities

As at 31 December other current liabilities was as follows:

	31 December 2018	**31 December 2017**
Guarantees received	194	180
Liabilities under onerous contract	-	34
Bonuses for management	34	21
Other payables	-	7
Total other current liabilities	**228**	**241**

Guarantees received as at 31 December 2018 consist of prepayment received from the company Limmat Inter S.A. for three months’ freight according to the bare-boat charter agreement for the freight of FV "Kapitan Rusak" and one-month prepayment received from Ecobunker for the Freight of “Tamanskiy” vessel.

Guarantees received as at 31 December 2017 consist of prepayment received from the company Limmat Inter S.A. for three months’ freight according to the bare-boat charter agreement for the freight of FV "Kapitan Rusak" and one-month prepayment received from Ecobunker.

Liabilities under onerous contract as at 31 December 2017 includes the amount of future cash flows under the end date of the bareboat agreement for the Tamanskiy Vessel.

Other payables as at 31 December 2017 consist of payroll liabilities for employees for December 2017 in amount USD 7,3 thousand.

12. Equity

Share Capital

Company's share capital comprises USD 50 thousand divided into 50,000 shares at par value 1 USD each. The Company's equity is not paid, which is not prohibited by the British Virgin Islands' legislation.

Additional capital

The balance on the additional capital of USD 10 560 thousand (2016: USD 10 560 thousand) has arisen through the restructuring of the Company's loan obtained from JSC "State Savings Bank of Ukraine" that was subsequently settled by the Ukrainian government in 2002.

Dividends

Company has paid dividends in the amount of USD 703 thousand for the year 2017. The dividends were paid in one instalments. The payment in the amount of USD 703 thousand was made on the 26th of June 2018

Revaluation reserve

The revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 6 (Fleet) for details.

13. Income from bareboat charter

Income from bareboat charter during 2018 included freight income in the amount of USD 1 325 thousand generated by monthly rental fees of USD 60 thousand for FV "Kapitan Rusak" and USD 50,4 thousand for FV "Profesor Mykhaylo Aleksandrov" and income in amount of USD 107 thousand generated from bareboat contract of "Tamanskiy". The income from the bareboat charter for the year 2017 comprised USD 1 325 thousand.

14. Other Income

Other income in the year ended 31 December 2018 is comprised of USD 230 thousand of income from arbitration related to breach of other receivables settlement terms by SE "Service", that is disclosed in detail in note 8, settlement of other receivable received from SE "Service" in amount USD 17 thousand in 2018, which was previously written off in the year ended 31 December 2017 and forex exchange gain in amount USD 10 thousand.

Other income in the year ended 31 December 2017 is comprised of amount of income from arbitration in amount USD 1 000 thousand, credit notes from suppliers in amount USD 13 thousand and foreign exchange gains on revaluation of EUR bank account in amount USD 17 thousand.

As a result of the arbitration in 2017 the Company Fishing Company S.A. has received income in amount USD 1000 thousand that was paid by Cyprus International Trust "Beautiful Scenery" with USD 50 thousand tranches during June-October 2017.

15. Legal, consulting expenses and other services

Legal expenses in 2018 in amount USD 10 thousand relate to the arbitration related to other accounts receivable from SE "Service". Other services in 2018 in amount USD 177 thousand relate to bank charges, business trip expenses, audit and valuation services, administrative, office rent, foreign exchange loss and other.

As a result of the disputable foreclosure of FV "Alexander Buryachenko" vessel performed by the charterer Cyprus International Trust "Beautiful Scenery" the Company was involved in an arbitration in year ended 31 December 2017, to receive the compensation or return of the vessel from the charterer Cyprus International Trust "Beautiful Scenery", plus compensation of incurred costs. The arbitration is held under the UNICITRAL Arbitration Rules. Arbitration venue – Zurich, Switzerland. Applicable law of the arbitration- Cyprus.

Legal expenditures incurred during year 2017 are associated mainly with the litigation, concerning the disputable foreclosure of the fishing vessel "Alexander Buryachenko" in February 2015.

(in USD thousand, unless otherwise stated)

16. Other expenses

Other operating expenses included:

	2018	2017
Expenses due for payment to related party	119	80
Penalties for late payment of dividends	-	-
Provision under the onerous contract	-	34
Bad debt impairment reserve	-	262
Total other operating expenses	**119**	**376**

Expenses due for payment to related party in year ended 31 December 2018 comprise of rental fee under bareboat charter agreement for “Tamanskiy” vessel that comprise USD equivalent of EUR 12 thousand per month active since 16 April 2018, of ship management fee, insurance, rental payments and other fees related to oil tanker "Tamaskyy" lease from related party State Company "Service”.

Expenses due for payment to related party in year ended 31 December 2017 comprise of ship management fee, insurance, rental payments and other fees related to oil tanker "Tamaskyy" lease from related party State Company "Service”.

Provision under the onerous contract relate to fees due from Fishing Company S.A. to State Company “Service” under the lease agreement for oil tanker "Tamaskyy" that is to be ended in 2017.

17. Taxation

Under the current law income tax is not paid in British Virgin Islands.

18. Related parties

Control relationship

Parties are related when one party has control over another party, or has significant influence on another party in making financial and operating decisions, pursuant to IAS 24, Related Party Disclosures. When considering related party transactions, a substance of such transactions is analyzed in addition to their legal form.

Related parties include companies directly subordinated to the State Agency for Fisheries of Ukraine and the State Agency for Fisheries of Ukraine.

Payments in favour of related parties were as follows:

	2018	2017
State Company "Kerchenskyy Fishing Sea Port"	-	-
State Enterprise Service	-	10
Payments related to Tamanskyy	119	70
	119	**80**

Amounts owed by related parties were as follows:

	31 December 2018	31 December 2017
State Company "Kerchenskyy Fishing Sea Port"	-	262
State Company "Service"	230	18
Provision for impairment of trade accounts receivable	-	(280)
	230	**-**

Relations with the key management personnel:

	2018	2017
Wages and salaries	42	38
Annual bonus of key management	30	21
	72	**59**

The key management includes the director and the chief accountant of the Company.

(in USD thousand, unless otherwise stated)

19. Equity management

The main purpose of the Company's equity management is to ensure stable solvency and adequate equity level for the Company' operating activities and maximization of participant profit.

The Company manages its equity structure and changes it in response to changes in economic conditions. In order to maintain or adjust the equity structure the Company may regulate the amount of dividends, repay equity to shareholder or issue new shares. There were no changes in policies and procedures of equity management for the year ended 31 December 2018.

The Company has no external requirements on the size of equity.

20. Operating leases bare boat charter

The Company leases out under operating lease its fishing vessels according to bareboat charter agreements for 10 years with the prolongation option. One of bare boat charter agreements includes an option of freight rates review. Lessees do not have the right to purchase leased vessels at the end of the lease term.

Future minimum lease payments under the current bare boat charter agreements are as follows:

	31 December 2018	31 December 2017
Less than one year	1 492	1 325
One to five years	4 317	4 482
Over five years	1 109	1 714
Total	**6 918**	**7 521**

21. Financial risks management

Company's financial instruments include accounts receivable and accounts payable. The main purpose of financial instruments is to finance the Company's operations. The Company does not perform any transactions with derivatives and is not exposed to market risk.

The main risks arising from the use of Company's financial instruments are liquidity risk and credit risk.

The liquidity risk management policy and credit risk management policy are presented below.

Liquidity risk

The objective of the Company is to operate as a going concern and to ensure flexibility of financing by adjusting the terms of borrowings.

The Company analyses the useful lives of its assets and maturities of liabilities and plans the liquidity based on the maturity of financial instruments.

The Company's financial liabilities as at 31 December presented in the table below:

	Less than 3 month	Up to 1 year	From 1 to 5 years	Over 5 years	Total
As at 31 December 2018					
Accounts payable	7	-	-	-	7
7	**7**	**-**	**-**	**-**	**7**
As at 31 December 2017					
Accounts payable	12	-	-	-	**12**
	12	**-**	**-**	**-**	**12**

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables credit risk is managed according to the Company's established policy, procedures and control relating to customers (charterers) credit risk management. Outstanding customer receivables are regularly monitored and invoiced appropriately. At 31 December 2018, the Company has 2 Charterers (2017: 2 customers) that owed it together USD 271 thousand and accounted for 100% of all the trade receivables outstanding.

An impairment analysis is performed at each reporting date on an individual basis for Company's two charterers. The maximum exposure to credit risk at the reporting date is the carrying value of trade accounts receivable from CIT "Beautiful Scenery" disclosed in Note 7, which comprise USD 151 thousand. The Company holds a 3 month prepayment from "Limmat Inter S.A." as security. The amount of 3-month warranty prepayment comprises USD 180 thousand. The risk of not payment from "Limmat Inter S.A." is relatively low.

21. Financial risks management (continued)

The other receivable mainly relates to amount due from related party State Enterprise "Service" which is also controlled by Ukrainian Government via State Agency for Fisheries of Ukraine. The pending amount due from related party State Enterprise "Service" is under control of the management of Fishing Company S. A. The management of Fishing Company S.A. took the action in order to get refund of that other receivable.

The Company evaluates the concentration of risk with respect to trade receivables as significant and anticipates measures to follow up timely payment by the charterers.

22. Contingent liabilities and deferred liabilities

Litigation

The Company is not party of litigation process initiated against Fishing Company S.A. and the company management and lawyers are not aware of potential claims against Fishing Company S.A. as at 31 December 2018.

23. Subsequent events

The litigation process was initiated in 2018 by Fishing Company S.A. against SE “Service” with the purpose to recover the value of other accounts receivable due from SE “Service” in amount USD 220 thousand. The mentioned above litigation has resulted in decision of Kyiv Court of Appeal dated 1 March 2019 on appeal claim submitted by SE “Service” against decision of International Commercial Arbitration Court dated 29 September 2018. According to the decision of Kyiv Court of Appeal the judicial decision of International Commercial Arbitration Court dated 29 September 2018 is remained in force. The Kyiv Court of Appeal has issued an enforcement order for the execution of the court decision.

Thus according to the decision of the Kyiv Court of Appeal and enforcement order the State Execution Service of Ukraine is obliged to withhold from SE “Service” in favour of Fishing Company S.A. the debt in amount of USD 220 thousand and legal and arbitration expenses in amount USD 9,6 thousand.

No other significant subsequent events took place with respect to the activity of Fishing Company S.A., except for mentioned earlier in this paragraph.