

Tufton Oceanic Assets Limited

Annual Report and Audited Financial Statements

For the year ended 30 June 2019

Contents

Highlights	2
Chairman's Statement	3
Corporate Summary	5
Strategic Report	6
Investment Manager's Report	11
Principal and Emerging Risks and Uncertainties	16
Corporate Governance Statement	18
Statement of Directors' Responsibilities	21
Report of the Directors	23
Audit Committee Report	32
Independent Auditor's Report	35
Financial Statements	
Statement of Comprehensive Income	44
Statement of Financial Position	45
Statement of Changes in Equity	46
Statement of Cash Flows	47
Notes to the Financial Statements	48
Corporate Information	73
Definitions	76
Notice of AGM	80
Form of Proxy	83

Highlights

- The profit of the Company for the financial year was US\$16.4m, or 11.94 US cents per Ordinary Share (10.00 US cents adjusted for C Shares – refer to Note 8a).
- The Company declared dividends of 1.75 US cents per Ordinary Share for each quarter.
- The NAV per Ordinary Share decreased from 101.6 US cents at the beginning of the year to 100.5 US cents as at 30 June 2019 net of share issue costs, after dividends.
- The Company raised combined gross proceeds during the year of US\$128.4m by way of a C Share issue in October 2018 and Ordinary Share issue in March 2019.
- C Shares gross proceeds of US\$78.4m in October 2018 were fully invested and the C Shares were converted to Ordinary Shares at a conversion ratio of 1.0794 in February 2019 supported by strong performance of the three product tankers Sierra, Octane and Pollock. The Company then raised gross proceeds of US\$50.0m in March 2019 and has since invested 85% of the proceeds.
- The Company committed to eleven investments totalling US\$161.4m during the year ended 30 June 2019 taking the portfolio to fifteen vessels.
- Unlevered cash flow run rate of over US\$26m p.a. (c. 1.6x the target dividend per share of US\$0.07 per annum) after capital expenditure provision and management fees as of this report date.
- Average charter length is c. 3.5 years.
- With fourteen of the fifteen vessels employed on fixed rate medium to long term charters, the portfolio is largely insulated from geopolitical and macroeconomic shocks.

Chairman's Statement

Introduction

I am pleased to present the Company's annual report and audited financial statements for the year ended 30 June 2019.

During the period we have raised additional funds from firstly a private placing (C Share placing) on 11 October 2018 (US\$78.4m) which was 90% invested by January 2019, and then from a further placing (of Ordinary Shares) on 11 March 2019 (US\$50m) taking the fund NAV to US\$225.8m as at 30 June 2019. The Investment Manager has successfully committed and invested 85% of the March proceeds. The Company currently has 15* vessels in its fleet including two handysize bulkers, six containerships, four tankers and three general cargo vessels with an average minimum charter period of 3.5 years. There is a further breakdown of the portfolio in the Investment Managers Report set out on page 11.

*14 vessels as at 30 June 2019 with one additional vessel being delivered in July 2019

Performance

As at the end of 30 June 2019, the Company's NAV at US\$225.8m was above net issue proceeds of US\$215.0m. The portfolio of vessels in the Company continue to perform well. The Company paid dividends of \$8.8m over the financial year, 1.5x covered by portfolio vessels' operating cash flow of \$12.9m.

During the period the Company's listed share price decreased from \$1.06 per Share as at 30 June 2018 to US\$0.99 per Share as at the close of business 30 June 2019. The Company's Shares have traded at an average premium of 3.78% to NAV during the period.

During the period, the profit of the Company was US\$16.4m or 11.94 US cents per Ordinary Share (10.00 US cents adjusted for C Shares)

Dividends

During the period the Company declared and paid dividends to shareholders as follows:

Period end	Dividend per share (US\$)	Ex div date	Record date	Paid date
Ordinary shareholders				
30.06.18	0.0150	09.08.18	10.08.18	17.08.18
30.09.18	0.0175	01.11.18	02.11.18	15.11.18
31.12.18	0.0175	07.02.19	08.02.19	22.02.19
31.03.19	0.0175	02.05.19	03.05.19	17.05.19
C-Class shareholders				
31.12.18	0.0050	07.02.19	08.02.19	22.02.19

A further dividend was declared on 29 July 2019 for US\$0.0175 per ordinary share for the quarter ending 30 June 2019. The dividend was paid on 23 August 2019 to holders of ordinary shares on record date 9 August 2019 with an ex-dividend date of 8 August 2019.

Chairman's Statement (continued)

Corporate Governance

The Company complies with the UK Code of Corporate Governance where applicable but we have also joined the AIC to ensure that the Directors are kept up to date with matters concerning listed investment companies like ours. The Board of Directors take their fiduciary and corporate governance responsibilities seriously and I would encourage Shareholders to contact us at SHIP@tuftonoceanicassets.com should there be any matters of concern that they feel need to be addressed.

Outlook

I continue to be encouraged by the Investment Manager's ability to build a diversified portfolio of vessels in a timely manner. I would also like to thank N+1 Singer and Hudnall Capital for their contribution in raising US\$78.4m for the C Share issue and for raising US\$50m on 11 March 2019. There continues to be a strong pipeline of investments particularly in the tanker, bulkers, general cargo and containership segments which makes it possible to invest recent proceeds on a timely basis.

The Directors, Investment Manager and our Advisors continue to look for new and varied opportunities and aim to increase the Company size further during 2019 and beyond.

Shareholders are welcome to attend the Annual General Meeting on 25 October 2019 at 11.00am. The AGM notice and Proxy are on pages 80 to 84.

.....
Rob King
Non-executive Chairman

Corporate Summary

The Company is a closed-ended investment company, limited by shares, registered and incorporated in Guernsey under the Companies Law on 6 February 2017, with registered number 63061.

The Company is a Registered Closed-ended Collective Investment Scheme regulated by the GFSC pursuant to the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and the Registered Closed-ended Investment Scheme Rules 2018.

The Company has 224,644,568 shares in issue, all of which are admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange under the ticker “SHIP”. ISIN: GG00BDFC1649, SEDOL: BDFC164

The Company makes its investments through LS Assets Limited and other underlying SPVs, which are ultimately wholly-owned by the Company. LS Assets Limited is registered and was incorporated in Guernsey in accordance with the Companies Law on 18 January 2018 with registered number 64562. The underlying SPVs owned by LS Assets Limited were incorporated in the Isle of Man, in accordance with the Isle of Man Companies Act 2006 (the **“IOM Companies Act”**).

The Company controls the investment policy of each of LS Assets Limited and its wholly owned SPVs to ensure that each will act in a manner consistent with the investment policy of the Company. The Company will refer to the vessels acquired by the underlying SPVs ‘name’ rather than the actual name of the respective vessel for confidentiality purposes.

The Investment Manager is Tufton Oceanic Ltd, a company incorporated in England and Wales with registered number 1835984 and is regulated by the UK FCA and has been authorised to act as a Small Registered UK AIFM under the AIFMD. Tufton Oceanic Ltd has been a specialist fund manager in the maritime and energy markets since 2000 and has been focused on financial services to these industries since its inception in 1985.

Strategic Report

Investment Objective and Policy

The Company's investment objective is to provide investors with an attractive level of regular and growing income and capital returns through investing in secondhand commercial sea-going vessels. The Company has established a wholly owned subsidiary that acts as a Guernsey holding company for all its investments. LS Assets Limited is governed by the same directors as the Company.

All vessels acquired, vessel related contracts and costs will be held in Special Purpose Vehicles domiciled in the Isle of Man or other jurisdictions considered appropriate by the Company's Advisers. The Company conducts its business in a manner that results in it qualifying as an investment entity (as set out in IFRS 10: Consolidated Financial Statements) for accounting purposes and as a result will apply the investment entity exemption to consolidation. The Company therefore reports its financial results on a non-consolidated basis.

Subject to the solvency requirements of Companies Law, the Company intends to pay dividends on a quarterly basis and is targeting a dividend yield of 7% per annum. The Directors expect the dividend to grow, in absolute terms, modestly over the long term.

The Company aims to achieve an IRR of 12% (net of expenses and fees) on the Issue Price over the long term. The Earnings per Share for the year ended 30 June 2019 was 11.94 US cents (10.00 US cents adjusted for C Shares).

Shareholder information

Up to date information regarding the Company, including the quarterly announcement of Net Asset Value, can be found on the Company's website, which is www.tuftonoceanicassets.com and is maintained by the Investment Manager.

The Company has a 30 June financial period-end. The updated NAV is published on a quarterly basis

Strategic Report (continued)

Governance and Responsibilities

The Board of Directors

The Company's Board of Directors comprises three independent non-executive Directors. The Board's role is to manage and monitor the Company in accordance with its objectives. The Board monitors the Company's adherence to its investment policy, its operational and financial performance and its underlying assets, as well as the performance of the Investment Manager and other key service providers. In addition, the Board has overall responsibility for the review and approval of the Company's NAV valuations and financial statements. It also maintains the Company's risk register, which it monitors and updates on a regular basis.

The Directors of the Company who served during the period and to date are:

Robert King, Chairman

A non-executive director for a number of open and closed-ended investment funds including Weiss Korea Opportunity Fund Limited, Chenavari Capital Solutions Limited (Chairman) and CIP Merchant Capital Limited. Before becoming an independent non-executive director in 2011 he was a director of Cannon Asset Management Limited and their associated companies. Prior to this he was a director of Northern Trust International Fund Administration Services (Guernsey) Limited (formerly Guernsey International Fund Managers Limited) where he had worked from 1990 to 2007. He has been in the offshore finance industry since 1986 specialising in administration and structuring of offshore open and closed ended investment funds. Rob King is British and resident in Guernsey.

Stephen Le Page

A chartered accountant and chartered tax adviser. He was a partner in PricewaterhouseCoopers CI LLP in the Channel Islands from 1994 until his retirement in September 2013. During his career his main role was as an audit partner working with a wide variety of financial services businesses and structures. Mr Le Page also led that firm's audit and advisory businesses for approximately ten years and for five of those years was the Senior Partner (equivalent to Executive Chairman) for the Channel Islands firm. Since his retirement Mr Le Page has joined a number of boards as a non-executive director including three premium London listed funds, Highbridge Multi-strategy Fund Limited, Volta Finance Limited and Princess Private Equity Holding Limited and one International Stock Exchange listed company, Channel Islands Property Fund Limited, all of which he serves as Chairman of the audit committee. He is a past chairman of the Guernsey International Business Association and a past President of the Guernsey Society of Chartered and Certified Accountants. Stephen Le Page is British and resident in Guernsey.

Strategic Report (continued)

The Board of Directors (continued)

Paul Barnes

An investment banker experienced in asset backed, structured and project financing with wide geographic exposure including Asia, Central/Eastern Europe, North and Latin America and Scandinavia. Mr Barnes was managing director at BNP Paribas and co-head of its EMEA Shipping and Offshore business between 2010 and 2015. He was also head of risk monitoring for Global Shipping at BNP Paribas. Prior to that, Mr Barnes had served as head of shipping (London) at Fortis Bank, head of specialised industries at Nomura International and as a corporate finance Director of Barclays Bank and as a Director of its Shipping Industry Unit. Paul Barnes is British and resident in the United Kingdom.

Service Providers

The Investment Manager / Alternative Investment Fund Manager (“AIFM”)

Tufton Oceanic Ltd has been appointed as the Investment Manager and has been a specialist fund manager in the maritime and energy markets since 2000 and has been focused on financial services to these industries since its inception in 1985.

The Investment Manager currently manages investments of c. US\$1.3 billion in c. 75 vessels. As of 30 June 2019, the Tufton Group, of which the Investment Manager is part, had 46 employees operating from offices in London, Isle of Man and Cyprus. The Investment Manager is fully dedicated to the shipping industry with an in-house research team and dedicated Asset Manager providing services to each vessel purchased. As described in the Prospectus, the Investment Manager has an established track record in managing segregated mandates for pension funds with similar investment objectives to those of the Company.

The Investment Manager's employees have significant experience of investing and financing in the shipping industry. Each member of their Investment Committee has between 20 and 40 years of experience in the maritime financial markets either from investment banking, commercial banking or from the vessel owning / operating perspective.

The Investment Manager's role encompasses the identification of appropriate acquisition opportunities, conducting necessary due diligence, making recommendations to the Board and completing the proposed investments on behalf of the Company. The Investment Manager (in conjunction with the Asset Manager) will also monitor the performance of the Company's Portfolio. The Investment Manager, which acts as the Company's AIFM under the Alternative Investment Fund Managers Directive (“AIFMD”), is authorised and regulated by the UK FCA.

Strategic Report (continued)

Service Providers (continued)

Investment Committee

The Investment Manager has established an Investment Committee.

Each investment proposal is reviewed by the Investment Committee which meets on a weekly basis. In reviewing each potential investment, the Investment Committee will consider a range of factors including a detailed analysis of the vessel's technical condition and other analyses from the Asset Manager, a full risk/reward analysis, downside stress testing, commercial/employment strategy, effects of adding moderate leverage in accordance with Company policy, market outlook, credit quality of charterer, market reputation of counterparties, deal modelling, exit strategy and any macro analysis that might be necessary to fully understand the investment. Once the Investment Committee has approved an investment opportunity, this is put to the Board of Directors for approval. All investments are conditional on approval by both the Investment Committee and the Board.

Asset Manager

Oceanic Marine Management Limited was established in 2009 to act as the asset manager for vessels owned by funds and vehicles managed or advised by Tufton Group. The Asset Manager is based in Cyprus and employs professionals who have experience in all aspects of ship management including special surveys, dry docks, maintenance, repair and negotiating commercial agreements for vessel employment.

The Asset Manager enters into an asset management agreement with each SPV and provides the services detailed in the Prospectus.

Administrator and Secretary

Maitland Administration (Guernsey) Limited (“**Maitland**”) has been appointed as administrator and secretary to the Company, pursuant to the Administration Agreement dated 27 February 2017 and to LS Assets Limited, pursuant to the Administration Agreement dated 20 April 2018. Maitland was incorporated with limited liability in Guernsey on 20 January 2010 and is licensed by the Guernsey Financial Services Commission under the Protection of Investors (POI) Law.

The Administrator forms part of the Maitland group established in Luxembourg in 1976. Maitland is a global advisory, administration and family office firm providing legal, fiduciary investment and fund administration services to private, corporate and institutional clients. The group employs over 1,100 staff in 17 offices across 12 jurisdictions and collectively administers in excess of £220bn in assets.

The Administrator provides day-to-day administration services to the Company and is also responsible for the Company's general administrative and secretarial functions such as the calculation of the Net Asset Value, compliance with the Code and maintenance of the Company's accounting and statutory records.

Registrar

Computershare Investor Services (Guernsey) Limited was appointed as registrar to the Company pursuant to the Registrar Agreement dated 27 February 2017. In such capacity, the Registrar is responsible for the transfer and settlement of shares held in certificated and uncertificated form. The Register may be inspected at the office of the Registrar.

Strategic Report (continued)

Service Providers (continued)

Receiving Agent

Computershare Investor Services PLC was appointed as receiving agent to the Company for the purposes of the Offer for Subscription pursuant to the Receiving Agent Agreement dated 27 February 2017.

Disclosure Obligations

Shareholders are obliged to comply, from Admission, with the shareholding notification and disclosure requirements set out in Chapter 5 of the Disclosure Guidance and Transparency Rules. The Administrator will monitor disclosure with reference to changes in shareholdings.

Investment Manager's Report

Highlights

We are pleased to present our review for the financial year and our outlook for the next few years. Highlights include:

- Three product tankers, two containerships, two handysize bulkers, a gas carrier and three general cargo vessels were acquired and US\$161.4m was invested (including Parrot which was delivered to the portfolio shortly after financial year end)
- The Portfolio has an unlevered cash flow run rate of over US\$26m p.a. (c. 1.6x the target dividend per share of US\$0.07 per annum) after capital expenditure provision and management fees as of this report date with C Shares proceeds fully invested and 85% of the proceeds from the March 2019 Ordinary Share placement invested and all the Company's vessels in operation
- Cash flow-weighted average length of charter is c 3.5 years as at 30 June 2019.

The Assets

As of 30 June 2019, the Company's portfolio is:

- Two 1700-TEU containerships (Swordfish and Kale) and three 2500-TEU containerships (Patience, Riposte and Citra). They operate on time charter contracts, under which the Company provides fully operational and insured vessels for use by the charterers. The first four containerships are chartered to one of the major investment grade container shipping groups. Citra is chartered to a leading private operator of containerships specialising in fresh fruit transportation.
- The gas carrier Neon operates on a bareboat charter, under which the Company provides only the vessel to the charterer, who is responsible for crewing, maintaining, insuring and operating it.
- The two handysize bulkers Aglow and Dragon operate under time charters.
- Three product tankers Sierra, Octane and Pollock operate under time charters to a major commodity trading and logistics company. Sierra and Octane are on fixed rate charters. Pollock is on a floating rate time charter.
- The three general cargo vessels Hongi, Darwin and Java operate under bareboat charters

Post year end, the Company took delivery of a further vessel:

- Parrot (delivered to the Company on 1 July 2019) operates on a time charter to a major container line and will have an exhaust gas scrubber fitted in early 2020.

Investment Manager's Report (continued)

The Assets (continued)

SPV⁺	Vessel Type and Year of Build	Acquisition Date[*]	Earliest end of charter period	Expected end of charter period
Swordfish	1700-TEU containership built 2008	February 2018	April 2020	April 2020
Kale	1700-TEU containership built 2008	February 2018	February 2020	February 2020
Patience	2500-TEU containership built 2006	March 2018	April 2021	October 2022
Riposte	2500-TEU containership built 2009	March 2018	February 2020	February 2021
Neon	Mid-sized LPG carrier built 2009	July 2018	July 2025	July 2025
Aglow	Handysize Bulker built 2011	July 2018	October 2019	December 2019
Dragon	Handysize Bulker built 2010	September 2018	August 2020	August 2020
Citra	2500-TEU containership built 2006	November 2018	November 2020	November 2020
Sierra	Medium-range product tanker built 2010	December 2018	January 2021	January 2021
Octane	Medium-range product tanker built 2010	December 2018	January 2021	January 2021
Pollock	Handysize product tanker built 2008	December 2018	February 2020	March 2021
Hongi	General Cargo Vessel built 2002	February 2019	April 2026	April 2026
Darwin	General Cargo Vessel built 2004	April 2019	January 2026	January 2026
Java	General Cargo Vessel built 2003	April 2019	October 2023	October 2023
Parrot	8200-TEU containership built 2006	June 2019	December 2024	February 2025

All vessels are performing well and in line with expectations. All vessels are in good condition and are maintained to a high standard.

Notes:

⁺ Special Purpose Vehicle that owns the vessel

^{*} date the Company agreed to acquire the vessel

*** these may differ from the Interim Report (31 December 2018) following the assessments of the Investment Manager of the prevailing market conditions

Investment Performance

During the financial year, the NAV decreased slightly to 100.5 US cents per share, after the Company paid out US\$8.8m in Ordinary and C Share dividends. The year end NAV remains slightly above the IPO price of 100.0 US cents (net issue price 98 US cents). Operating cash flow contributed 7.90 US cents per share (adjusted for C Shares) and there was an unrealised gain in the charter-adjusted fleet value of 2.10 US cents (adjusted for C Shares) during the financial period.

Investment Manager's Report (continued)

Investment Performance (continued)

There was an unrealised gain in the charter-adjusted fleet of 2.10 US cents (adjusted for C Shares) during the financial period. The unrealised gain was primarily in the three product tankers and the containership Parrot (delivered on 1 July 2019).

The Shipping Market

The ongoing vessel supply correction in the shipping market continues to support higher charter rates. However, a slowdown in global GDP growth and the trade war have resulted in lower demand growth than previously expected. As per Clarksons Research:

- Global seaborne trade is projected to grow by 2.3% (tonne-miles) in 2019, down from 3.1% in 2018
- Fleet expansion is continuing to slow; the global fleet is expected to grow by 2.8% for the full year 2019 compared to 5.3% p.a. (2008-2018)
- The global order book (forward supply growth) is now equivalent to only 9.8% of the fleet, compared to over 50% in 2008
- Newbuild deliveries were up by 9% y-o-y in 1H19, with newbuild ordering volumes down 54% y-o-y
- Secondhand transaction volumes in the first half of the year were in line with the average since 2009, with their Secondhand Price Index down 4% y-o-y compared to the end of 1H18
- The weighted average of ship earnings (as defined by Clarksons Research) across shipping segments was up 8% y-o-y in 1H19. There has been considerable anxiety about the impact on trade demand of the tariffs between the United States and China. Per Clarksons, the total tariffed trade is limited to 1.7% of global seaborne trade.

Meanwhile, other bilateral and multilateral trade agreements like the Transpacific Partnership and the North American Free Trade Agreement are also being renegotiated. The net impact of these is mitigated by trade flow substitution. Clarksons Research revised down their tonne-mile trade demand growth estimate for 2019 from 3.4% (in January 2019) to 2.3% but expect demand growth to rebound back to 4.1% in 2020, in part driven by expected positive trends in oil and gas trades although economic risks remain.

In addition to the developments above noted by Clarksons Research on the mainstream shipping markets and the shipbuilding market, we believe:

- Bank lending for ship acquisition continues to be very limited other than to the largest shipping companies
- Public equity and public debt markets continue to be of limited scope for smaller companies as a source of funds for acquisitions
- Sale and leasebacks, often in industrial segments of shipping such as chemical tankers or general cargo ships, will continue to be excellent opportunities. These are often less fragmented market segments where operators have long-term contracts to move cargo, giving us visibility over a significant portion of their cash flow

Investment Manager's Report (continued)

- Increased regulation is a positive for well-capitalised asset owners (such as the Company) and operators, as marginal ships and operators may have little choice but to leave the market through scrapping, asset sales or mergers.

Outlook

We believe the recovery in shipping markets will continue. As of mid-2019, the IMF forecasts global GDP growth of 3.2% in 2019 with potential pickup to 3.5% in 2020. While these forecasts have been revised down, they still reflect supportive levels for global trade growth in the historic context. Clarksons Research forecast moderate demand growth for shipping in 2019 (2% tonnes, 2.3% tonne-miles) and 2020 (3.2% tonnes, 4.1% tonne-miles). On the supply side, shipping benefits from slowing fleet expansion. The sector is capital constrained and we believe bank lending continues to be very limited other than to the largest shipping companies while public equity and public debt markets continue to be of limited scope. The financial stresses in shipping, traditional ship lenders and shipbuilders, which are still somewhat a result of the excesses of 2005-2008, continue to create a very attractive risk return profile. Secondhand prices in many segments continue to be significantly below Depreciated Replacement Cost ("DRC"). The supply side recovery is continuing and driven by:

- Continued lack of capital availability for shipping
- Vessel orderbook (forward supply growth) near a 20-year low
- Low levels of new orders, leading to shipyard capacity reductions

We believe that DRC will increase in the medium term due to shipyard consolidation. Clarksons Research newbuild price index has been steady in 2019 and up 5% since the start of 2018.

As of 1 January 2020, the International Maritime Organization (IMO) mandates that ships are required to burn fuel with a sulphur content of no more than 0.5% unless fitted with an exhaust gas emissions cleaner (scrubber) capable of reducing sulphur emissions to 0.5% or less. Compliance will be possible by either switching the ship to low sulphur, compliant fuel (distillates or LNG) or by installing an exhaust gas scrubber. We expect the regulatory change could accelerate the supply side adjustment in shipping by three means. Firstly, with most of the global fleet using more expensive fuel, we expect the average fleet speed will be reduced. Further, there will be increased scrapping of less efficient ships and many of the remaining ships will be taken out of service to prepare for fuel transition. Finally, as the sector remains capital constrained, higher newbuild costs and changing regulations may discourage large investments in new vessels for the next few years.

The Company continues to pursue a strategy of growing a diversified fleet. The revenue earned by fourteen of the fifteen Company's vessels is not affected by short-term fluctuations in general shipping markets. Fourteen of the fifteen vessels in the portfolio are employed on medium to long-term charters and will not be affected by fluctuations in spot commodity prices, geopolitical events and other short-term supply-demand factors.

Investment Manager's Report (continued)

Environment, Social and Governance

The Investment Manager seeks to conduct its affairs responsibly and take into consideration Environmental, Social and Governance issues with regard to investment decisions taken on behalf of the Company. The Investment Managers recognise that their first duty is to act in the best financial interests of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company.

The Investment Manager, the asset backed investment group of Tufton Oceanic Limited, recognizes the value of integrating principles of Responsible Investment into the investment management process and ownership practices in the belief that this can have an impact on the long-term financial performance. The Investment Manager became a signatory to the United Nations Principles of Responsible Investment in December 2018 and has a Responsible Investment policy which is available on the website of the Investment Manager, (<http://www.tuftonoceanic.com>).

Responsible Investment is the integration of Environmental, Social and Governance (ESG) considerations into investment management processes and asset ownership practices. The initial areas of focus on ESG implementation includes:

1. Minimising environmental impact and enhancing returns through fuel efficiency
2. Health and safety of the crew on our vessels
3. Compliance with international regulations to avoid sanctioned regimes
4. Promote acceptance and implementation of ESG principles with our business partners
5. Over the medium term, develop an ethical, environmental policy for vessel recycling

The Company has started monitoring fuel consumption through systematic analysis of daily reports using third-party software. This facilitates the measurement of increased fuel efficiency through operational changes and potential technical modifications.

In the second quarter of 2019, the Asset Manager joined the Maritime Anti-Corruption Network (MACN), a global business network that enables fair, corruption-free global trade for the benefit of society at large. The MACN will facilitate information sharing and collaboration between the Asset Manager and concerned Governments and Non-Governmental organizations to identify and root out corruption. Asset Manager maintains an updated manual of procedures and processes with current international and regional sanctions. Sanctioned regimes are excluded from Charter Party agreements. Further, the Asset Manager works with ship crews to ensure compliance and consults with Protection and Indemnity (P&I) clubs as required.

Principal and Emerging Risks and Uncertainties

The Board has carried out a robust assessment to identify the principal and emerging risks that could affect the Company, including those that would threaten its business model, future performance, solvency or liquidity. Principal risks are those which the Directors consider to have the greatest chance of materially impacting the Company's objectives. The Board has adopted a "controls" based approach to its risk monitoring requiring each of the relevant service providers including the Investment Manager to establish the necessary controls to ensure that all identified risks are monitored and controlled in accordance with agreed procedures where possible.

The Company's activities are primarily dependent upon global seaborne trade flows and as seaborne trade activities between mainland Europe and the UK are not significant to the Company's fleet, Brexit is not expected to have a material impact on the Company or the Investment Manager.

The Directors receive periodic updates at their Board meetings on principal and emerging risks and have adopted their own control review to ensure, where possible, risks are monitored appropriately. Occurrences of principal and emerging risks may have a number of underlying causes, and it is with respect to those causes that the Directors have implemented controls or mitigation as follows. The Directors also carry out a regular check on the completeness of risks identified, including a review of the risk register. No currently relevant risks were identified as missing. Please note that risk or uncertainty cannot be eliminated.

Underlying cause of risk or uncertainty	Objective impacted (in what way)	Control or mitigation implemented
Failure of, or unwillingness of, a vessel charter counterparty to meet the stipulated charter payments	Liquidity Vessel values	Charter counterparties are subjected to extensive credit worthiness checks prior to contracting with them. The Investment Manager monitors the credit worthiness of the charter counterparties on an ongoing basis. In the event of default by a charterer, the generic nature of the ships in the portfolio should enable alternatives to be found, although possibly at lower charter rates and for different periods.
Demand for shipping may decline, either because of a reduction in international trade (e.g. "trade wars") or because of general GDP growth slowing or declining or increased competition	Capital growth Vessel values	This risk cannot be controlled, but is mitigated by: Diversification of the fleet held reducing the reliance on any particular economic sector or geography; Ensuring the fleet held is of high quality, and thus more likely to continue to be utilised; Chartering out vessels for the longest period possible on sensible economic terms. Ultimately, lower charter rates would be accepted in order to ensure employment of the vessels.

Principal and Emerging Risks and Uncertainties (continued)

Underlying cause of risk or uncertainty	Objective impacted (in what way)	Control or mitigation implemented
Vessel maintenance or capital expenditure may be more costly than expected	Capital growth Dividends Liquidity Vessel values	<p>The Company has engaged experienced managers to monitor the need for maintenance or Capital expenditure and provision is made for expected levels of expenditure when a vessel is purchased.</p> <p>Actual spend will be compared to expected and adjustments made to the provisions held if necessary.</p>
A vessel may be lost or significantly damaged	Capital growth Vessel values	<ul style="list-style-type: none"> -Insurance, including war risk, innocent owners insurance and loss of revenue insurance, is arranged with reputable insurers for each vessel -Charter party terms are in place to afford suitable protection to Owners including avoidance of sanctioned and conflict areas -Operational risks are further mitigated through measures like daylight sailing, naval escort, route planning clear of higher risk areas -The Asset Manager maintains a detailed manual that documents best practices operating procedures to be followed by crew and technical staff.
The Company may not have enforceable title to the vessels purchased	Liquidity Vessel values	<p>The Company has engaged a very experienced Investment Manager who is responsible for establishing such title. This is then monitored by the Board using publicly available information.</p>
Failure of, or unwillingness of, a non-charter counterparty to meet its obligations to the Company	Capital Growth Loss of invested cash	<p>Operating bank accounts for the SPVs are held with an unrated bank, because those banks' systems are considered highly suited to such operations, but are limited in total amount to \$10m per bank. Surplus funds are invested only with banks of a single -A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency. Operating accounts are swept monthly into an account with a rated bank. Ratings, monthly sweeps and overall limits are monitored by the Administrator, who reports exceptions to the Board.</p>
Failure of systems or controls in the operations of the Investment Manager, Asset Manager or the Administrator and thereby of the Company	Capital Growth Loss of assets, reputation or regulatory permissions and resulting Fines	<p>This risk cannot be directly controlled but the Board and its Audit Committee regularly review reports from its Service Providers on their internal controls.</p>

Corporate Governance Statement

The Company is a member of the AIC and has therefore elected to comply with the provisions of the current AIC Code of Corporate Governance which sets out a framework of best practice in respect of governance of investment companies (the “**AIC Code**”). The AIC Code has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission (the “**GFSC**”) as an alternative means for members to meet their obligations in relation to the UK Corporate Governance Code (“the Code”).

The AIC Code was updated in February 2019 for accounting periods commencing on or after 1 January 2019 (“AIC Code 2018”). The AIC Code 2018 comes into effect for the Company from 1 July 2019. The Directors are committed to high standards of corporate governance and for this reason have already implemented many of its provisions in addition to compliance with the AIC Code. In place of the previous 21 principles, the AIC Code 2018 adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies under the new Code.

Changes to the AIC Code implemented by the Board

- The AIC Code 2018 has retained the UK Code requirement that the Board should understand the views of the Company’s key stakeholders and describe in the Annual Report how their interests and the matters set out in section 172 (Duty to promote the success of the company) of the UK Companies Act 2006 have been considered in board discussions and decision-making. This applies irrespective of where the company is domiciled, provided it does not conflict with local company law.

Board response

The Board receives quarterly reports from the Corporate Broker which include commentary on the share register and shareholders. The Board take seriously the matters set out in section 172 including impacts on the Environment which is discussed in detail in our Report on pages 29 and 30. The Board seeks the views of shareholders via the Corporate Broker and is fully aware of shareholder sentiment and expectations.

- Unlike in the UK Code, the revised AIC Code 2018 permits the Chairman to remain in post beyond nine years from the date of first appointment by the Board.

Board response

Refer to the following page where we describe in the paragraph headed ‘Independence’ our policy on tenure.

- Unlike in the UK Code, the AIC Code 2018 permits the Chairman to be a member of the Audit Committee provided he or she was independent on appointment. The prohibition on the Chairman of the Board being Chairman of the Audit Committee is retained.

Board response

As described in the Audit Committee Report the Chairman of the Board is also a member of the Audit Committee. The Board consider this appropriate given the number of Directors of the Company and the benefits his experience and knowledge brings.

Corporate Governance Statement (continued)

- The Board should carry out a robust assessment of the Company's Principal and Emerging risks and confirm in the Annual Report that it has completed this assessment. A description of the risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated.

Board response

Refer to page 16 and 17 which describes in detail our assessment of the risks facing the Company.

As noted above the Board has considered the principles and provisions of the existing AIC Code, produced by the Association of Investment Companies ("AIC"). The Company has complied with the recommendations of the AIC Code (except as set out below) and associated disclosure requirements of the Listing Rules (to the extent applicable to the Company).

As disclosed in the Listing documents, the Company, being an externally advised investment company with an entirely non-executive board of directors does not consider the following provisions of the AIC Code applicable:

- the role of the chief-executive,
- executive directors' remuneration, and
- the need for an internal audit function

Considering that the Board comprises of only three Directors, no Senior Independent Director has been appointed.

The Board has formulated policies and procedures to assist them to comply with the AIC Code:

Independence

All three of the Directors are currently considered by the Board to be independent of the Company and the Tufton Group, and have been Directors for less than 3 years. The Board's current policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the role of Chairman, has been imposed. New Directors will receive an induction from the Investment Manager and the Administrator on joining the Board, and all Directors will receive other relevant training as necessary on their on-going responsibilities in relation to the Company.

Corporate Governance Statement (continued)

Diversity Policy

The Company supports the AIC Code provision that Boards should consider the benefits of diversity, including gender, when making appointments and is committed to ensuring it receives information from the widest range of perspectives and backgrounds. The Company's aim as regards the composition of the Board is that it should have a balance of experience, skills and knowledge to enable each Director and the Board as a whole to discharge their duties effectively. Whilst the Board of the Company agrees that it is entirely appropriate that it should seek diversity, it does not consider that this can be best achieved by establishing specific quotas and targets and appointments will continue to be made based wholly on merit. Accordingly when changes to the Board are required, due regard is given to both the need for diversity and to a comparative analysis of candidates' qualifications and experience. A pre-established, clear, neutrally formulated and unambiguous set of criteria would be utilised to determine the most suitable candidate for the specific position sought.

Statement of Directors' Responsibilities

The Directors are responsible for preparing an annual report and financial statements for each financial period which give a true and fair view, in accordance with applicable law and regulations, of the state of affairs of the Company and of the profit or loss of the Company for that period.

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 International Financial Reporting Standards ("IFRS").

In preparing the Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The maintenance and integrity of the Company's website, which is maintained by the Investment Manager is the responsibility of the Directors. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the Financial Statements comply with Companies Law. The Directors 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.

Each of the Directors confirms that, to the best of their knowledge:

- They have complied with the above requirements in preparing the financial statements;
- There is no relevant audit information of which the Company's auditors are unaware;
- All Directors have taken the necessary steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of said information;
- The Financial Statements, prepared in accordance with IFRS and applicable laws, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The Chairman's Statement, Report of Directors and Corporate Governance Statement include a fair and balanced review of the development of the business and the financial position of the Company, together with a description of the principal and emerging risks and uncertainties that it faces.

Statement of Directors' Responsibilities (continued)

The Corporate Governance Code, as adopted by the Company, also requires Directors to ensure that the Annual Report and Audited Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter the Board has requested that the Audit Committee advises on whether it considers that the Annual Report and Audited Financial Statements fulfil these requirements. The process by which the Audit Committee has reached these conclusions is set out in the Audit Committee Report on pages 32 to 34. Furthermore, the Board believes that the disclosures set out on pages 44 to 72 of the Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Having taken into account all matters considered by the Board and brought to the attention of the Board for the year ended 30 June 2019, as outlined in the Corporate Governance Statement, Strategic Report and the Audit Committee Report, the Board has concluded that the Annual Report and Audited Financial Statements for the year ended 30 June 2019, taken as a whole, are fair, balanced and understandable and provide the information required to assess the Company's performance, business model and strategy.

Report of the Directors

The Directors present their Annual Report and the Audited Financial Statements of the Company for the year ended 30 June 2019.

The Company was registered in Guernsey on 6 February 2017 and is a registered closed-ended investment scheme under the POI Law. The Company's Ordinary Shares were listed on the Specialist Fund Segment of the Main Market of the London Stock Exchange on 20 December 2017 under the ticker "SHIP".

Investment Objective

The Company will make investments through a Guernsey holding company into one or more underlying SPVs which will mainly be wholly owned by the Guernsey holding company and over which the Company will exercise control with regards to investment decisions. The Company may from time to time invest through vehicles which are not wholly owned by it. In such circumstances, the Company will seek to secure controlling rights over such vehicles through shareholder agreements or other legal arrangements.

The Directors and Investment Manager expect that most or all of the SPVs will be registered in the Isle of Man. Marine Services (IOM) Limited, an affiliate of the Investment Manager, licensed by the Financial Supervision Commission of the Isle of Man, will be the corporate secretary, provide directors to and act as administrators of the IOM SPVs and most other SPVs. It is anticipated that some of the bookkeeping and transaction processing will be carried out by the Asset Manager. Regardless of the aforementioned, the SPVs will be serviced by affiliates of the Investment Manager and be operationally serviced by entities under the indirect control of the Investment Manager at all times.

The Company will at all times invest and manage its assets in a manner which is consistent with the objective of spreading investment risk. This is achieved by adhering to the Investment Restrictions as set out in the Prospectus.

Share issues

The Directors were authorised at the last AGM to allot up to 200 million ordinary Shares and 200 million C Shares, such authority to expire 24 September 2019.

There was a C Share issue of 78,400,000 shares on 16 October 2018. The conversion of 78,400,000 C Class Shares was completed on 31 January 2019. The resulting 84,624,960 ordinary shares were listed on the Specialist Funds Segment of the Main Market of the London Stock Exchange effective 12 February 2019.

Report of the Directors (continued)

Share issues (continued)

On 11 March 2019, the Company announced the results of its Placing and Offer for Subscription of 49,019,608 Ordinary Shares, which raised gross proceeds of US\$50 million. These ordinary shares were issued on the Specialist Funds Segment of the Main Market of the London Stock Exchange effective 14 March 2019.

Results and dividends

The Company's performance during the year is discussed in the Chairman's Statement on pages 3 - 4. The results for the year are set out in the Statement of Comprehensive Income on page 44.

Directors

The Directors of the Company who served during the year and to date are set out on pages 7 and 8.

Directors' interests

The Directors held the following interests in the share capital of the Company either directly or beneficially as at 30 June 2019, and as at the date of signing these Financial Statements:

	2019	2018
	Shares	Shares
R King	45,000	35,000
S Le Page	15,000	15,000
P Barnes	5,000	5,000

The Directors fees are as disclosed below:

Director	2019	*2018
	£	£
R King	30,000	22,500
S Le Page	28,000	21,000
P Barnes	25,000	18,750

*The Directors agreed to waive part of their fees for the period from inception to 30 June 2018.

Report of the Directors (continued)

Other Interests

Tufton Group key employees of the Investment Manager and other related parties held the following interests in the share capital of the Company either directly or beneficially.

2019

Name	Ordinary Shares	% of issued Share Capital
	2019	2019
Tufton Group Entities	3,148,000	1.464
Tufton Group Employees	2,058,179	0.957
Tufton Group non-executive directors	554,740	0.258

2018

Name	Ordinary Shares	% of issued Share Capital
	2018	2018
Tufton Group Entities	3,148,000	3.460
Tufton Group Employees	1,362,000	1.496
Tufton Group non-executive directors	490,000	0.538

Share buy backs and discount management

Subject to working capital requirements, and at the absolute discretion of the Directors, excess cash may be used to repurchase Shares should the Shares close at a discount to NAV of 10% or greater for a period of 90 consecutive days. The Administrator tracks the discount/premium of the share price to NAV and presents the information to the Board regularly.

The Company did not purchase any of its own shares during the period. Any Shares repurchased pursuant to the general authority referred to above may be held in treasury. The Companies Law allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. These treasury shares may be subsequently cancelled or sold for cash.

Unless authorised by Shareholders, no Shares will be sold from treasury at a price less than the NAV per Share at the time of the sale unless they are first offered *pro-rata* to existing Shareholders. The Company will not hold treasury shares in excess of 10% of the ordinary share capital of the Company.

Report of the Directors (continued)

Share buy backs and discount management (continued)

- The maximum number of Shares authorised to be purchased shall be 14.99% of the Shares in issue immediately following completion of the buy back, and;
- the minimum price which may be paid for a Share is US\$0.01, and;
- the maximum price which may be paid for a Share shall be the higher of:
 - an amount equal to 105% of the average of the mid market quotations of a Share (as taken from the Daily Official List of the London Stock Exchange) for the five business days prior to the date the purchase is made; and
 - the higher of:
 - the price of the last independent trade; and
 - the highest current independent bid for Shares on the London Stock Exchange at the time the purchase is carried out.

This authority shall expire on the conclusion of the next annual general meeting of the Company, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require the purchase of Shares after such expiry pursuant to any such offer or agreement as if the power conferred by the resolution had not expired.

Board Responsibilities and Corporate Governance

Please note the corporate governance statement on page 18 to 19 which forms part of this report.

Appointment, re-election and remuneration of Directors

Directors will be selected and appointed by the Board as a whole. There will be no separate nomination committee as the Board comprises only three Directors. The Company's Board has been assembled, with the aid of the Company's advisers, to ensure that it has the appropriate breadth of experience and skills as at the date of this document as seen above in their biographies. The Directors will thereafter be responsible for reviewing the size, structure and skills of the Board and considering whether any changes are required or new appointments are necessary to meet the requirements of the Company's business or to maintain a balanced Board. This will be formally considered annually at the time of the Board, Chairman and Directors' annual performance appraisal. The Board have been briefed by their legal advisers about their on-going responsibilities as directors.

The Articles require that at each annual general meeting, all of the Directors will submit themselves for re-election. The Company will not have a separate remuneration committee as the Board, which comprises only three Directors, as a whole will fulfil the function of a remuneration committee.

Annual performance appraisal

The performance of the Board, committees and individual Directors is evaluated annually through a self-assessment process coordinated by the Administrator who will circulate the findings to the Board. The first evaluation took place in October 2018. The Board may undertake a review by an independent third party from time to time.

Report of the Directors (continued)

Board Responsibilities and Corporate Governance (continued)

Audit Committee

The Board will delegate certain responsibilities and functions to the Audit Committee. Steve Le Page is the chairman of the Company's Audit Committee which comprises the full Board. In discharging its responsibilities the Audit Committee will review the annual and half yearly Financial Statements, the risks to which the Company is subject and the system of internal controls, and the terms of appointment and remuneration of the independent auditor. It is also the forum through which the auditor reports to the Board. The Audit Committee is expected to meet at least twice a year. The objectivity of the independent auditor will be reviewed by the Audit Committee, which will also review the terms under which the independent auditor is appointed to perform non audit services. The Audit Committee will review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to non-audit services and fees.

The members of the Audit Committee consider that they collectively have the requisite skills and experience to fulfil the responsibilities of the audit committee. Given Mr Le Page's skills and financial experience, the Board has satisfied itself that at least one member of the Audit Committee has recent and relevant financial experience.

Other Committees

The Board, which comprises only three Directors, will fulfil the responsibilities typically undertaken by a nominations committee and a management engagement committee. In addition, the Board has the ability to put in place sub-committees of directors to review ad-hoc pieces of information and take decisions based upon their findings, e.g. decisions in relation to disclosure of information under MAR.

Operation of the Board

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature will be determined by the Board. A formal schedule of matters reserved for decision of the Board has been adopted. The Board meet at least quarterly to review the overall business of the Company and to consider the matters specifically reserved for it. The quorum at Directors' meetings is two directors present in person or by telephone and they are normally held in Guernsey. Detailed information is provided by the Investment Manager, Asset Manager and Administrator for these meetings and additionally at regular intervals to enable the Directors to monitor compliance with the investment objective and the investment performance of the Company both in an absolute and relative sense. The Directors are provided with standard papers in advance of each quarterly meeting to allow the review of several key areas including the Company's investment activity over the quarter relative to its investment policy; the global shipping industry; the revenue and balance sheet position; gearing; performance; share price discount or premium (both absolute levels and volatility); and relevant industry and macro-economic issues.

The Board will also receive quarterly reports from the Administrator and Corporate Broker analysing and commenting on the composition of the Company's share register and monitoring of significant changes to Shareholdings.

Report of the Directors (continued)

Independent Auditor

The Audit Committee is responsible for overseeing the Company's relationship with the Independent Auditor, including making recommendations to the Board on the appointment of the Independent Auditor and their remuneration. PricewaterhouseCoopers CI LLP ("PwC") was originally appointed as the Company's Independent Auditor on 20 December 2017.

The auditor, PwC, has indicated its willingness to remain in office. A resolution for the reappointment of PwC was proposed and approved at the AGM on 24 October 2018. Another resolution for their appointment will be proposed at the AGM in 2019.

Annual Report and Financial Statements

The Board of Directors is responsible for preparing the Annual Report and Financial Statements. The Audit Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise and any specific areas which require judgement.

Anti-bribery and corruption

The Board acknowledges that the Company's international operations may give rise to possible claims of bribery and corruption. In consideration of the UK Bribery Act the Board reviews the perceived risks to the Company arising from bribery and corruption to identify aspects of the business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards both bribery and corruption, and has reiterated its commitment to carry out business fairly, honestly and openly.

In respect of the UK Criminal Finances Act 2017 which has introduced a new Corporate Criminal Offence of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that it is committed to zero tolerance towards the criminal facilitation of tax evasion. The Board also keeps under review developments involving other social and environmental issues, such as Modern Slavery and General Data Protection ("GDPR"), and will report on those to the extent that they are considered relevant to the Company's operations.

Alternative Investment Fund Managers Directive ('AIFMD')

The Investment Manager, Tufton Oceanic Ltd, has been authorised by the UK FCA, as a Small Registered UK AIFM under the AIFMD. The funds managed by the AIFM, including the Company, are now defined as Alternative Investment Funds and are subject to the relevant articles of the AIFMD.

Report of the Directors (continued)

Internal control and financial reporting

The Board is responsible for establishing and maintaining the system of internal controls required by the Company's operations. These internal controls are undertaken by the service providers. Internal control systems are designed to meet the specific needs of the Company and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss.

The key procedures which have been established to provide effective internal controls include:

- Maitland Administration (Guernsey) Limited is responsible for the provision of administration, accounting and company secretarial duties;
- Tufton Oceanic Ltd is the Investment Manager and provides portfolio management and risk management services to the Company. They are also the AIFM for the purposes of the AIFMD;
- Oceanic Marine Management Limited, an affiliate of the Investment Manager, provides Asset Management services to each underlying SPV;
- Marine Services (IOM) Limited, an affiliate of the Investment Manager, provides administration, accounting and company secretarial services for the SPVs;
- Computershare Investor Services (Guernsey) Limited is responsible for the provision of Registrar services;
- The Board clearly defines the duties and responsibilities of the Company's agents and advisers in the terms of their contracts;
- The Board receives assurances from the Company's agents and advisers that any amendments required as a result of regulatory change, including the General Data Protection Regulations (effective 25 May 2018), are actioned accurately and promptly; and
- The Board reviews financial information and compliance reports produced by the Administrator on a regular basis.

The Board and Audit Committee have reviewed the Company's risk management and internal control systems and believe that the controls are satisfactory, given the size and nature of the Company.

Environment

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company.

The Directors recognise that their first duty is to act in the best financial interests of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company.

Report of the Directors (continued)

Environment (continued)

In asking the Company's Investment Manager to deliver against these objectives, the Directors have also requested that the Investment Manager take into account the broader social, ethical and environmental issues of the vessels within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long-term risk to the sustainability of their businesses and that this reflects stakeholders views. More specifically, the Board expect companies to demonstrate ethical conduct, effective management of their stakeholders' relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues.

The Directors along with the Investment Manager, recognise the value of integrating principles of Responsible Investment into the Investment management process and ownership practices in the belief that this can have an impact on the long-term financial performance. The Investment Manager became a signatory to the United Nations Principles of Responsible Investment in December 2018 and has drafted a Responsible Investment policy. This is available on the Company's website. Refer to page 15 for further information on how Environment, Social and Governance issues are considered when making investment decisions.

Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Viability statement

The Board, in assessing the long-term viability of the Company, have paid particular attention to the Principal and Emerging Risks and Uncertainties faced by the Company as disclosed on pages 16 to 17 of these Financial Statements. In addition, the Board has considered the cash flow projection for the running costs of the Company to ensure the Company retains sufficient cash to meet its operating costs until the end of the viability period. The Board has taken into account the cash flow-weighted average length of its charters which are expected to be in excess of three years and have therefore determined the appropriate viability period for the Company to be three years. The Directors have also assumed that should a continuation vote be required in 2021 the Company would continue in operation after this date.

The Directors believe their assessment of the viability of the Company over the relevant period is sufficiently robust and encompassed the risks which could threaten the business model, future performance, solvency or liquidity of the Company considering a variety of severe but plausible scenarios. As a result, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due during this period.

Report of the Directors (continued)

Shareholders' significant interests

The following shareholders had notified to the Company a substantial interest of 5% or more of the issued share capital as at 30 June 2019.

	% of issued share capital
South Yorkshire Pensions Authority	11.39%
East Riding of Yorkshire Council	11.04%
Banque Pictet & Cie	9.68%
City of Bradford Metropolitan District Council	8.71%
Newton Investment Management Ltd	6.51%
Schroder Investment Management	6.47%

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. They request regular updates from the Company's placing agents and financial advisers on their communications with shareholders. They can also be contacted via the email address provided in the Chairman's Statement. The Annual Report and Audited Financial Statements are also distributed to other parties who have an interest in the Company's performance. Additional information on the Company can be obtained through the website www.tuftonoceanicassets.com, which is maintained by the Investment Manager.

The Notice of the Annual General Meeting is included within the Annual Report and Audited Financial Statements and is sent out at least 20 working days in advance of the meeting, in accordance with the AIC Code. All Shareholders have the opportunity to put questions to the Board or the Investment Manager formally at the Company's Annual General Meeting.

The Company Secretary and Investment Manager are available to answer general shareholder queries at any time throughout the year.

Approved by the Board of Directors on 10 September 2019 and signed on behalf of the Board by:

.....
.....
Rob King
Director

.....
.....
Steve Le Page
Director

Audit Committee Report

Chairman's introduction

I am pleased to present to you the Audit Committee report prepared in accordance with the current AIC Code, which reflects the current edition of the UK Corporate Governance Code to the extent that it is applicable to investment companies.

The terms of reference for the committee are available on the Company's website, www.tuftonoceanicassets.com. During the year ended 30 June 2019 and to the date of this report, the main areas of activity have been as follows:

- Reviewing the accounting policies for the Company to ensure they remain appropriate for the preparation of the Company's Annual Report and Audited Financial Statements;
- Reconsidering the areas of judgment or estimation arising from the application of International Financial Reporting Standards to the Company's activities and the documentation of the rationale for the decisions made and estimation techniques selected, to ensure they remain appropriate;
- Meeting with the Independent Auditor, PwC, to review and discuss their independence, objectivity and proposed scope of work for their audit of this annual report;
- Meeting with the Company's principal service providers to review the controls and procedures operated by them to ensure that the Company's risks are properly managed and that its financial reporting is complete, accurate and reliable; and
- Reviewing in detail the content of this Annual Report, the work of the service providers in producing it and the results of the external audit.

Membership and Role of the Committee

The whole Board are currently members of the Audit Committee (the "Committee") and this is considered appropriate given the size of the Company. Furthermore, the Chairman of the Board is a member of the Committee, both because of the size of the Company and because it is felt that the Committee benefits from his experience and knowledge. Details about the responsibilities of the Committee is available in the terms of reference on the website.

The Committee discharges its responsibilities through a series of scheduled meetings, the agendas of which are linked to events in the financial calendar of the Company. The Committee met twice during the year ended 30 June 2019 and once more since the period end. The Independent Auditors attended all these meetings.

Audit Committee Report (continued)

Internal control

The Company itself has no internal systems to control. Internal control lies within the services provided by Tufton Oceanic Ltd, Maitland and other service providers. These controls are monitored primarily by the Board reviewing and challenging reports from these service providers, and through segregation of duties between them. In addition, the Board has made visits to certain service providers periodically to assess their organization and culture and to meet the individuals responsible for key functions. The Committee, and particularly the Chairman of the Committee, also closely monitors the financial reporting process and the tasks undertaken in the production of the annual report. This has involved visiting Marine Services (IOM) Limited, the administrators of the Isle of Man SPVs, VesselsValue Ltd, the supplier of the information underlying the valuation of most of the vessels held by the Company, and Tufton Oceanic Ltd the Investment Manager.

Review of accounting policies and areas for judgment or estimation

These financial statements reflect the second application of the accounting policies and estimation techniques originally set out in the Company's Prospectus for its IPO in December 2017. These policies have been discussed with the Independent Auditor, and the Audit Committee confirms that they are still considered to be appropriate.

In particular, the following significant areas in relation to the preparation of these financial statements have been discussed:

- The application of IFRS 10 – Consolidated Financial Statements (“IFRS 10”) to the Company;
- The detailed approach to arriving at the estimate of fair value for each vessel, SPV and the Guernsey Holding Company, LSAL.
- The adoption by the Company of IFRS 9 - Financial instruments (“IFRS 9”).

These financial statements reflect the outcome of those discussions. In addition, the auditor's proposed scope of work in connection with these areas and the statements in general was agreed.

Fair value estimation

The majority of the net asset value (“NAV”) of the Company is derived from the fair value of the vessels owned by the Company's indirect SPV subsidiaries, which are themselves held by the Company's subsidiary, LS Assets Limited. Exact details of the valuation techniques applied to the vessels and of how the Company's NAV is derived is given in Note 12 to these financial statements. The Committee has paid particular regard to evaluating these techniques to ensure they are reasonably accurate, reliable and appropriate. The sensitivity of these valuations to various input assumptions is given in Note 11. The Committee is satisfied that these techniques are reasonable and appropriate for use in the preparation of these financial statements and in the calculation of the published quarterly NAV per share in the Company.

Audit Committee Report (continued)

External Audit

During the year ended 30 June 2019, and up to the date of this report, the Committee has met formally with the Independent Auditor on three occasions, and in addition the Chair of the Committee has spoken to them informally on several occasions. These informal meetings have been held to ensure the Chairman is kept up to date with the progress of their work and that their formal reporting meets the Committee's needs.

The formal meetings included detailed reviews of the proposed fees and scope of the work to be performed by PwC, in their audit for the period to 30 June 2019. They also included detailed reviews of the results of this work, their findings and observations. I am pleased to report that there are no matters arising from their work which should be brought to the attention of shareholders.

The Committee has also reviewed PwC's report on their own independence and objectivity, including the level of non-audit services provided by them. The only non-audit services provided were as reporting accountants in relation to the September Prospectus for which a fee of £50,000 was paid in the prior year.

The Committee has also considered the potential for a conflict of interest between the Chairman of the Committee and PwC as a result of his being an ex-partner of that firm. In making this consideration the members of the Committee other than the Chairman noted that he retired from that firm six years ago, three clear years before they were selected as external auditors and that he had no financial relationship with them at that or any other relevant time. It was concluded by those members that no actual conflict of interest existed.

The Committee has therefore concluded that PwC is independent and objective, carries out its work to a high standard of quality and provides concise but useful reporting. The Committee also notes that they were appointed to office less than three years ago. Accordingly, the Committee has recommended to the Board that PwC be put forward to the AGM of the Company for re-election.

Annual Report

The Committee members have each reviewed this Annual Report and earlier drafts of it in detail, comparing its content with their own knowledge of the Company, reporting requirements and shareholder expectations. Formal meetings of the Committee have also reviewed the report and its content and have received reports and explanations from the Company's service providers about the content and the financial results. The Committee has concluded that the Annual Report, taken as a whole, is fair, balanced and understandable, and that the Board can reasonably and with justification make the Statement of Directors' Responsibilities on pages 21 to 22.

.....
Steve Le Page
Chairman of the Audit Committee

Independent Auditor's Report to the Members of Tufton Oceanic Assets Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Tufton Oceanic Assets Limited (the “**Company**”) as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

The Company's financial statements comprise:

- the Statement of Financial Position as at 30 June 2019;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the Company, as required by the Crown Dependencies' Audit Rules and Guidance, and we have fulfilled our ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Materiality

- Overall materiality was US\$5.6 million which represents 2.5% of the Company's net assets.

Audit Scope

- The Company is incorporated and based in Guernsey.
- The financial statements consist of the standalone parent company financial information and includes the Company's investment into its directly held subsidiary, which is held at fair value. The subsidiary in turn holds 15 Special Purpose Vehicle subsidiaries (“SPVs”).
- The principal activities of the Company comprise investing in a diversified portfolio of shipping assets through its subsidiary based in Guernsey and the SPVs based in the Isle of Man.

Independent Auditor's Report to the Members of Tufton Oceanic Assets Limited (continued)

- We conducted our audit of the financial statements based on financial information provided by the Company's service providers, Maitland Administration (Guernsey) Limited (Administrator) and Tufton Oceanic Ltd (Investment Manager) to whom the Board of Directors has delegated the certain administrative functions and other functions.
- In assessing the fair value of the investments in the SPVs owned by the Company's subsidiary, we also conducted audit procedures on financial information provided by Marine Services (IOM) Limited, the administrator of the SPVs.
- The board have also appointed Tufton Oceanic Limited to assist in identifying acquisition targets, assist in managing these assets and identifying divestment opportunities.
- We conducted all of our audit work in Guernsey and the United Kingdom and we tailored the scope of our audit taking into account the structure of the Company, type of investment held by the Company, the accounting processes and controls and the industry the Company is exposed to through its investments.

Key audit matters

- Valuation and existence of investments

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

The Company and its subsidiary are based in Guernsey and the SPVs are located in Isle of Man. The financial statements are not consolidated but instead present the fair value of the subsidiary's shipping assets held via the SPVs and the other residual net assets of the subsidiary and SPVs.

Scoping was performed at the Company level, irrespective of whether the underlying transactions took place within the Company, subsidiary or SPVs. The Company audit was led, directed and controlled by PricewaterhouseCoopers CI LLP and all audit work for material items within the financial statements was performed in Guernsey by PricewaterhouseCoopers CI LLP.

The transactions relating to the Company and its subsidiary are maintained by the Administrator and therefore we were not required to engage with component auditors from another PwC global network firm operating under our instruction. The transactions related to the SPVs are maintained by Marine Services (IOM) Limited, a related company of the Investment Manager and all audit procedures related to the SPVs were undertaken by us remotely and no component auditors from another PwC global network were required.

Independent Auditor's Report to the Members of Tufton Oceanic Assets Limited (Continued)

Representatives of PricewaterhouseCoopers CI LLP had previously visited Marine Services (IOM) Limited during the prior year audit. Testing was performed using thresholds which are determined with reference to the overall Company materiality and the risks of material misstatement identified to the Company as a whole, meaning that both the subsidiary and all the SPVs were included within our audit scope.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall Company materiality</i>	US\$5.6 million
<i>How we determined it</i>	2.5% of net assets
<i>Rationale for the materiality benchmark</i>	We believe that net assets is the most appropriate benchmark as this is a key metric of interest to members of the Company. It is also a generally accepted measure used for investment funds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US\$282,300 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the Key audit matter

Valuation and existence of investments

Valuation

The fair value of the Company's investments

We planned and executed our audit to critically assess how management applied their assumptions in determining the fair

amount to US\$220.9 million at 30 June 2019 and comprise the Company's holding in its direct subsidiary, which in turn owns 15 SPVs, each of which holds an interest in a shipping asset (the "underlying portfolio Investment"), for all of which there are identifiable liquid markets.

The fair value of the investment has been determined based on the fair value of (a) the underlying investment portfolio and (b) the other residual net assets within the subsidiary and SPVs as at 30 June 2019. The fair value of the underlying investment portfolio has been valued using standard industry methodology using one of two principal methods dependant on whether the vessel is classified as a standard or specialised vessel.

Standard vessels are valued on a 'charter free' basis using an independent third-party vessel valuation service, and those valuations are then adjusted for each vessel's charter lease contracts attached to the vessel (based on the premium/discount to the independent third party vessel valuation services standard market charter rates) and for the estimated capital expenditure cycle associated with the dry docking of the vessel. The latter adjustment necessitates judgement in respect of the expected condition of each vessel and the magnitude of capital expenditure required while in dry dock.

Specialised vessels are valued "with charter", by the Investment Manager, using the discounted cash flow valuation methodology.

The other residual net assets consist of accounts payable and cash balances which are measured consistently with the Company's accounting policies at amortised cost using the effective interest method.

The Board has set out in Note 3 their consideration of the areas of judgement and estimation relating to the valuation of the vessels. Note 4 includes a breakdown of the investments and Note 11 includes the key assumptions applied to the valuation. Significant levels of judgement and estimate are applied by both the Board and Investment Manager in determining the respective fair

value, as well as obtaining audit evidence over the existence, of all entities and vessels in the Company's investment ownership structure. Our audit procedures included:

- Understanding and reviewing the design and implementation of the internal controls around the information used in the valuation models at 30 June 2019 at the Administrator and Investment Advisor.

For standard vessels:

- Assessment of the third-party vessel valuation service's independence, qualifications and expertise through enquiry with valuation specialists in our PwC UK network firm.
- Benchmarking of the current year fair values to recent comparable market transactions per vessel and the prior year valuation. Where vessels were outside of the range applied the engagement team sought further evidence to support the Investment Manager's determined fair value.
- Obtaining and inspecting the independent valuations received by the Company in respect of obtaining 'charter-free' values from the third-party vessel valuation service.
- Assessing the charter lease contract adjustments by comparing the actual charter rates per the records of the SPVs pertaining to each vessel to the independent market charter rates to assess the reasonableness of the adjustments made by the Investment Manager.
- Assessing the dry docking adjustment made by the Investment Manager by recalculating the dry docking adjustment value between the last actual cost and the Investment Manager's next estimated dry dock expense over the dry docking cycle.
- Agreeing key inputs used by the third-party vessel valuation service to independent sources or underlying agreements (which included such details as the vessel build year, type, size etc.).
- With the assistance from valuation specialists in our PwC UK network firm:

values of the underlying vessels, the SPVs and the subsidiary.

Existence

The Company's direct and indirect ownership rights in its subsidiary and SPVs within the structure consist of unlisted equity securities, shareholder loans and capital contributions and therefore there is no central independent depository of custody. For each vessel there is similarly no central depository confirming ownership rights. The existence of the investment in the subsidiary as well as the underlying SPV's and vessels is determined via legal title to each of the equity shares of the subsidiaries and SPVs and ownership title to the underlying vessels.

The above matters, combined with the significance of the unlisted investment balance in the statement of financial position represented a significant risk from an audit perspective.

- We determined an independent range of independent charter free valuations for a sample of three vessels using independently sourced market transactions. This provided us with additional comfort over the reliability of the valuation methodology applied by the third party vessel valuation service, and
- We assessed the discount rate used by the third party valuation service in calculating the charter lease contracts adjustments.

For specialised vessels:

- Agreeing the purchase price (including deferred purchase prices where applicable) of each vessel to the signed deal documentation and discounted cash flow model.
- Agreeing the forecasted charter income cash flows to signed charter agreements.
- Recalculating and assessing exit values at the end of the fixed charter period based on the terms applicable to each vessel, dependent on management's intention or agreement with counterparties (such as scrap value or depreciated replacement cost etc.).
- Assessing the reasonableness of the discount rate applied, as well as the market and counterparty credit conditions as at 30 June 2019.
- Recalculating each vessel's discounted cash flow models for mathematical accuracy.
- With the assistance from valuation specialists in our PwC UK network firm:
 - Assessed the approach applied to the cash flows utilised within the discounted cash flow models for appropriateness in line with the vessels and agreements in place for specialised vessels.
 - Assessed the discount rate used against the previously assessed market discount rates used by the third-party vessel valuation service.

As it relates to undelivered vessels

At the year-end, the Company (via its subsidiary and SPVs) had entered into a sale and purchase agreement to acquire a vessel that was only delivered in July 2019. This sale and purchase agreement entitled the Company

to direct the ownership of the vessel from the transaction date, which was before the year-end. As a result, the Company has, in evaluating the fair value of the SPVs and subsidiary, recognised and measured the sale and purchase contract at its fair value as at the year-end. In auditing the fair value of this contract, we performed the following procedures:

- Confirming that the recognition criteria set out in IFRS were applicable by inspection of the contractual terms set out in the sale and purchase agreement, and by confirming the assessment made by the Board and Investment Manager.
- Testing post year-end settlement and delivery of the transaction.
- Testing the discounted cash flow model used by the Investment Manager in evaluating any fair value applicable to the financial contract held at the year-end. These procedures replicated those used for specialised vessels note above.

As it relates to the residual assets of the subsidiary and SPVs:

- Agreeing the residual net assets at both direct subsidiary and SPV level to the underlying records and performed sample based substantive testing on the residual net assets as considered appropriate.

As it relates to existence for all delivered vessels:

- Agreeing the shareholding of the directly held subsidiary as well as the underlying SPV's to share registers and agreements.
- Agreeing the purchase of all vessels made during the current financial period to supporting agreements and contracts.
- Confirming independently with the recognised Shipping Authorities the title of each of the underlying vessels as at 30 June 2019 for all vessels. For one vessel, we had to perform alternative audit procedures that provided us comfort over existence, as the flag country's register is unavailable for public enquiry.

For all vessels, we utilised open source vessel tracking resources to corroborate that the vessels were operational, the routes they are chartered on and recent photographic evidence thereof.

We did not identify any material issues from our procedures with regards to the valuation and existence of the Company's investments in its subsidiary, the indirect investments in the SPVs or the valuation and existence of the underlying shipping assets themselves which required reporting to those charged with governance.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Audited Financial Statements but does not include the financial statements and our auditor's report thereon.

Other than as specified in our report, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law 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 Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company and the wider economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

The directors have volunteered to report on how they have applied the UK Corporate Governance Code (the “Code”).

We have nothing to report in respect of the following matters which we have reviewed:

- the directors' statement on page 30 in relation to going concern. As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;
- the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Roland Mills
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants Recognised Auditor
Guernsey, Channel Islands
10 September 2019

Statement of Comprehensive Income
For the year ended 30 June 2019

	Notes	2019 US\$	6 February 2017 to 30 June 2018 US\$
Income			
Net changes in fair value of Financial Assets designated at fair value through profit or loss	4	17,776,829	3,482,168
Total net income		17,776,829	3,482,168
Expenditure			
Aborted deal costs		(21,293)	-
Administration fees		(120,680)	(41,949)
Audit fees		(91,358)	(79,700)
Corporate Broker fees		(130,511)	(41,510)
Directors' fees	17	(109,264)	(84,769)
Foreign exchange loss		(2,507)	(3,099)
Insurance fee		(62,803)	(36,226)
Investment management fee	13	(1,294,621)	(206,140)
Professional fees		(48,753)	(16,022)
Sundry expenses		(48,870)	(4,867)
Total expenses		(1,930,660)	(514,282)
Operating profit		15,846,169	2,967,886
Finance income		574,331	315,557
Profit and comprehensive income for the year		16,420,500	3,283,443
IFRS Earnings per ordinary share (cents)	8	11.94	3.61
Adjusted Earnings per ordinary share (cents)	8a	10.00	3.61

There were no potentially dilutive instruments in issue at 30 June 2019.

All activities are derived from continuing operations.

There is no other comprehensive income or expense apart from those disclosed above and consequently a Statement of Other Comprehensive Income has not been prepared.

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position

At 30 June 2019

	Notes	2019 US\$	2018 US\$
Non-current assets			
Financial assets designated at fair value through profit or loss (Investments)	4	220,998,073	49,622,259
Total non-current assets		<u>220,998,073</u>	<u>49,622,259</u>
Current assets			
Trade and other receivables	6	32,248	34,796
Cash and cash equivalents		5,500,139	43,030,736
Total current assets		<u>5,532,387</u>	<u>43,065,532</u>
Total assets		<u>226,530,460</u>	<u>92,687,791</u>
Current liabilities			
Trade and other payables		687,781	224,348
Total current liabilities		<u>687,781</u>	<u>224,348</u>
Net assets		<u>225,842,679</u>	<u>92,463,443</u>
Equity			
Share capital	7	215,012,016	89,180,000
Retained reserves	7	10,830,663	3,283,443
Total equity attributable to ordinary shareholders		<u>225,842,679</u>	<u>92,463,443</u>
Net assets per ordinary share (cents)	10	<u>100.53</u>	<u>101.61</u>

The accompanying notes are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 10 September 2019 and signed on its behalf by:

Rob King
Director

Steve Le Page
Director

Statement of Changes in Equity
For the year ended 30 June 2019

	Ordinary share capital US\$	Retained earnings US\$	Total US\$
Shareholders' equity at incorporation	-	-	-
Share issue	91,000,000	-	91,000,000
Listing costs	(1,820,000)	-	(1,820,000)
Profit and comprehensive income for the period	-	3,283,443	3,283,443
Shareholders' equity at 30 June 2018	<hr/>	<hr/>	<hr/>
	89,180,000	3,283,443	92,463,443
Share issue	50,000,016	-	50,000,016
Listing costs	(1,000,000)	-	(1,000,000)
C-Class share issue conversion	76,832,000	-	76,832,000
Profit and comprehensive income for the year	-	16,420,500	16,420,500
Dividends paid	-	(8,873,280)	(8,873,280)
Shareholders' equity at 30 June 2019	<hr/>	<hr/>	<hr/>
	215,012,016	10,830,663	225,842,679
	<hr/>	<hr/>	<hr/>

Statement of Cash Flows
For the year ended 30 June 2019

	Notes	2019 US\$	2018 US\$
Cash flows from operating activities			
Profit and comprehensive income for the year / period		16,420,500	3,283,443
Adjustments for:			
Purchase of investments	4	(153,598,985)	(46,140,091)
Change in fair value on investments	4	(17,776,829)	(3,482,168)
		<hr/>	<hr/>
Operating cash flows before movements in working capital		(154,955,314)	(46,338,816)
Changes in working capital:			
Movement in trade and other receivables	6	2,548	(34,796)
Movement in trade and other payables		463,433	224,348
		<hr/>	<hr/>
Net cash used in operating activities		(154,489,333)	(46,149,264)
		<hr/>	<hr/>
Cash flows from financing activities			
Net proceeds from issue of shares	7	125,832,016	89,180,000
Dividends paid to Ordinary shareholders	9	(8,481,280)	-
Dividends paid to C shareholders	9	(392,000)	-
		<hr/>	<hr/>
Net cash generated from financing activities		116,958,736	89,180,000
		<hr/>	<hr/>
Net movement in cash and cash equivalents during the year / period		(37,530,597)	43,030,736
Cash and cash equivalents at the beginning of the year / period		43,030,736	-
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year / period		5,500,139	43,030,736
		<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2019

1. General information

The Company was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 2008, as amended, on 6 February 2017 with registered number 63061, and is regulated by the GFSC as a registered closed-ended investment company. The registered office and principal place of business of the Company is 1 Le Truchot, St Peter Port, Guernsey, Channel Islands, GY1 1WD.

On 18 December 2017, the Company announced the results of its Placing and Offer for Subscription of Ordinary Shares, which raised gross proceeds of US\$91 million. The Company's ordinary shares were listed on the Specialist Funds Segment of the Main Market of the London Stock Exchange effective 20 December 2017.

On 11 October 2018, the Company announced that it had raised gross proceeds of US\$78,400,000 pursuant to the Placing and Offer for Subscription of C-Class Shares. The Company's C-Class Shares were listed on the Specialist Funds Segment of the Main Market of the London Stock Exchange effective 16 October 2018.

On 31 January 2019, the Company announced that the C-Class Share conversion had been completed. The resulting 84,624,960 ordinary shares were listed on the Specialist Funds Segment of the Main Market of the London Stock Exchange effective 12 February 2019.

On 11 March 2019, the Company announced the results of its Placing and Offer for Subscription of 49,019,608 Ordinary Shares, which raised gross proceeds of US\$50 million. These ordinary shares were listed on the Specialist Funds Segment of the Main Market of the London Stock Exchange effective 14 March 2019.

2. Significant accounting policies

(a) Basis of Preparation

Compliance with IFRS

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, Listing rules and applicable Guernsey law.

Historical cost convention

The financial statements have been prepared on a historical cost basis modified by the revaluation of investments at fair value through profit or loss. The principal accounting policies adopted and which have been consistently applied (unless otherwise indicated) are set out below.

Notes to the financial statements (continued)

For the year ended 30 June 2019

2. Significant accounting policies (continued)

(a) Basis of Preparation (continued)

Basis of non-consolidation

The directors consider that the Company meets the investment entity criteria set out in IFRS 10. As a result, the Company applies the mandatory exemption applicable to investment entities from producing consolidated financial statements and instead fair values its investments in its subsidiaries in accordance with IFRS 13. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services; and
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both (including having an exit strategy for investments); and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The directors consider that the Company's objective of pooling investors' funds for the purpose of generating an income stream and capital appreciation is consistent with the definition of an investment entity, as is the reporting of the Company's net asset value on a fair value basis.

(b) New and amended standards

At the reporting date of these Financial Statements, the following standards, interpretations and amendments, which have not been applied in these Financial Statements, were in issue but not yet effective:

IFRS 16 Leases (Effective 1 January 2019)

The Company expects that the adoption of IFRS 16 in the future period will not have an impact on the Company's Financial Statements.

IFRS 3 "Business Combinations" was issued in July 2001 and became effective for periods beginning on or after 1 January 2020. It is not anticipated that the new standard will have any material impact on the Company's financial position, performance or disclosures in its financial statements.

(c) Standards, amendments and interpretations effective during the year

Impact of initial application of IFRS 9 Financial Instruments

IFRS 9 Financial Instruments (Effective 1 January 2018)

IFRS 9 'Financial Instruments' amends IAS 39. IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts.

Notes to the financial statements (continued)

For the year ended 30 June 2019

2. Significant accounting policies (continued)

(c) Standards, amendments and interpretations effective during the year (continued)

The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss ("FVTPL"). IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The requirements for financial liabilities are mostly carried forward unchanged from IAS39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The standard also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. Therefore, the carrying amount of other receivables remains the same under IFRS 9 as the expected credit losses on the financial assets have been assessed as immaterial.

The new impairment model applies to financial assets measured at amortised cost. Trade and other receivables and cash and cash equivalents classified as Loans and Receivables under IAS 39 have been reclassified to Amortised Cost under IFRS 9. The Board have elected to use the simplified approach to calculating the expected credit losses for trade receivables. The impairment calculation is based on the Company's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. Given the historical level of defaults and the credit risk of the investment portfolio, there is a negligible impact because of the lifetime expected credit loss to be recognised versus the previous impairment model applied by the Company.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial assets and liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' specifies how and when to recognise revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Material revenue streams have been reviewed and there has not been an impact on adoption of this standard.

Notes to the financial statements (continued)

For the year ended 30 June 2019

2. Significant accounting policies (continued)

(c) Standards, amendments and interpretations effective during the year (continued)

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

(d) Segmental reporting

The Chief Operating Decision Maker is the Board of Directors. The Directors are of the opinion that the Company is engaged in a single segment of business, being the investment of the Company's capital in secondhand commercial vessels. The financial information used to manage the Company presents the business as a single segment.

(e) Income

Dividend Income

Dividend income is accounted for on an accruals basis from the date the dividend is declared.

Bank Interest Income

Interest income is accounted for on an accruals basis.

(f) Expenses

Expenses are accounted for on an accruals basis. Any performance fee liability is calculated on an amortised cost basis at each valuation date, with the respective expense charged through the Statement of Comprehensive Income. The Company's investment management and administration fees, finance costs and all other expenses are charged through the Statement of Comprehensive Income.

(g) Dividends to Shareholders

Dividends are accounted for in the Statement of Changes in Equity in the year in which they are declared.

(h) Taxation

The Company has been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 amended by the Director of Income Tax in Guernsey for the current year. Exemption is applied and granted annually and subject to the payment of a fee, currently £1,200.

(i) Financial Assets and Financial Liabilities

The Company classifies its investments in LS Assets Limited ("LSA") as a financial assets at fair value through profit or loss ("FVTPL").

The Company measures and evaluates the net assets of LSA on a fair value basis. The net assets include the underlying SPVs which values all vessels on a fair value basis.

Notes to the financial statements (continued)

For the year ended 30 June 2019

2. Significant accounting policies (continued)

(i) Financial Assets and Financial Liabilities (continued)

The Company reports fair value information to the Directors who use this to evaluate the performance of investments.

Recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Statement of Comprehensive Income.

Financial assets at fair value through profit or loss

Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the Statement of Comprehensive Income.

The Company's investment in LSA has been designated as at FVTPL on the basis that it is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the investments is provided internally on that basis. The Company measures and evaluates the performance of the entire investment into LSA on a fair value basis by using the net asset value of LSA including, in particular the underlying SPVs and the fair value of the SPVs' investments into their respective vessel assets as well as the residual net assets/liabilities of both the SPVs and LSA itself. The investment in LSA consists of both equity and debt instruments.

In estimating the fair value of each underlying SPV (as a constituent part of LSA's net asset value at fair value), the Board has approved the valuation methodology for valuing the shipping assets held by the SPVs. The carrying value of a shipping asset consists of its charter-free value plus or minus the value of any charter lease contracts attached to the vessel, plus or minus an adjustment for the capital expenditure associated with the dry docking of the vessel. Refer to Note 3 which explains in detail the judgements and estimates applied.

There are Time Charter contracts in place for standard vessels. Such Charters will vary in length but would typically be in the 2 – 8 years' range. As the shipping markets can be volatile over time, the value of such Charters will therefore either add to or detract from the open market Charter-Free value of the vessel. Under a time charter, the vessel owner provides a fully operational and insured vessel for use by the charterer. There is a fluid Charter market reported daily by freight brokers on the basis of time charter rates.

Notes to the financial statements (continued)

For the year ended 30 June 2019

2. Significant accounting policies (continued)

(i) Financial Assets and Financial Liabilities (continued)

Once a contracted time charter is known this is compared to the market benchmark and the difference is discounted using an industry weighted average cost of capital to establish a negative or positive value of the charter.

The value of the Charter is added to the Charter-Free value to ascertain a value with Charter.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any expected credit losses.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of a financial asset in its entirety, gains and losses on the sale of investments, which is the difference between initial cost and sale value, will be taken to the profit or loss in the Statement of Comprehensive Income in the period in which they arise.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial liabilities and equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or when they expire.

Notes to the financial statements (continued)

For the year ended 30 June 2019

2. Significant accounting policies (continued)

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts. As at 30 June 2019, the carrying amount of cash and cash equivalents approximate their fair value.

(k) Foreign currency translation

i) Functional and presentation currency

The financial statements of the Company are presented in US Dollars, which is also the currency in which the share capital was raised and investments were purchased, and is therefore considered by the Directors' to be the Company's functional currency.

ii) Transactions and balances

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in Statement of Comprehensive Income in the period in which they arise. Transactions denominated in foreign currencies are translated into US Dollars at the rate of exchange ruling at the date of the transaction.

(l) Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for at least the next twelve months. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Refer to page 30, Viability statement for key areas considered.

(m) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to the financial statements (continued)

For the year ended 30 June 2019

3. Critical Accounting Judgements and Estimates

The preparation of financial statements requires management to make estimates and judgements that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenue and expenses during the year. The nature of the estimation means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying the Company's accounting policies – IFRS 10: Consolidated Financial Statements

The audit committee considered the application of IFRS 10, and whether the Company meets the definition of an investment entity.

The directors concluded that the Company met the investment criteria set out in IFRS 10 and therefore consider the Company to be an investment entity in terms of IFRS 10. As a result, as required by IFRS 10 the Company is not consolidating its subsidiary but is instead measuring it at fair value in accordance with IFRS 13.

The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services; and
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both (including having an exit strategy for investments); and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis; and
- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services; and
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both (including having an exit strategy for investments); and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company's objective of pooling investors' funds for the purpose of generating an income stream and capital appreciation is consistent with the definition of an investment entity.

Notes to the financial statements (continued)

For the year ended 30 June 2019

3. Critical Accounting Judgements and Estimates (continued)

Critical judgements and estimates in applying the Company's accounting policies – financial assets at fair value:

The Company values its investment in LSA and the SPVs at their respective net asset values. The net asset values comprise shipping vessels which are measured at fair value and residual net assets/liabilities of each of the entities, and is considered by the Board and Investment Manager as an appropriate measure of fair value of these investments.

In estimating the fair value of each underlying SPV, the Board has approved the valuation methodology for valuing the shipping assets held by the SPVs. The carrying value of a standard vessel consists of its charter-free value plus or minus the value of any charter lease contracts attached to the vessel, plus or minus an adjustment for the capital expenditure associated with the dry docking of the vessel. This latter adjustment is an addition to value when the valuation date is nearer to the vessel's last dry docking than to its next expected visit to dry dock, and vice versa. In the opinion of the Directors, the carrying value determined as set out in more detail below represents a reasonable estimate of the fair value of that shipping asset.

The charter-free and associated charter values of typical vessels are calculated using an on-line valuation system provided by VesselsValue Ltd. For charter free values the system contains a number of algorithms that combine factors such as vessel type, technical features, age, cargo capacity, freight earnings, market sentiment and recent vessel sales.

For charter values, the system provides a DCF (Discounted Cashflow) module where vessel specific charter details are input and measured against system provided market benchmark to obtain a premium or discount value of the charter versus the typical vessel prevailing market.

The adjustment for the capital expenditure associated with the dry docking of the vessel is time apportioned on a straight line basis over the period between the vessel's last visit to dry dock and the date of its next expected visit, by reference to the actual cost of the last visit and the budgeted cost of the next.

The remaining four vessels are considered to be specialist vessels on long-term Bareboat Charters and are valued on a pure DCF basis by the Investment Manager using vessel specific information and both observable and unobservable data. The VesselsValue Ltd platform is not used for these assets. This DCF approach determines the present value of the future lease payments discounted at the project cost of capital is deemed to be a fair representation of the vessel/lease value. Project cost of capital discount rates are reviewed on a regular basis to ensure they remain relevant to prevailing project and market risk parameters. The prospectus sets out the basis on which non-typical and specialist vessels would be valued.

Notes to the financial statements (continued)

For the year ended 30 June 2019

3. Critical Accounting Judgements and Estimates (continued)

Critical judgements and estimates in applying the Company's accounting policies – financial assets at fair value for Parrot SPV

A Sale and Purchase agreement was executed in June 2019 for the SPV, Parrot Limited, to acquire a vessel. This enabled the Company to direct the ownership of the vessel from the transaction date and prior to the Company's year end.

The fair value of the investment has been calculated as the difference between the value of the vessel (on a DCF basis) and the costs to complete the transaction.

There were no other areas of estimations in the current year.

4. Financial Assets designated at fair value through profit or loss (Investment)

The Company owns the Investment Portfolio through its investment in LSA. The investment by LSA comprises the NAVs of the SPVs. The NAVs consist of the fair value of vessel assets and the SPVs residual net assets/liabilities. The Investment Portfolio is designated as Level 3 item on the fair value hierarchy because of the lack of observable market information in determining the fair value. The investment held at fair value is recorded under Non-Current Assets in the Statement of Financial Position as there is no current intention to dispose of any of the assets.

	2019 US\$	2018 US\$
LSA		
Brought forward cost of investment	46,140,091	-
Total investment acquired in the year / period	153,598,985	46,140,091
Carried forward cost of investment	<hr/> 199,739,076	<hr/> 46,140,091
Brought forward unrealised gains on valuation	3,482,168	-
Movement in unrealised gains on valuation	17,776,829	3,482,168
Carried forward unrealised gains on valuation	<hr/> 21,258,997	<hr/> 3,482,168
Total investment at fair value	<hr/> 220,998,073	<hr/> 49,622,259

Notes to the financial statements (continued)

For the year ended 30 June 2019

4. Financial Assets designated at fair value through profit or loss (Investment) (continued)

LSA (own net assets): Breakdown of Fair Value:

	2019 US\$	2018 US\$
Aglow Limited	9,962,674	-
Citra Limited	12,930,529	-
Darwin Limited	7,283,389	-
Dragon Limited	11,200,383	-
Hongi Limited	7,214,554	-
Java Limited	6,655,732	-
Kale Limited	12,056,392	11,625,057
Neon Limited	31,375,694	-
Octane Limited	20,170,969	-
Parrot Limited**	5,736,394	-
Patience Limited	11,528,670	10,818,489
Pollock Limited	15,189,286	-
Riposte Limited	14,303,930	13,843,536
Sierra Limited	20,620,297	-
Swordfish Limited	11,916,570	10,811,803
Cash held pending investment into vessels	34,606,314	913,330
Residual net (liabilities) / assets	(11,753,704)	1,610,044
<hr/>		
*Total investment at fair value	220,998,073	49,622,259
<hr/>		

The net change in the movement of the fair value of the investment is recorded in the Statement of Comprehensive Income.

*Vessels are valued at fair value in each of the SPVs shown in the table above and combined with the residual net (liabilities) / assets of each SPV to determine the fair value of the total investment attributable to LSA.

** At the year end this SPV held an Agreement with the Vendor for the purchase of a vessel signed 14 June 2019, purchase was completed on 5 July 2019. The vessel and charter arrangements are considered specialist, and subsequently the vessel will be valued on a DCF basis. At the year end the Company valued the incomplete contract at the difference between its DCF value and costs to complete.

Notes to the financial statements (continued)

For the year ended 30 June 2019

5. Subsidiaries

The Company holds its investment through a subsidiary company which has not been consolidated as a result of the adoption of IFRS 10: Consolidated Financial Statements. Below is the legal entity name for the Holding Company who owns 100% of the shares in the SPVs. The remaining legal entities are owned indirectly through the investment in the Holding Company. The country of incorporation is also their principal place of business.

Name	Country of incorporation	Direct or indirect holding	Principal activity	Ownership at 30 June 2019	Ownership at 30 June 2018
LS Assets Limited	Guernsey	Direct	Holding company	100%	100%
Aglow Limited	Isle of Man	Indirect	SPV	100%	0%
Citra Limited	Isle of Man	Indirect	SPV	100%	0%
Darwin Limited	Isle of Man	Indirect	SPV	100%	0%
Dragon Limited	Isle of Man	Indirect	SPV	100%	0%
Hongi Limited	Isle of Man	Indirect	SPV	100%	0%
Java Limited	Isle of Man	Indirect	SPV	100%	0%
Kale Limited	Isle of Man	Indirect	SPV	100%	100%
Neon Limited	Isle of Man	Indirect	SPV	100%	100%
Octane Limited	Isle of Man	Indirect	SPV	100%	0%
Parrot Limited	Isle of Man	Indirect	SPV	100%	0%
Patience Limited	Isle of Man	Indirect	SPV	100%	100%
Pollock Limited	Isle of Man	Indirect	SPV	100%	0%
Riposte Limited	Isle of Man	Indirect	SPV	100%	100%
Sierra Limited	Isle of Man	Indirect	SPV	100%	0%
Swordfish Limited	Isle of Man	Indirect	SPV	100%	100%

Notes to the financial statements (continued)

For the year ended 30 June 2019

6. Trade and other receivables

	2019 US\$	2018 US\$
Current assets		
Accrued income	8,216	868
Prepayments	17,298	30,561
Due from subsidiaries	6,734	3,367
	Total trade and other receivables	32,248
		34,796

Amounts due from subsidiaries are interest free and payable on demand. Due to the value and short term nature of these receivables, the directors have assessed there to be no expected credit losses associated with these outstanding balances

7. Share capital and reserves

Share issuance	Number of shares	Gross amount raised (US\$)	Issue costs (US\$)	Share capital (US\$)
Issued on 18 December 2017	91,000,000	91,000,000	(1,820,000)	89,180,000
C-Class Share conversion on 12 February 2019	84,624,960	78,400,000	(1,568,000)	76,832,000
Issued on 14 March 2019	49,019,608	50,000,016	(1,000,000)	49,000,016
Total issue at 30 June 2019	224,644,568	219,400,016	(4,388,000)	215,012,016
C-Class Shares issued on 16 October 2018	78,400,000	78,400,000	(1,568,000)	76,832,000
C-Class Share conversion on 12 February 2019	(78,400,000)	(78,400,000)	1,568,000	(76,832,000)
Total C-Class Shares in issue at 30 June 2019	-	-	-	-

The Company currently has 1 class of ordinary share of no par value in issue. All the holders of the ordinary shares which total 224,644,568 (2018: 91,000,000), are entitled to receive dividends as declared from time to time and are entitled to 1 vote per share at meetings of the Company.

During the year the Company issued C Shares and raised US\$78,400,000. These were converted to 84,624,944 ordinary shares. Due to lot sizes there were 16 additional ordinary shares sold into the market at the market price of ordinary shares bringing the total number of ordinary shares to 84,624,960.

Notes to the financial statements (continued)

For the year ended 30 June 2019

7. Share capital and reserves (continued)

Retained reserves

Retained reserves comprise the retained earnings as detailed in the Statement of Changes in Equity.

8. Earnings per share calculated in accordance with IFRS

	2019 US\$	2018 US\$
Profit and comprehensive income for the year / period	16,420,500	3,283,443
Weighted average number of ordinary shares	137,499,622	91,000,000
Earnings per ordinary share (cents)	11.94	3.61

The weighted average number of ordinary shares (137.5m shares) is calculated in accordance with IFRS guidelines based on the date of conversion of C Shares to ordinary shares.

8a. Adjusted Earnings per share

	2019 US\$	2018 US\$
Profit and comprehensive income for the year / period	16,420,500	3,283,443
Adjusted Weighted average number of ordinary shares	164,134,143	91,000,000
Adjusted Earnings per ordinary share (cents)	10.00	3.61

The adjusted weighted average number of ordinary shares (164.1m shares) is calculated as if the C Shares were ordinary shares from the date that the C Shares were issued. This alternate performance measure also provides a comparison to the dividends paid, which have been paid in full on all ordinary shares in issue at each dividend declaration date.

Notes to the financial statements (continued)

For the year ended 30 June 2019

9. Dividends

The Company declared the following dividends in respect of the profit for the year ended 30 June 2019:

Period end	Dividend per share	Ex div date	Net Dividend paid	Record date	Paid date
Ordinary shareholders					
30 June 2018	US\$0.0150	9 August 2018	US\$1,365,000	10 August 2018	17 August 2018
30 September 2018	US\$0.0175	1 November 2018	US\$1,592,500	2 November 2018	15 November 2018
31 December 2018	US\$0.0175	7 February 2019	US\$1,592,500	8 February 2019	22 February 2019
31 March 2019	US\$0.0175	2 May 2019	US\$3,931,280	3 May 2019	17 May 2019
C-Class shareholders					
31 December 2018	US\$0.0050	7 February 2019	US\$392,000	8 February 2019	22 February 2019

Under the Companies (Guernsey) Law, 2008, the Company can distribute dividends from capital and revenue reserves, subject to a prescribed net asset and solvency test. The net asset and solvency test considers whether a company is able to pay its debts when they fall due, and whether the value of a company's assets is greater than its liabilities. The Board confirms that the Company passed the net asset and solvency test for each dividend paid.

10. Net assets per ordinary share

	2019 US\$	2018 US\$
Shareholders' equity	225,842,679	92,463,443
Number of ordinary shares	224,644,568	91,000,000
Net assets per ordinary share (cents)	100.53	101.61

Notes to the financial statements (continued)

For the year ended 30 June 2019

11. Financial risk management

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. In accordance with the Company's investment policy, the Company's principal use of cash has been to fund investments as well as ongoing operational expenses. The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. The capital structure of the Company consists entirely of equity (comprising issued capital, reserves and retained earnings).

As the Company's Ordinary Shares are traded on the LSE, the Ordinary Shares may trade at a discount or premium to their Net Asset Value per Share on occasion. However, the Directors and the Investment Manager monitor the discount on a regular basis and can use share buy backs to manage the discount.

The Company is not subject to any externally imposed capital requirements.

Financial risk management objectives

The Board, with the assistance of the Investment Manager, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risk. These risks include market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The value of the investments held by the Company is indirectly affected by the factors impacting on the shipping industry generally, being, amongst other factors, currency exchange rates, interest rates, the availability of credit, economic or political uncertainty and changes in law governing shipping or trade. These factors may affect the price or liquidity of vessels held by the Company's subsidiaries and thus the value of the subsidiaries themselves.

Currency risk

The Company may have assets and liabilities denominated in currencies other than United States Dollars, the functional currency. It therefore may be exposed to currency risk as the value of assets/liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

However, such exposure is currently and is expected to remain insignificant. Consequently no further information has been provided.

Notes to the financial statements (continued)

For the year ended 30 June 2019

11. Financial risk management (continued)

Interest rate risk

The majority of the Company's financial assets and liabilities are non-interest bearing. However, the Company is exposed to a small amount of risk due to fluctuations in the prevailing levels of market interest rates because any excess cash or cash equivalents are invested at short-term market interest rates. The Company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

2019	Weighted average interest rate (%)	Interest bearing less than 1 month (US\$)	Non-interest bearing (US\$)	Total (US\$)
Assets				
Investments	-	-	220,998,073	220,998,073
Trade and other receivables	-	-	32,248	32,248
Cash and cash equivalents	2.24	5,500,139	-	5,500,139
Total assets		5,500,139	221,030,321	226,530,460
Liabilities				
Trade and other payables	-	-	687,781	687,781
Total liabilities		-	687,781	687,781
Total interest sensitivity gap		5,500,139		

Notes to the financial statements (continued)

For the year ended 30 June 2019

11. Financial risk management (continued)

Interest rate risk (continued)

2018	Weighted average interest rate (%)	Interest bearing less than 1 month (US\$)	Non-interest bearing (US\$)	Total (US\$)
Assets				
Investments	-	-	49,622,259	49,622,259
Trade and other receivables	-	-	34,796	34,796
Cash and cash equivalents	1.35	43,030,736	-	43,030,736
Total assets		43,030,736	49,657,055	92,687,791
Liabilities				
Trade and other payables	-	-	224,348	224,348
Total liabilities		-	224,348	224,348
Total interest sensitivity gap		43,030,736		

If the interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 30 June 2019 would decrease/increase by US\$55,001 (2018: US\$215,153). This is attributable to the company's exposure to interest rates on its variable rate deposits.

The Investment Manager is permitted to utilise overdraft facilities towards the achievement of the Company's investment objectives. This was not utilised during the year.

Refer to Price Risk on the following pages for a description of the indirect impact interest rates have on the valuation of vessel assets.

Notes to the financial statements (continued)

For the year ended 30 June 2019

11. Financial risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The Company does not have any significant credit risk exposure to any single counterparty in relation to trade and other receivables. On-going credit evaluation is performed on the financial condition of accounts receivable. As at 30 June 2019 there were no receivables considered impaired (2018: US\$nil).

The Company maintains its cash and cash equivalents with various banks to diversify credit risk. These are subject to the Company's credit monitoring policies including the monitoring of the credit ratings issued by recognised credit rating agencies.

30 June 2019	Credit rating Standard & Poor's	Cash (US\$)	Short term fixed deposits (US\$)	Total as at 30 June 2019 (US\$)
Royal Bank of Scotland International (RBSI)	A- Long Term A-2 Short Term	6,454	-	6,454
Barclays Bank Plc (Barclays)	A Long Term A-1 Short Term	53,913	-	53,913
Ravenscroft ¹ (HSBC London – call accounts)	AA- Long Term A-1+ Short Term	-	5,439,772	5,439,772
Total		60,367	5,439,772	5,500,139

1. Ravenscroft is an execution only broker that acts solely on instruction of the Board of Directors. The Board of Directors only invest cash in banking institutions with an -A rating or higher.

Notes to the financial statements (continued)

For the year ended 30 June 2019

11. Financial risk management (continued)

Credit risk (continued)

30 June 2018	Credit rating Standard & Poor's	Cash (US\$)	Short term fixed deposits (US\$)	Total as at 30 June 2019 (US\$)
Royal Bank of Scotland International (RBSI)	BBB+ Long Term A-2 Short Term	25,086,314	-	25,086,314
Canaccord Genuity ¹ (BNP Paribas)	A Long Term A-1 Short Term	-	4,486,106	4,486,106
Canaccord Genuity ¹ (Standard Chartered Jersey Ltd)	A Long Term A-1 Short Term	-	4,486,106	4,486,106
Canaccord Genuity ¹ (Barclays Private Clients International)	A Long Term A-1 Short Term	-	4,486,105	4,486,105
Canaccord Genuity ¹ (ABN AMRO)	A Long Term A-1 Short Term	-	4,486,105	4,486,105
Total		25,086,314	17,944,422	43,030,736

1. Canaccord is an execution only broker that acts solely on instruction of the Board of Directors. The Board of Directors only invest cash in banking institutions with an -A rating or higher.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board of Directors has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves by monitoring forecast and actual cash flows. The table below shows the maturity of the Company's non-derivative financial assets and liabilities. The amounts disclosed are contractual, undiscounted cash flows and may differ from the actual cash flows received or paid in the future as a result of early repayments.

Notes to the financial statements (continued)

For the year ended 30 June 2019

11. Financial risk management (continued)

Liquidity risk (continued)

30 June 2019	Up to 3 months (US\$)	Between 3 and 12 months (US\$)	Between 1 and 5 years (US\$)	Total (US\$)
Assets				
Trade and other receivables	14,950	-	-	14,950
Cash and cash equivalents	5,500,139	-	-	5,500,139
Liabilities				
Trade and other payables	687,781	-	-	687,781
Total	4,827,308	-	-	4,827,308

30 June 2018	Up to 3 months (US\$)	Between 3 and 12 months (US\$)	Between 1 and 5 years (US\$)	Total (US\$)
Assets				
Trade and other receivables	868	3,367	-	4,235
Cash and cash equivalents	43,030,736	-	-	43,030,736
Liabilities				
Trade and other payables	224,348	-	-	224,348
Total	42,807,256	3,367	-	42,810,623

Notes to the financial statements (continued)

For the year ended 30 June 2019

11. Financial risk management (continued)

Price risk in the shipping industry

As described in Note 3, the Company's financial assets are measured at fair value which comprises the fair value of the underlying SPVs and the residual net assets of the Company. The Company values its investment in LSA and the SPVs at their respective net asset values. The net asset values comprise shipping vessels which are measured at fair value and residual net assets/liabilities of each of the entities.

(a) Standard Vessel valuations

The fair value of a standard vessel comprises both the Charter-free value and the Charter valuation. The charter-free and associated charter values of typical vessels are calculated using an on-line valuation system provided by VesselsValue Ltd. For charter free values the system contains a number of algorithms that combine factors such as vessel type, technical features, age, cargo capacity, freight earnings, market sentiment and recent vessel sales.

For charter values, the system provides a DCF module where vessel specific charter details are input and measured against system provided market benchmark to obtain a premium or discount value of the charter versus prevailing market.

(b) Specialised Vessels and arrangements

There will be cases where the Company may invest in vessels which are (i) of a specialised nature and fall out of scope of mainstream brokers and/or (ii) where contracted employment does not have an available reference benchmark in the freight brokerage community.

The Investment Manager will make its own assessment of Value with Charter using a discounted cashflow ("DCF Model") model. The DCF Model will calculate the net present value of the charter and vessel value using the following inputs:

- IRR/Discount rate
- Charter Rate
- Exit/scrappage value

There were no specialised vessels held in the prior year.

Refer to Note 3 for further information on the valuation methodologies applied.

Notes to the financial statements (continued)

For the year ended 30 June 2019

11. Financial risk management (continued)

Price Risk Sensitivity analysis

Charter-free valuation for standard vessels

If the ship values at 30 June were 10% higher or lower, then the effect on the portfolio value would be as follows:

Ship values	+10% change US\$ 000	Total portfolio value US\$ 000	-10% change US\$ 000
Fair value at 30 June 2019 (US\$)	+12,811	128,113	(12,811)

Ship values	+10% change US\$ 000	Total portfolio value US\$ 000	-10% change US\$ 000
Fair value at 30 June 2018 (US\$)	+5,428	54,282	(5,428)

Specialised Vessels

If the discount rate factors were 0.5% higher or lower, then the effect on the values of specialised vessels would be as follows:

	+0.5% change US\$ 000	Total portfolio value US\$ 000	-0.5% change US\$ 000
Specialised Vessel values	(1,442)	55,210	+1,402

There were no specialised vessels held in the prior year.

Charter rates

If market charter rates used on VesselsValue.com to determine Charter values were 10% higher or lower, then the effect on the portfolio value would be as follows

Ship values	+10% change US\$ 000	Total portfolio value US\$ 000	-10% change US\$ 000
Fair value at 30 June 2019 (US\$)	(3,467)	127,560	+3,467

Notes to the financial statements (continued)

For the year ended 30 June 2019

12. Financial assets and liabilities not measured at fair value

Cash and cash equivalents are liquid assets whose carrying value represents fair value. The fair value of other current assets and liabilities would not be significantly different from the values presented at amortised cost.

13. Management fee

The Investment Manager is entitled to receive an annual fee, calculated on a sliding scale, as follows below:

- (a) 0.85 per cent per annum of the quarter end Adjusted Net Asset Value up to US\$250 million;
- (b) 0.75 per cent per annum of the quarter end Adjusted Net Asset Value in excess of US\$250 million but not exceeding US\$500 million; and
- (c) 0.65 per cent per annum of the quarter end Adjusted Net Asset Value in excess of US\$500 million,

For the year ended 30 June 2019 the Company has incurred US\$1,294,621 (2018: US\$206,140) in management fees of which US\$468,089 (2018: US\$105,064) was outstanding at 30 June 2019.

14. Performance fee

Tufton ODF Partners LP, the entity created to receive the carried interest, shall be entitled to a performance fee in respect of a Calculation Period provided that the Total Return per Share on Calculation Day for the Calculation Period of reference is greater than the High Watermark per Share and such performance fee shall be an amount equal to the Performance Fee Pay-Out Amount.

If:

- the High Watermark is greater than the Total Return on any Calculation Day; and
- the prevailing Historic Performance Fee Amount (to the extent not previously adjusted pursuant to the operation of this paragraph) is greater than zero on such Calculation Day.

The prevailing Historic Performance Fee Amount shall be reduced by the lower of: (i) 20 per cent of the difference between the High Watermark and the Total Return on such Calculation Day multiplied by the Relevant Number of Shares; and (ii) the prevailing Historic Performance Fee Amount. No performance fees were accrued or paid during the current or prior period.

15. Related parties

The Investment Manager, Tufton Oceanic Ltd, is a related party due to having common key management personnel with the subsidiaries of the Company. All management fee transactions with the Investment Manager are disclosed in note 13.

Notes to the financial statements (continued)

For the year ended 30 June 2019

15. Related parties (continued)

For the year ended 30 June 2019 the Company has incurred US\$1,294,621 (2018: US\$206,140) in management fees of which US\$468,089 (2018: US\$105,064) was outstanding at 30 June 2019.

The Directors of the Company and their shareholding is stated in the Report of the Directors on page 23.

16. Controlling party

In the opinion of the Directors, on the basis of shareholdings advised to them, the Company has no immediate or ultimate controlling party.

17. Remuneration of the Directors

The remuneration of the Directors was US\$109,264 (2018: US\$84,769) for the year which consisted solely of short-term employment benefits (refer to the Report of the Directors on page 23).

18. Events after the reporting period

A further dividend was declared on 29 July 2019 for US\$0.0175 per ordinary share for the quarter ending 30 June 2019. The dividend was paid on 23 August 2019 to holders of ordinary shares on record date 9 August 2019 with an ex-dividend date of 8 August 2019.

Parrot Ltd, an SPV entered into an Agreement with the Vendor signed 14 June 2019 for the purchase of a vessel which completed on 5 July 2019.

Corporate information

Directors

Robert King, Chairman (appointed 6 February 2017)
Stephen Le Page (appointed 6 February 2017)
Paul Barnes (appointed 6 February 2017)

Registered office

3rd Floor
1 Le Truchot
St Peter Port
Guernsey
GY1 1WD

Investment Manager and AIFM

Tufton Oceanic Ltd
Albemarle House
1 Albemarle Street
London
W1S 4HA

Asset Manager

Oceanic Marine Management Limited
142 Franklin Roosevelt
PO Box 51309
CY-3504 Limassol
Cyprus

Secretary and Administrator

Maitland Administration (Guernsey) Limited
3rd Floor,
1 Le Truchot
St Peter Port
Guernsey
GY1 1WD

Joint Placing Agents and Financial Advisers

Hudnall Capital LLP
Adam House
7-10 Adam Street
London
WC2N 6AA

N+1 Singer Advisory LLP
1 Bartholomew Lane
London
EC2N 2AX

Corporate information (continued)

Guernsey Legal Advisers

Carey Olsen (Guernsey) LLP
PO Box 98, Carey House
Les Banques
St Peter Port
Guernsey
GY1 4BZ

UK Legal Advisers

Gowling WLG (UK) LLP
4 More London Riverside
London
SE1 2AU
2AX

Registrar

Computershare Investor Services (Guernsey) Limited
1st Floor, Tudor House
Le Bordage
St Peter Port
Guernsey
GY1 1DB

Receiving Agent

Computershare Investor Services PLC
The Pavillions
Bridgewater Road
Bristol
BS99 6AH

Independent Auditor to the Company

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4ND

Corporate information (continued)

Principal Bankers

The Royal Bank of Scotland International Limited
PO Box 62
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4BQ

Barclays Bank Plc
Guernsey International Banking
PO Box 41
St Peter Port
Guernsey, GY1 3BE

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

AIC	the Association of Investment Companies
AIFM Directive or AIFMD	the EU Directive on Alternative Investment Fund Managers (No. 2011/61/EU)
AIF	an alternative investment fund
AIFM	an alternative investment fund manager
AIFM Rules	the AIFM Directive and all applicable rules and regulations implementing the AIFM Directive in the UK
Articles of Incorporation or Articles	the articles of incorporation of the Company, as amended from time-to-time
Asset Manager	Oceanic Marine Management Limited
Auditor	PricewaterhouseCoopers CI LLP
Board	the Directors from time to time
Calculation Day	The last business day of each Calculation Period
Calculation Period	(a) the period starting on Admission and ending on the earlier of (i) 30 June 2024; (ii) the commencement of the winding up of the Company; and (iii) the termination of the Manager's appointment; and (b) if the previous Calculation Year ended on 30 June of the previous Year, each successive period starting on 1 July and ending on the earlier of (i) 30 June three years later; (ii) the commencement of the winding up of the Company; and (iii) the termination of the Manager's appointment
Companies Law	the Companies (Guernsey) Law, 2008 as amended
Company	Tufton Oceanic Assets Limited (Guernsey registered number 63061) which, when the context so permits, shall include any intermediate holding company of the Company and the SPVs
Directors or Board	the Board of Directors of the Company
Disclosure Guidance and Transparency Rules or DTRs	the disclosure guidance and transparency rules made by the Financial Conduct Authority under Section 73A of FSMA
FCA	the UK Financial Conduct Authority
Financial Reporting Council or FRC	the UK Financial Reporting Council
FSMA	the Financial Services and Markets Act 2000 and any statutory modification or re-enactment thereof for the time being in force

Definitions (continued)

GFSC or Commission	the Guernsey Financial Services Commission
High Watermark per Share	the higher of: (i) US\$1.00 increased by the Hurdle; and (ii) if a Performance Fee has previously been paid, the Total Return per Share on the Calculation Day for the last Calculation Period (if any) by reference to which a Performance Fee was paid.
High Performance Fee Amount	in respect of any Calculation Period, an amount equal to the Performance Fee Pay-Out Amount for the previous Calculation Period where a Performance Fee was payable.
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Investment Manager	Tufton Oceanic Limited
IRR	Internal rate of return. The Internal rate of return is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero, and is a common performance indicator used in investment funds
Listing Rules	the listing rules made by the UKLA pursuant to Part VI of FSMA
London Stock Exchange or LSE	London Stock Exchange plc
LPG Carrier	a vessel used to transport liquefied petroleum gas
LS Assets Limited	The Guernsey holding company owning the SPVs through which the Company investment into vessels
LSE Admission Standards	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the SFS
Main Market	the main market for listed securities operated by the London Stock Exchange
Market Abuse Regulation or MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
Memorandum	the memorandum of association of the Company
Net Asset Value or NAV	the value, as at any date, of the assets of the Company after deduction of all liabilities of the Company and in relation to a class of shares in the Company, the value, as at any date of the assets attributable to that class of shares after the deduction of all liabilities attributable to that class of shares determined in accordance with the accounting policies adopted by the Company from time-to-time

Definitions (continued)

Net Asset Value or NAV per Share	at any date, the Net Asset Value attributable to the Shares of the relevant class divided by the number of Shares of such class in issue (other than Shares of the relevant class held in treasury) at the date of calculation
Performance Fee Amount	20 per cent. of the excess in Total Return per Share and the High Watermark per Share multiplied by the time weighted average number of Shares in issue during the Calculation Period
Performance Fee Pay-Out Amount	in respect of the relevant Calculation Period, an amount equal to "A", where: A = (0.5 x B) + C; B = the Performance Fee Amount; and C = an amount equal to the High Performance Fee Amount.
POI Law	the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended
Portfolio	the Company's portfolio of investments from time to time
Prospectus	The Placing and Offer for Subscription document for the Company dated 8 th December 2017
Register	the register of members of the Company
Relevant Number of Shares	for any Calculation Period the time weighted average number of Ordinary Shares in issue during such Calculation Period.
SFS or Specialist Fund Segment	the Specialist Fund Segment of the Main Market (previously known as the Specialist Fund Market or SFM)
Segment	classifications of vessels within the shipping industry including, <i>inter alia</i> , Tankers, General Cargo, Containerships and Bulkers
Shares	ordinary shares of no par value in the capital of the Company of such classes (denominated in such currencies) as the Directors may determine
SPV or Special Purpose Vehicle	corporate entities, formed and wholly owned (directly or indirectly) by the Company, specifically to hold one or more vessels, and including (where the context permits) any intermediate holding company of the Company

Definitions (continued)

Total Return per Share	the Net Asset Value per Ordinary Share on any Calculation Day adjusted to (i) include the gross amount of any dividends and/or distributions paid to an Ordinary Share since Admission; (ii) not take account of any accrual made in respect of the performance fee itself for that Calculation Period; (iii) not take account of any accrual made in respect of any prevailing Historic Performance Fee Amount (as adjusted pursuant to the operation of this paragraph below); (iv) not take account of any increase in Net Asset Value per Share attributable to the issue of Ordinary Shares at a premium to Net Asset Value per Share or any buyback of any Ordinary Shares at a discount to Net Asset Value per Ordinary Share during such Calculation Period; (v) not take account of any increase in Net Asset Value per Share attributable to any consolidation or sub-division of Ordinary Shares; (vi) take into account any other reconstruction, amalgamation or adjustment relating to the share capital of the Company (or any share, stock or security derived therefrom or convertible there into); and (vii) take into account the prevailing Net Asset Value of any C Shares in issue
Tufton Group	Tufton Oceanic Finance Group Limited and its subsidiaries, including the Investment Manager
UK Corporate Governance Code	the UK Corporate Governance Code as published by the Financial Reporting Council from time-to-time
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
Unlevered cash flow run rate	EBITDA net of accruals over the remaining term of the charters for the vessels in the portfolio, expressed annually
VesselsValue	VesselsValue Limited a third party provider of vessel valuations to the Company and Investment Manager
VLCC	Very Large Crude Carrier
WACC	the weighted average cost of capital
£ or Sterling	the lawful currency of the United Kingdom

Tufton Oceanic Assets Limited
Registered Office Address: 1 Le Truchot, St. Peter Port, Guernsey, GY1 1WD
Registration Number: 63061

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Members of Tufton Oceanic Assets Limited (the "**Company**") will be held at 1 Le Truchot, 3rd Floor, St. Peter Port, Guernsey on 25 October 2019 at 11.00 am BST to transact the business set out in the resolutions below.

ORDINARY RESOLUTIONS

1. To receive the Company's Annual Report and Audited Financial Statements for the period ended 30 June 2018.
2. To re-appoint PricewaterhouseCoopers CI LLP as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.
3. To authorise the directors of the Company (the "**Directors**") to determine the remuneration of the auditor.
4. To re-elect Mr Robert King as a Director of the Company who retires by rotation in accordance with Article 21.3 of the Articles of Association of the Company (the "**Articles**").
5. To re-elect Mr Stephen Le Page as a Director of the Company who retires by rotation in accordance with Article 21.3 of the Articles.
6. To re-elect Mr Paul Barnes as a Director of the Company who retires by rotation in accordance with Article 21.3 of the Articles.
7. To consider that the Company be authorised in accordance with the Companies (Guernsey) Law, 2008 (as amended) (the "**Law**") to make market acquisitions (as defined in the Law) of its own ordinary shares of no par value ("**Ordinary Shares**") either for cancellation or to hold as treasury shares for future resale or transfer provided that:
 - 7.1 the maximum number of Ordinary Shares authorised to be purchased is a number up to 14.99 per cent. of the aggregate number of Ordinary Shares in issue immediately following Admission;
 - 7.2 the minimum price which may be paid for an Ordinary Share is US\$0.01;
 - 7.3 the maximum price which may be paid for an Ordinary Share must not be more than the higher of (i) an amount equal to 105 per cent. above the average of the mid-market values of an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days before the purchase is made; and (ii) the higher of the price of the last independent trade or the highest current independent bid for Ordinary Shares on the London Stock Exchange at the time the purchase is carried out,

and such authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company and the date 15 months after the date on which this resolution is passed, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require the purchase of Ordinary Shares after such expiry pursuant to any such offer or agreement as if the power conferred by the resolution had not expired.

By order of the Board
Maitland Administration (Guernsey) Limited
1 Le Truchot
St Peter Port
Guernsey
GY1 1WD

10 September 2019

NOTES

1. Members entitled to attend and vote at the Annual General Meeting (the "**Meeting**") are entitled to appoint one or more proxies to attend, speak and vote instead of him or her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company. A form of proxy accompanies this notice. Completion and return of the form of proxy will not preclude members from attending or voting at the Meeting, if they so wish. The fact that members may have completed forms of proxy will not prevent them from attending and voting at the Meeting in person should they afterwards decide to do so.
2. To be valid, the form of proxy, together with the power of attorney or the authority, if any, under which it is executed (or a notarially certified copy of such power of attorney) must be deposited with Computershare Investor Services (Guernsey) Limited, c/o The Pavillons, Bridgewater Road, Bristol, BS99 6ZY by no later than 11.00 am BST on 23 October 2019 or not less than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned Meeting or the taking of a poll at which the person named in the instrument proposes to vote.
3. A member must first have his or her name entered on the register of members not later than 11.00 am BST on 23 October 2019. If the Meeting is adjourned, members entered on the register not later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned Meeting shall be entitled to attend and vote at the Meeting. Changes to entries in the register after that time shall be disregarded in determining the rights of any holders to attend and vote at the Meeting.
4. If you do not intend to attend the Meeting please complete and return the form of proxy as soon as possible.

Tufton Oceanic Assets Limited
Registered Office Address: 1 Le Truchot, St. Peter Port, Guernsey, GY1 1WD
Registration Number: 63061

FORM OF PROXY

**For use at the Annual General Meeting of Tufton Oceanic Assets Limited (the "Company")
to be held on 25 October 2019 at 11.00 am BST**

I/We (block capitals please)

of address)

being (a) member(s) of the Company appoint the Chairman of the meeting (or any person he/she may, in his absolute discretion, appoint in his stead) or (see note 1)

As my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 1 Le Truchot, 3rd Floor, St. Peter Port, Guernsey on 25 October 2019 at 11.00 am BST and any adjournment thereof.

Please indicate with an 'X' in the spaces provided how you wish your votes to be cast on the resolutions specified.

ORDINARY RESOLUTIONS	For	Against	Abstain
1. To receive the Company's Annual Report and Audited Financial Statements for the year ended 30 June 2019.			
2. To re-appoint PricewaterhouseCoopers (CI) LLP Limited as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.			
3. To authorise the Directors of the Company to determine the remuneration of the auditor.			
4. To re-elect Mr Robert King as a Director of the Company who retires by rotation in accordance with Article 21.3 of the Articles of Association of the Company.			
5. To re-elect Mr Stephen Le Page as a Director of the Company who retires by rotation in accordance with Article 21.3 of the Articles of Association of the Company.			
6. To re-elect Mr Paul Barnes as a Director of the Company who retires by rotation in accordance with Article 21.3 of the Articles of Association of the Company.			
7. Authority to make market acquisitions of the Company's own shares.			

Subject to any voting instructions so given, the proxy will vote, or may abstain from voting, on any resolution as he/she may think fit.

Signature_____

Dated this _____ day of _____ 2019

PROXY NOTES

1. If you so desire you may delete the words 'Chairman of the meeting' and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated. Joint holders are not permitted to vote independently of each other and must vote as one.
4. To appoint more than one proxy to vote in relation to different shares within your holding, you may photocopy this form. Please indicate on each copy of the form the proxy's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you).

Please also indicate if the appointment of a proxy is one of multiple appointments being made. All such forms should be signed and returned together in the same envelope. Appointing a proxy shall not preclude a member from attending and voting in person at the meeting.

5. If this form is returned without indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
6. To be valid, this form of proxy, duly executed together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at Computershare Investor Services (Guernsey) Limited, c/o The Pavillions, Bridgewater Road, Bristol, BS99 6ZY by no later than 11.00 am BST on 23 October 2019 or not less than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting or the taking of a poll at which the person named in the instrument proposes to vote.

No member shall be entitled to be present or take part in any proceedings or vote either personally or by proxy at any meeting unless all calls due from him have been paid.