Tufton Oceanic Assets Limited
("Tufton Oceanic Assets" or the "Company")

Interim Results for the six month period ended 31 December 2019

Tufton Oceanic Assets announces its interim results for the six month period ended 31 December 2019. A copy of the Interim Report and Unaudited Financial Statements has been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/NSM. The Interim Report and Unaudited Financial Statements will also shortly be available on the Company's website in the Investor Relations section under Company Documents at www.tuftonoceanicassets.com/financial-statements.

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Highlights

- The profit of the Company for the financial period was US$5.54m, or US$0.023 per Ordinary Share based on weighted average number of shares over the period
- The Company declared dividends of US$0.0175 per share for the third and fourth calendar quarters
- Gross proceeds of US$31m were raised in September 2019 pursuant to the Placing Programme described in the Company prospectus published on 25 September 2018
- Acquisitions of two containerships (Parrot and Vicuna) and one crude tanker (Bear) for c. US$52.3m, which were delivered to the Company bringing the total fleet from 14 to 17 vessels in the 6-month period as at the end of the period
- The acquisitions of another product tanker (Dachshund) and another handysize bulker (Antler) after the end of the period involving a further US$20.25m of investment.
- Expected average charter length was 3.1 years with a minimum of 2.8 years as at 31 December 2019
- As at 31 December 2019, 16 of the 17 vessels were employed on fixed rate medium to long term charters, and so the portfolio is largely insulated from geopolitical and macroeconomic shocks
- Unlevered cash flow run rate of the fleet was c. US$32m p.a. (c. 1.8x the target dividend per share of US$0.07 per annum) after capital expenditure provision and management fees as of 31 December 2019.

Chairman's Statement

Introduction

I am pleased to present the Company's interim report and unaudited financial statements for the period ended 31 December 2019.

Since I last wrote to Shareholders we have raised an additional US$31.0m, bringing the total capital raised since inception to US$250.4m. The Investment Manager successfully invested these proceeds in 3 vessels bringing our fleet size to 17 vessels as of 31 December 2019 . The fleet as at the period end consisted of 2 Handysize Bulkers, 7 Containerships, 5 Tankers and 3 General Cargo vessels. There is a further breakdown of the portfolio in the Investment Managers Report.

Performance

The performance of the Company during the period held up well against a backdrop of geopolitical challenges and more recently the Covid-19 Coronavirus outbreak.

As of the 31 December 2019, the Company's NAV was c.US$253.4m versus net issue proceeds of US$245.4m. The NAV per share as of 31 December 2019 was US$0.992.

The Company's Earnings per Share for the period ended 31 December 2019 was 2.3 cents and was 15.4 cents since inception. At the end of the financial period, the Company had forecast dividend cover of c1.8x with average charter length of 3.1 years and continues to target a total annual dividend of $0.07 per share.

The Share Price increased from US$0.99 as of 30 June 2019 to US$1.04 as of the close of business 31 December 2019. The Company's Shares have traded at an average premium to NAV of 1.6% during the period.

Dividends

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

Period end	Dividend per share (US$)	Announce date	Ex div date	Record date	Paid date
Ordinary shareholders					
30.06.19	0.0175	29.07.19	08.08.19	09.08.19	23.08.19
30.09.19	0.0175	28.10.19	07.11.19	08.11.19	22.11.19

A further dividend was declared on 30 January 2020 for US$0.0175 per ordinary share for the quarter ending 31 December 2019. The dividend was paid on 21 February 2020 to holders of ordinary shares on record date 7 February 2020 with an ex-dividend date of 6 February 2020.

Corporate Governance

The Company complies with the UK Code of Corporate Governance ("UK Code") where applicable and also follows the AIC Corporate Governance Code ("AIC Code") to ensure that the Directors apply the most relevant level of corporate governance for the Company. Where Shareholders or their appointed agent have matters they wish to raise with the Board in respect to the Company, I would encourage them to contact us at SHIP@tuftonoceanicassets.com.

Annual General Meeting Results

At the last Annual General Meeting ("AGM") held on 25 October 2019 all of the resolutions were duly passed as advised in our announcement of the same date, although there were a significant number of votes against some of resolutions, which require me to comment accordingly.

Resolution 1 – Annual Report and Audited Financial Statements of the Company for the year ended 30 June 2019. There were 46,831,744 votes against this resolution being 31.09% of the votes cast. On engaging with the relevant Shareholders and also their appointed voting agent, the recommendation to vote against this resolution was based on the fact that the Company did not provide for Shareholders to vote on the on-going dividend policy of the Company. The Board of Directors have considered this feedback and will include a resolution at future AGM's to allow Shareholders to vote on the on-going dividend policy of the Company.

Resolution 2 Re-appointment of the Auditors and Resolution 5 Retirement and Re-Election of Steve le Page. There were 46,831,744 votes against each of these resolutions being 31.09% of the votes cast. On engaging with the relevant Shareholders and also their appointed voting agent, the recommendation to vote against these resolutions was based on the voting agent's view that there was a possible conflict of interest between the Company, represented by Mr le Page as Chairman of the Audit Committee and PwC as the appointed Auditors to the Company. Mr le Page was therefore not deemed, by the voting agency making the recommendation to their client to be independent. For clarity Mr le Page retired as a partner of PwC in September 2013 before joining the Board in February 2017, a gap of more than three years. The voting agency believes there should be a seven year period between a partner retiring and becoming independent of their former firm to ensure that there is not conflict of interest. This period of seven years is considerably longer than the three years recommended by the UK Code and the AIC Code. The Board of Directors consider Mr le Page to be an independent director without any conflicts of interest with the Company's Auditors and in any event the Board have determined that by the time of the next AGM of the Company in October 2020 Mr le Page will have exceeded this seven year period and thus will satisy the voting agents' criteria.

Resolution 4 - Retirement and Re-Election of Robert King (Chairman). There were 24,893,063 votes against the resolution being 17.86% of the votes cast. On engaging with the representatives of the Shareholder group, they voted against the re-appointment of the Chairman based on deemed "over-boarding" which has now been addressed with the Shareholders concerned.

Outlook

During the second half of last year and since the turn of the year there have been significant geopolitical events, initially the ongoing US/China trade tariffs disputes followed by the short lived crisis in the Middle East and Iran, which have had a negative impact mainly on the bulker and containership sectors. However, the issues surrounding Covid-19 and the spread of the virus outside of China into a pandemic, together with the recent drop in oil prices, also have significant implications for the maritime industry.

With the extension of the Chinese New Year holiday in order to try and contain the virus in China, we saw a dramatic fall off in both dry bulk raw material Chinese imports as well as lower finished good (containership) exports. Since the failure of OPEC to agree on production cuts and the consequential drop in oil prices, we have seen significant increase in the movement of crude oil and oil product as stockpiling takes place against a contango in the oil price. When land based storage is full, we expect vessel supply to be taken out of the market for floating storage but it is clear, however, that oil / oil product consumption demand growth will remain low until normality is restored.

It is also expected that the bulker and containership sectors will remain subdued during the continuation of the current reaction in the western world to the spreading Coronavirus threat. Interestingly, we have seen a recent increase in the number of port calls in China, returning to prior year norms for 6-7 weeks post the Chinese New Year. It is too early to make definitive projections concerning the medium term response of world trade to Covid-19 but inevitably there will be some distress leading to investment opportunities.

We are pleased to note however, the recent news release from the Investment Manager that as of 29 February 2020, the estimated unaudited NAV of SHIP was US$0.976 per share compared to US$0.992 per share as of 31 December 2019. As noted in the release, the revenue earned by and the value of the majority of the Company's vessels had not thus far been significantly negatively affected by fluctuations in commodity prices, geopolitical events and other short-term supply-demand factors. The relative resilience of the portfolio reaffirmed the Investment Manager's strategy of portfolio diversification and longer term charter coverage to strong credits, and continues to insulate the Company against the extreme movements of the shipping spot markets. In the longer term poor markets may start to impact on charter renewals as they occur.

The resolution of the UK's exit from the EU has not had an impact on the portfolio, and is not expected to have one going forward.

The Company sold three general cargo vessels and acquired one product tanker and one handysize bulker after the period end bringing the fleet size from 17 vessels as of 31st December 2019 to currently 16 vessels. The Company continues to pursue its strategy of growing a diversified fleet and we are pleased that the Investment Manager continues to identify attractive opportunities across a range of the Company's target sectors.

Rob King
Non-executive Chairman

Board Members

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 Tactical Credit 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.

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.

Investment Manager's Report

Highlights

We are pleased to present our review for the 6-month period ended 31 December 2019 and our outlook for the next few years. Highlights include:

- The profit of the Company for the financial period was US$5.54m, or US$0.023 per Ordinary Share based on weighted average number of shares over the period (Note 7)
- The Company declared dividends of US$0.0175 per share for the third and fourth calendar quarters
- Acquisitions of two containerships (Parrot and Vicuna) and one crude tanker (Bear) for c. US$52.3m, which were delivered to the Company bringing the total fleet from 14 to 17 vessels in the 6-month period as at the end of the period
- The acquisitions of another product tanker (Dachshund) and another handysize bulker (Antler) after the end of the period involving a further US$20.25m of investment.
- Expected average charter length was 3.1 years with a minimum of 2.8 years as at 31 December 2019
- As at 31 December 2019, 16 of the 17 vessels were employed on fixed rate medium to long term charters, and so the portfolio is largely insulated from geopolitical and macroeconomic shocks
- Unlevered cash flow run rate of the fleet was c. US$32m p.a. (c. 1.8x the target dividend per share of US$0.07 per annum) after capital expenditure provision and management fees as of 31 December 2019. Net proceeds of US$30.4m were raised in September 2019 pursuant to the Placing Programme described in the Company prospectus published on 25 September 2018

The Assets

As of 31 December 2019, the Company owned 17 vessels:

- The seven containerships operate on time charter contracts, under which the Company provides fully operational and insured vessels for use by the charterers. Swordfish, Kale, Patience, Riposte and Vicuna are chartered to one of the major investment grade container shipping groups. Parrot is chartered to another leading, global container shipping group. 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 operate under time charters. Dragon and Aglow are on charter to two different private European operators.
- Three product tankers 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 carriers Hongi, Darwin and Java operated under bareboat charters to a private general cargo shipping operator.
- The crude oil tanker Bear operates under a time charter with a profit-sharing mechanism to a major commodity trading and logistics company.

As at 31 December 2019

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	April 2020	April 2020
Patience	2500-TEU containership built 2006	March 2018	April 2021	October 2022
Riposte	2500-TEU containership built 2009	March 2018	March 2020	March 2021
Neon	Mid-sized LPG carrier built 2009	July 2018	August 2025	August 2025
Aglow	Handysize Bulker built 2011	July 2018	May 2020	August 2020
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 2022
Octane	Medium-range product tanker, built 2010	December 2018	January 2021	January 2022
Pollock*	Handysize product tanker, built 2008	December 2018	March 2020	March 2021
Hongi*	General Cargo Carrier Built 2002	February 2019	April 2026	April 2026
Darwin*	General Cargo Carrier Built 2004	April 2019	November 2023	November 2023
Java*	General Cargo Carrier Built 2003	April 2019	January 2026	January 2026
Parrot	8200-TEU containership built 2006	July 2019	May 2025	May 2025
Bear	Crude Oil Tanker	September	October 2021	October 2021

	Built 2005	2019		
Vicuna	2500-TEU containership built 2006	October 2019	October 2022	October 2024

Notes:
+ Special Purpose Vehicle that owns the vessel
* Post 31 December 2019: Hongi, Darwin and Java were sold. Pollock was fixed on a 3 year fixed rate time charter to a major commodity trading house. The charter on Kale was extended by a minimum of seven months in early March
** these may differ from the Annual Report (30 June 2019) following the re-assessment by the Investment Manager of the prevailing market conditions

After the financial period, the Company divested three general cargo vessels for US$19.3m. The realised yield and IRR exceeded the targets expressed in the Company's prospectus dated 25 September 2018. This was the Company's first divestment. The Company expects to redeploy the proceeds opportunistically. While the Investment Manager aims to hold investments over the longer term, it will continue to consider sale opportunities that generate additional value for shareholders. The Company committed to acquire Dachshund, a 2008 built product tanker, in February 2020 for US$13.25m and Antler, a 2012 built handysize bulker, in March 2020 for US$7.0m. Dachshund was delivered to the Company in March 2020 and it is on a fixed rate time charter for 3 to 4 years to a major commodity trading and logistics company. Antler was also delivered to the Company in March 2020 and it is on a fixed rate time charter for 6 to 8 months to a major commodity trading company.

The divestment of the three general cargo vessels and the acquisition of Dachshund and Antler brings the Company's fleet from 17 vessels as of 31st December 2019 to 16 vessels. The Investment Manager continues to identify an attractive pipeline of opportunities across a range of the Company's target sectors.

Operating and Investment Highlights

During the 6-month financial period, three vessels were acquired (totalling c.US$52.3m) and delivered to the Company, bringing the total number of vessels in operation to 17 vessels., The vessels in the fleet are well maintained and performed to expectations. Some operational details over the period worth mention are: Dragon had its scheduled second special survey (with 30 days offhire), minor machinery issues on Swordfish and Riposte were promptly rectified, Patience had a collision incident in October resulting in unplanned offhire of 12 days. The cost of repairs minus deductible was covered by insurance. All the vessels in the portfolio had an uneventful transition to low sulphur fuel at the end of 2019 to comply with the International Maritime Organization's (IMO) new sulphur cap. The containership Parrot was routed to a shipyard in China for scheduled retrofit of a scrubber which started in February 2020. Retrofit works are progressing well towards target completion in late May 2020.

Investment Performance

NAV per share decreased by US$0.013 to US$0.992 per share. Operating profit contributed US$0.056 per share. There was an unrealised loss in the charter-adjusted fleet value of US$0.033 per share during the period. The unrealised loss arose mainly because of the fall in capital values of containerships and bulkers during the period.

The second half of 2019 vindicated the Investment Manager's approach to building a diversified portfolio. The operating profit from the portfolio was US$14.7m which was partly offset by a fair value adjustment of US$7.8m. Most of the negative movement in fair values came from the containership segment. Containership asset values weakened in a slowing GDP growth environment in the second half of 2019 despite containership rates improving. We expect the charter rate and yield for Parrot to increase after its scrubber retrofit in 2Q20.

On the other hand, the portfolio recorded fair value gains on both crude and product tankers as both segments benefited from supply reductions in the crude tanker market from US sanctions. The crude tanker market tightened and some product tankers switched to crude service. Yield from the tanker segment remained strong, in line with expectations.The dry bulk market briefly hit six year highs in the third quarter but fell rapidly over the fourth quarter with a small negative impact on fair values. Aglow finished a charter in December and started on a new short term time charter at a relatively low rate. Dragon had its second special survey in September. The scheduled capex and offhire time resulted in a negative yield for dry bulk over the period but the capex and offhire time were in line with expectations. The gas tanker is on a long term charter. The general cargo carriers were also on long term charters. Performance was in line with expectations. Further commentary on the shipping market may be found in the next section.

As of 31 December 2019,vessels corresponding to more than 70% of NAV were on charters of duration greater than one year. Fixed employment in the portfolio was across nine different charterers with the largest exposure to a charterer corresponding to 24% of NAV.

Shipping Market

Some notable highlights of the shipping market over 2019 include*

- Global seaborne trade grew by 2.2% (tonne miles) in 2019 decelerating from 2.7% in 2018
- Fleet expansion accelerated to 4.1% as an improving market reduced yard slippage and limited demolition activity
- The global orderbook is equivalent to only 9% of the fleet, compared to over 50% in 2008. The orderbook is at its lowest level since 2004
- Newbuild deliveries were up by 22% year on year in 2019, while newbuild ordering volumes were down 27% year on year representing the lowest since 2016
- Secondhand transaction volumes were down 9% year on year in 2019, with the secondhand price index down 2% year on year
- Bulker average 12-month time charter rates fell 10% year on year in 2019
- Containership time charter rates index fell 6% year on year in 2019
- Tanker average 12-month time charter rates rose 24% year on year in 2019, with VLCC charter rates up 59%

The second half of 2019 was marked by a slowdown in GDP growth and industrial production. As the benefits on the 2018 tax cuts in the US faded, business confidence weakened in the face of the uncertainties of US-China trade negotiations. Manufacturing firms became more cautious on long range capital expenditure. The International Monetary Fund revised down its forecasts for World GDP growth in 2019 from 3.5% to 2.9%. Within this context, the different segments in shipping markets exhibited a remarkable variety of outcomes.

The oil tanker market showed steady improvement over the third quarter and received an unexpected boost at the end of the period when the US sanctioned Cosco Tankers, a large Chinese operator – effectively taking out a significant portion of available tanker capacity. Benchmark rates for large tankers hit decade highs as the effect of US sanctions was exacerbated by ships taken out of service for scrubber retrofit ahead of the transition to low sulphur fuel on 1 January 2020. The third quarter of 2019 still saw record demand for many dry bulk products as businesses opportunistically built inventories ahead of expected changes in tariff regimes over the fourth quarter. The benchmark Baltic Dry Index hit a six-year high in the third quarter. However, the fourth quarter was a perfect storm for dry bulk with the combined effects of weakening GDP growth, lower steel demand growth and pullback from the inventory building of the third quarter being exacerbated by environmental shutdowns in Asia. Containership rates, led by larger vessels, improved over the course of the third quarter and consolidated at relatively high levels in the fourth quarter. Over the period, consumer sentiment remained buoyant (particularly in the US) as additional easing by the Federal Reserve was followed by mortgage refinancing and added to disposable income.

The supply-side adjustment across shipping subsectors continued as new orders lagged deliveries and the orderbook shrunk to 9% of the fleet, the lowest level since 2004. The shipping market also encountered one of the most impactful regulatory changes in recent history at the end of 2019 as the global fuel sulphur cap was reduced to 0.5%. To date, the transition has been without large scale technical disruptions although some analysts believe that the real transition will only take place at the end of March with the “carriage ban”, when ships without exhaust gas cleaning systems are prohibited from carrying high sulphur fuel oil. After this date, all ships without scrubbers will be forced to switch to use low sulphur fuel at all times.

* Based on Clarksons Research

Outlook

We believe the supply-led recovery in shipping will continue, offering strong returns over coming years. A major uncertainty in the market is the duration and impact of the novel Coronavirus (Covid-19) outbreak. The outbreak will have direct and indirect effects on GDP and World trade. A survey of analysts estimates that World GDP growth may be reduced to 1-1.5% for the full year (from previous estimates of 3.3%) while Chinese GDP growth may be reduced to 4-4.5% for the full year 2020. The Chinese government’s prompt and stringent actions to contain the outbreak,appear to have had initial success. However, the outbreak has spread internationally and on 11 March 2020, the World Health Organization declared the Covid-19 a pandemic, urging global powers to take co-ordinated action to contain the outbreak. The impact of the pandemic may be limited to the first half of the year, if global measures to contain it are effective and economic stimulus measures across key economies are successful. In this scenario, it is reasonable to expect a balanced shipping market for the year with around 1-1.5% World GDP growth and 2% growth in World seaborne trade demand, balanced by 2.0% fleet growth (3.3% in 2019). We expect fleet growth will continue to slow due to the impact of supply-side factors discussed in detail below. Fundamentals appear to be most favourable for tankers followed by dry bulk and containerships.

In the medium term, we continue to believe that a confluence of supply side factors will lead to slowing fleet growth and will support the shipping markets. Even as newbuilding prices stabilised in 2019 (after a 4% rally in 2018), new orders fell by 32% YoY. As a result, the global shipping orderbook stands at 9% of fleet (the lowest level since 2004). The diminishing orderbook is an indicator of slowing fleet growth in years to come. We believe the pace of new orders will continue to be below trend due to a combination of lack of capital from traditional sources of funding (banks) and uncertainty about environmental regulations on decarbonization. The dearth of new orders is also resulting in rapid consolidation of global shipyard capacity. Maersk Shipbrokers estimate a 30% reduction in global shipyard capacity between 2011 and 2018. We believe the ongoing yard consolidation will also result in better pricing power for surviving yards, pushing up newbuild prices and increasing the premium for secondhand ships. The International Maritime Organization’s (IMO) new global sulphur cap was effective as of 1 January 2020. Satellite data confirmed our expectations, showing that the average speed of the global fleet fell by 2% over the second half of 2019 and continues to fall in early 2020. The decrease in average fleet speed results in lower available capacity and will further support the market.

The Company continues to pursue a strategy of growing a diversified fleet. The revenue earned by most of the Company’s vessels is not affected by short-term fluctuations in general shipping markets. The Company is relatively well positioned to weather the volatility from the impact of Covid-19 as vessels in the portfolio which have charters expiring over the next six months only represent c14% of NAV (as of 29 February 2020). Most of the vessels in the portfolio are employed on medium to long-term charters with carefully chosen counterparties to minimise the impact of fluctuations in commodity prices, geopolitical events and other short-term supply-demand factors.

Investment Manager

Tufton Investment Management Limited (formerly Tufton Oceanic Limited)

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 portfolio, 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 shown in the following table. 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.

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	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. Actual spend will be compared to expected and adjustments made to the provisions held if necessary.
A vessel may be lost or significantly damaged	Capital growth Vessel values	-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	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.
Failure of, or unwillingness of, a non-charter counterparty to meet its obligations to the Company	Capital Growth Loss of invested cash	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.
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	This risk cannot be directly controlled but the Board and its Audit Committee regularly review reports from its Service Providers on their internal controls.

As noted in the Chairman's statement, the developing situation with the Covid-19 virus is at too early a stage to be able to determine its impact. In considering this risk, the Board's thinking has been as follows.

The Group has no direct employees, although crews for vessels on time charters are provided by the SPVs holding those vessels, arranged by the Company's Asset Manager. In the future, therefore, it may be difficult for those subsidiary companies to source such crews, and/or for the asset manager to provide its services. To date, no such difficulties have been experienced and the asset manager is taking appropriate steps to ensure it can continue to service the Group.

In addition, demand for vessels may be depressed for an unknown amount of time, either by a general reduction in global GDP growth or by specific reductions in production by the ultimate customers of the Group's charter counterparties. This again will have no direct or immediate impact on the Group, as it has no exposure to the spot market for vessels, but it may cause such charter counterparties to be unable to pay the Group when due and may also cause charter rates to fall, decreasing the value of our vessels and making charter renewals less remunerative. It is the Board's opinion that all these potential consequences are already managed and monitored as part of the Groups ongoing approach to risk in respect of counterparties, values and service providers, as set out in the table above, and so no additional steps have been taken at this time.

The Board will of course continue to reassess the position as more information about the impact of the virus becomes available.

Interim Report of the Directors

The Directors present their Interim Report and the Condensed Interim Financial Statements of the Company for the six month period ended 31 December 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. Tufton Coporate Services Limited (formerly Marine Services (IOM) Limited), an affiliate of the Investment Manager, licensed by the Financial Services Authority of the Isle of Man, is the corporate secretary, provides directors to and acts as administrator of the IOM SPVs and most other SPVs. 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

On 20 September 2019, the Company announced the results of its Placing and Offer for Subscription of 30,693,070 Ordinary Shares, which raised gross proceeds of US$31 million. These ordinary shares were issued on the Specialist Funds Segment of the Main Market of the London Stock Exchange effective 24 September 2019.

Results and dividends

The Company's performance during the period is discussed in the Chairman's Statement. The results for the year are set out in the Condensed Statement of Comprehensive Income.

Related Parties

Details of related party transactions that have taken place during the period and any material changes, if any, are set out in note 14 of the Condensed Interim Financial Statements.

Directors

The Directors of the Company who served during the year and to date are set out in this Report.

Directors' interests

The Directors held the following interests in the share capital of the Company either directly or beneficially as of 31 December 2019, and as of the date of signing these Financial Statements:

	31 December 2019	**30 June 2019**
	Shares	**Shares**
R King	45,000	45,000
S Le Page	15,000	15,000
P Barnes	5,000	5,000

The Directors fees are as disclosed below:

	31 December 2019	**30 June 2019**
Director	**£**	**£**
R King	30,000	30,000
S Le Page	28,000	28,000
P Barnes	25,000	25,000

Effective 1 January 2020 director fees were increased to £32,000 for Rob King, £30,000 for Stephen Le Page and £28,000 for Paul Barnes .

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.

31 December 2019

Name	Ordinary Shares US$ 2019	% of issued Share Capital 2019
Tufton Group Entities	3,148,350	1.282
Tufton Group Employees	2,296,665	0.935
Tufton Group non-executive directors	703,279	0.286

30 June 2019

Name	Ordinary Shares US$ 2019	% of issued Share Capital 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

Going concern

Under the UK Corporate Governance Code and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern. In assessing the going concern basis of accounting the Directors have had regard to all the guidance issued by the Financial Reporting Council, recent market volatility and the potential impact of the Covid-19 virus on the Company's fleet (as set oun in more detail in the section entitled Principal and Emerging Risks and Uncertainties). After making enquiries, and bearing in mind the nature of the Company's business and assets and the reassessment of the principal and emerging risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Interim Report and Condensed Interim Financial Statements.

Responsibility Statement
For the period from 1 July 2019 to 31 December 2019

The Directors are responsible for preparing the Interim Report and Condensed Interim Financial Statements, which has not been audited or reviewed by an independent auditor, and confirm that to the best of their knowledge:

- the Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting;
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current Financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Approved by the Board of Directors on 27 March 2020 and signed on behalf of the Board by:

Rob King	Steve Le Page
Director	Director

Condensed Statement of Comprehensive Income

For the 6 month period ended 31 December 2019

	Notes	31 December 2019 US$ (Unaudited)	31 December 2018 US$ (Unaudited)
Income			
Net changes in Financial Assets at fair value through profit or loss	4	(4,569,550)	6,477,685
Dividend income		11,439,560	-
Total net income		6,870,010	6,477,685
Expenditure			
Aborted deal costs		-	(18,316)
Administration fees		(73,463)	(51,878)
Audit fees		(68,639)	(39,115)
Corporate Broker fees		(75,000)	(58,537)
Directors' fees	16	(57,544)	(53,529)
Foreign exchange loss		(3,676)	(4,073)
Insurance fee		(12,214)	(50,356)
Investment management fee	12	(1,040,898)	(472,948)

Legal fees		(10,166)	-
Professional fees		(20,187)	(27,003)
Sundry expenses		(11,868)	(18,632)
Total expenses		(1,373,655)	(794,387)
Operating profit		5,496,355	5,683,298
Finance income		44,817	267,413
Profit and comprehensive income for the period / year		5,541,172	5,950,711
IFRS Earnings per ordinary share (cents)	7	2.30	3.51

There were no potentially dilutive instruments in issue at 31 December 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 condensed interim financial statements.

Condensed Statement of Financial Position
At 31 December 2019

	Notes	**31 December 2019 US$ (Unaudited)**	**30 June 2019 US$ (Audited)**
Non-current assets			
Financial assets at fair value through profit or loss (Investments)	4	248,534,260	220,998,073
Total non-current assets		248,534,260	220,998,073

Current assets			
Trade and other receivables		34,455	32,248
Cash and cash equivalents		5,481,172	5,500,139
Total current assets		5,515,627	5,532,387
Total assets		254,049,887	226,530,460
Current liabilities			
Trade and other payables		685,725	687,781
Total current liabilities		685,725	687,781
Net assets		253,364,162	225,842,679
Equity			
Share capital	6	245,392,016	215,012,016
Retained reserves	6	7,972,146	10,830,663
Total equity attributable to ordinary shareholders		253,364,162	225,842,679
Net assets per ordinary share (cents)	9	99.23	100.53

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

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2020 and signed on its behalf by:

Rob King
Director

Steve Le Page
Director

Condensed Statement of Changes in Equity
For the 6 month period ended 31 December 2019

	Ordinary share capital US$	Retained earnings US$	Total US$
For the six months ended 31 December 2018 (Unaudited)			
Balance at 1 July 2019	215,012,016	10,830,663	225,842,679
Share issue	31,000,000	-	31,000,000
Listing costs	(620,000)	-	(620,000)
Profit and comprehensive income for the period	-	5,541,172	5,541,172
Dividends paid	-	(8,399,689)	(8,399,689)
Balance at 31 December 2019	245,392,016	7,972,146	253,364,162

	C-Class share capital US$	Ordinary share capital US$	Retained earnings US$	Total US$
For the six months ended 31 December 2018 (Unaudited)				
Balance at 1 July 2018	-	89,180,000	3,283,443	92,463,443
Share issue	78,400,000	-	-	78,400,000
Listing costs	(1,568,000)	-	-	(1,568,000)
Profit and comprehensive income for the period	-	-	5,950,711	5,950,711
Dividends paid		-	(2,957,500)	(2,957,500)
Balance at 31 December 2018	76,832,000	89,180,000	6,276,654	172,288,654

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

Condensed Statement of Cash Flows
For the 6 month period ended 31 December 2019

	Notes	31 December 2019 US$ (Unaudited)	31 December 2018 US$ (Unaudited)
Cash flows from operating activities			
Profit and comprehensive income for the period		5,541,172	5,950,711
Adjustments for:			
Purchase of investments	4	(32,105,737)	(80,740,801)
Change in fair value on investments	4	4,569,550	(6,477,685)
Operating cash flows before movements in working capital		(21,995,015)	(81.267,775)
Changes in working capital:			
Movement in trade and other receivables		(2,207)	(63,845)
Movement in trade and other payables		(2,056)	184,024
Net cash used in operating activities		(21,999,278)	(81,147,596)
Cash flows from financing activities			
Net proceeds from issue of shares	6	30,380,000	76,832,000
Dividends paid to Ordinary shareholders	8	(8,399,689)	(2,957,500)
Net cash generated from financing activities		21,980,311	73,874,500
Net movement in cash and cash equivalents during the period		(18,967)	(7,273,096)
Cash and cash equivalents at the		5,500,139	43,030,736

beginning of the period

Cash and cash equivalents at the end of the period	5,481,172	35,757,640

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

Notes to the Condensed Interim Financial Statements
For the 6 month period ended 31 December 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.

On 20 September 2019, the Company announced the results of its Placing and Offer for Subscription of 30,693,070 Ordinary Shares, which raised gross proceeds of US$31 million. These ordinary shares were listed on the Specialist Funds Segment of the Main Market of the London Stock Exchange effective 24 September 2019. Total number of shares in issue as at 31 December 2019 was 255,337,638 (Note 6).

2. Significant accounting policies

(a) Basis of Preparation

The Condensed Interim Financial Statements have been prepared on a going concern basis in accordance with IAS 34 Interim Financial Reporting, and applicable Guernsey law. These Condensed Interim Financial Statements do not comprise statutory Financial Statements within the meaning of the Companies (Guernsey) Law, 2008, and should be read in conjunction with the Financial Statements of the Company as of and for the year ended 30 June 2019, which were prepared in accordance with International Financial Reporting Standards. The statutory Financial Statements for the year ended 30 June 2019 were approved by the Board of Directors on 10 September 2019. The opinion of the auditors on those Financial Statements were not qualified. The accounting policies adopted in these Condensed Interim Financial Statements are consistent with those of the previous financial year and the corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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.

Refer to note 3 for further disclosure on accounting for subsidiaries.

(b) New and amended standards

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

Amendments to IFRS 3 "Business Combinations" was issued in July 2001 and become effective for periods beginning on or after 1 January 2020. These amendments will clarify the definition of a business.

Amendments to IAS 1 "Presentation of Financial Statements" that become effective for periods beginning on or after 1 January 2020 and 1 January 2022 respectively. These amendments will clarify the definition of material and the classification of liabilities as current or non-current.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" that become effective for periods beginning on or after 1 January 2020. These amendments will clarify the definition of material.

It is not anticipated that the revisions to the abovementioned standards will have any material impact on the Company's financial position, performance or disclosures in its financial statements.

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.

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

The new and revised Standards and Interpretations adopted in the current period did not have any significant impact on the amounts reported in these condensed interim financial statements.

(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 Condensed 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 period. 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 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.

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 Condensed 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 Condensed 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 Condensed 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 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.

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 Condensed 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 Condensed 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.

(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 of 31 December 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 crrency are not retranslated. Exchange differences are recognised in the Condensed 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 Company's investment objective, financial risk management and associated risks (see note 10), recent market volatility and the potential impact of the Covid-19 virus on the Company's fleet (as set out in more detail in the section entitled Principal and Emerging Risks and Uncertainties). 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 condensed interim financial statements.

(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.

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 period. Information about significant judgements, estimates and assumptions which have the greatest effect on the recognition and measurement of assets, liabilities, income and expenses were the same as those that applied to the Annual Report and Financial Statements for the year ended 30 June 2019.

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

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.

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

The Company values its investment in LSA at it's net asset value. The net asset values of LSA's subsidiary SPVs 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 cycle 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 charterfree 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 rates to obtain a premium or discount value of the charter versus the typical 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 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 and 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.

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 Condensed Statement of Financial Position as there is no current intention to dispose of any of the assets.

	31 December 2019	**30 June 2019**
	US$	**US$**
LSA	**(Unaudited)**	**(Audited)**
Brought forward cost of investment	199,739,076	46,140,091
Total investment acquired in the year / period	32,105,737	153,598,985
Carried forward cost of investment	231,844,813	199,739,076
Expenditure		
Brought forward unrealised gains on valuation	21,258,997	3,482,168
Movement in unrealised gains	(4,569,550)	17,776,829

on valuation

Carried forward unrealised gains on valuation	16,689,447	21,258,997
Total investment at fair value	248,534,260	220,998,073

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

LSA	**31 December 2019 US$ (Unaudited)**	**30 June 2019 US$ (Audited)**
Aglow Limited	8,598,537	9,962,674
Bear Limited	23,611,429	-
Citra Limited	10,647,433	12,930,529
Darwin Limited	7,482,866	7,283,389
Dragon Limited	10,004,131	11,200,383
Hongi Limited	7,193,097	7,214,554
Java Limited	6,710,628	6,655,732
Kale Limited	9,062,790	12,056,392
Neon Limited	30,342,509	31,375,694
Octane Limited	20,235,094	20,170,969
Parrot Limited	32,520,352	5,736,394
Patience Limited	8,251,620	11,528,670
Pollock Limited	16,412,873	15,189,286
Riposte Limited	11,335,037	14,303,930
Sierra Limited	20,701,290	20,620,297
Swordfish Limited	8,800,324	11,916,570
Vicuna Limited	12,421,357	-
Cash held pending investment	12,397,994	34,606,314
Residual net liabilities	(8,195,101)	(11,753,704)

***Total investment at fair value**	248,534,260	220,998,073

The net change in the movement of the fair value of the investment is recorded in the Condensed 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 of each SPV to determine the fair value of the total investment attributable to LSA.

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 31 Dec 2019	Ownership at 30 June 2019	Ownership at 31 Dec 2018
LS Assets Limited	Guernsey	Direct	Holding company	100%	100%	100%
Aglow Limited	Isle of Man	Indirect	SPV	100%	100%	100%
Bear Limited[2]	Isle of Man	Indirect	SPV	100%	0%	0%
Citra Limited	Isle of Man	Indirect	SPV	100%	100%	100%
Darwin Limited [1]	Isle of Man	Indirect	SPV	0%	100%	0%
Dragon Limited	Isle of Man	Indirect	SPV	100%	100%	100%
Hongi Limited [1]	Isle of Man	Indirect	SPV	0%	100%	0%
Java Limited [1]	Isle of Man	Indirect	SPV	0%	100%	0%
Kale Limited	Isle of Man	Indirect	SPV	100%	100%	100%
Neon Limited	Isle of Man	Indirect	SPV	100%	100%	100%
Octane Limited	Isle of Man	Indirect	SPV	100%	100%	100%
Parrot Limited	Isle of Man	Indirect	SPV	100%	100%	0%
Patience Limited	Isle of Man	Indirect	SPV	100%	100%	100%
Pollock Limited	Isle of Man	Indirect	SPV	100%	100%	100%
Riposte Limited	Isle of Man	Indirect	SPV	100%	100%	100%
Sierra Limited	Isle of Man	Indirect	SPV	100%	100%	0%
Swordfish Limited	Isle of Man	Indirect	SPV	100%	100%	100%
Vicuna Limited [2]	Isle of Man	Indirect	SPV	100%	0%	0%

Zulu Limited [1]	Isle of Man	Indirect	SPV	100%	0%	0%

1. On 25 October 2019, the entire shareholdings of Darwin Limited, Hongi Limited and Java Limited were transferred to Zulu Limited. Applications for dissolution have been made for Darwin Limited, Hongi Limited, Java Limited and Zulu Limited.
2. Bear Limited and Vicuna Limited became a subsidiary of LS Assets during the period ended 31 December 2019.

6. 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**
Issued on 24 September 2019	30,693,070	31,000,000	(620,000)	30,380,000
Total issue at 31 December 2019	**255,337,638**	**250,400,016**	**(5,008,000)**	**245,392,016**

During the prior 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.

The Company currently has 1 class of ordinary share of no par value in issue. All the holders of the ordinary shares which total 255,337,638 (30 June 2019: 224,644,568), are entitled to receive dividends as declared from time to time and are entitled to 1 vote per share at meetings of the Company.

Retained reserves

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

7. Earnings per share calculated in accordance with IFRS

	31 December 2019	31 December 2018
	US$	US$
	(Unaudited)	(Unaudited)
Profit and comprehensive income for the year / period	5,541,172	5,950,711
Weighted average number of ordinary shares	240,991,964	91,000,000

Earnings per ordinary share (cents)	2.30	3.51

The weighted average number of ordinary shares (241.0m shares) is calculated in accordance with IFRS guidelines.

8. Dividends

The Company declared the following dividends in respect of the profit for the period ended 31 December 2019:

Period end	Dividend per share	Ex div date	Net Dividend paid	Record date	Paid date
Ordinary shareholders					
Dividends declared the period ended 31 December 2018:					
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
Dividends declared the period ended 31 December 2019:					
30 June 2019	US$0.0175	8 August 2019	US$3,931,280	9 August 2019	23 August 2019
30 September 2019	US$0.0175	7 November 2019	US$4,468,409	8 November 2019	22 November 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.

9. Net assets per ordinary share

	31 December 2019 US$ (Unaudited)	30 June 2019 US$ (Audited)
Shareholders' equity	253,364,162	225,842,679
Number of ordinary shares	255,337,638	224,644,568
Net assets per ordinary share (cents)	99.23	100.53

10. Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's Audited Financial Statements as at 30 June 2019.

There have been no significant changes in the management of risk or in any risk management policies since the last balance sheet date.

11. 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.

12. 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 period ended 31 December 2019 the Company has incurred US$1,040,898 (2018: US$472,948) in management fees of which US$532,380 (2018: US$192,851) was outstanding at 31 December 2019.

13. Performance fee

Tufton ODF Partners LP, the entity holding 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.

14. Related parties

The Investment Manager, Tufton Investment Management Limited (formerly 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.

For the period ended 31 December 2019 the Company has incurred US$1,040,898 (2018: US$472,948) in management fees of which US$532,380 (2018: US$293,292) was outstanding at 31 December 2019.

The Directors of the Company and their shareholding is stated in the Interim Report of of the Directors.

15. 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.

16. Remuneration of the Directors

The remuneration of the Directors was US$57,544 (2018: US$53,529) for the period.

17. Events after the reporting period

On 20 January 2020, LS Assets acquired the entire shareholding in Dachshund Limited.

On 27 January 2020, Dachshund Limited contracted to acquire a handysize Product Tanker for US$13.25m. The acquisition was completed on 5 March 2020.

On 31st January 2020, Darwin Limited, Hongi Limited, and Java Limited completed the sales of the respective vessels owned by each company for combined sale price of US$19.3m. On 17 February 2020, applications for dissolution were made for each of Darwin Limited, Hongi Limited, Java Limited and Zulu Limited.

The unaudited NAV as at 29 February 2020 was $0.976 per share. The unaudited NAV as at 31 March 2020 will be announced on or about 6 April 2020.

On 18 March 2020, LS Assets acquired the entire shareholding in Antler Limited.

On 20 March 2020, Antler Limited contracted to acquire a handysize bulker for US$7.0m. The acquisition was completed on 26 March 2020.

A further dividend was declared on 30 January 2020 for US$0.0175 per ordinary share for the quarter ending 31 December 2019. The dividend was paid on 21 February 2020 to holders of ordinary shares on record date 7 February 2020 with an ex-dividend date of 6 February 2020.

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