STEADYING THE COURSE POISED FOR RECOVERY

ANNUAL REPORT 2018

Atlantic Navigation Holdings (Singapore) Limited

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CORPORATE PROFILE

Atlantic Navigation Holdings (Singapore) Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is listed on the Catalist board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

Our Group's business activities started in 1997 when Atlantic Maritime Services LLC was incorporated in Dubai, United Arab Emirates ("**UAE**") to provide ship repair, fabrication and other marine services to ship owners in the Middle East region. Our Group has since evolved from a ship repair, fabrication and other marine services provider to a ship owner and integrated offshore service provider.

As an integrated offshore service provider, we operate mainly out of our base in UAE, serving primarily customers in the Middle East region. We manage our operations mainly through our subsidiaries, namely Atlantic Maritime Group FZE (based in Hamriyah Free Zone, Sharjah, UAE) and Atlantic Ship Management LLC (based in Abu Dhabi, UAE).

We have two principal operating divisions, namely Marine Logistics Services ("**MLS**") and Ship Repair, Fabrication and Other Marine Services ("**SRM**"), which are vertically integrated to provide a comprehensive solution to our customers.

MARINE LOGISTICS SERVICES

Our MLS division provides ship chartering and technical management, principally for the offshore oil and gas as well as marine construction industries predominantly in the Middle East region, with expansion plans to include Africa and India.

Our marine logistics services are supported by our owned fleet of 22 vessels (including 2 vessels under Investments in Joint Operations) which comprise of 2 lift-boats (a.k.a. jack-up barges), 1 mid-sized DP2 PSV, 9 various AHTs, 4 maintenance utility vessels, 3 tugboats, 1 deck barge, 1 crew boat and 1 work utility vessel. Please see page 15 for a brief summary of our fleet and the vessel specifications.

In addition to the vessels from our owned and managed fleet, we also cross-charter vessels from third parties to service contracts which are secured to serve the specific needs of our customers.

In relation to the oil and gas industry, we provide services supporting different phases of the exploration, construction and development, production and post-production of offshore oil and gas.

SHIP REPAIR, FABRICATION AND OTHER MARINE SERVICES

Our SRM division provides afloat and drydock repair and maintenance services (supported by the workshop facilities at our premises at Hamriyah Free Zone) to customers in the shipping industry and for vessels utilized in our MLS division. Our SRM division also provides steel fabrication works for the ship repairs industry including mobile drilling rigs.

PROJECT WORK

We also work with other service providers in the offshore oil and gas business to bid for projects that leverage off the strength and core competencies of each business. As an illustration, Atlantic Ship Management LLC was involved in a consortium which was awarded a US$45.2 million project for the purchase and removal of decommissioned offshore and onshore facilities (the "**Project**") in April 2017 by a Middle Eastern National Oil Company ("**MENOC**").

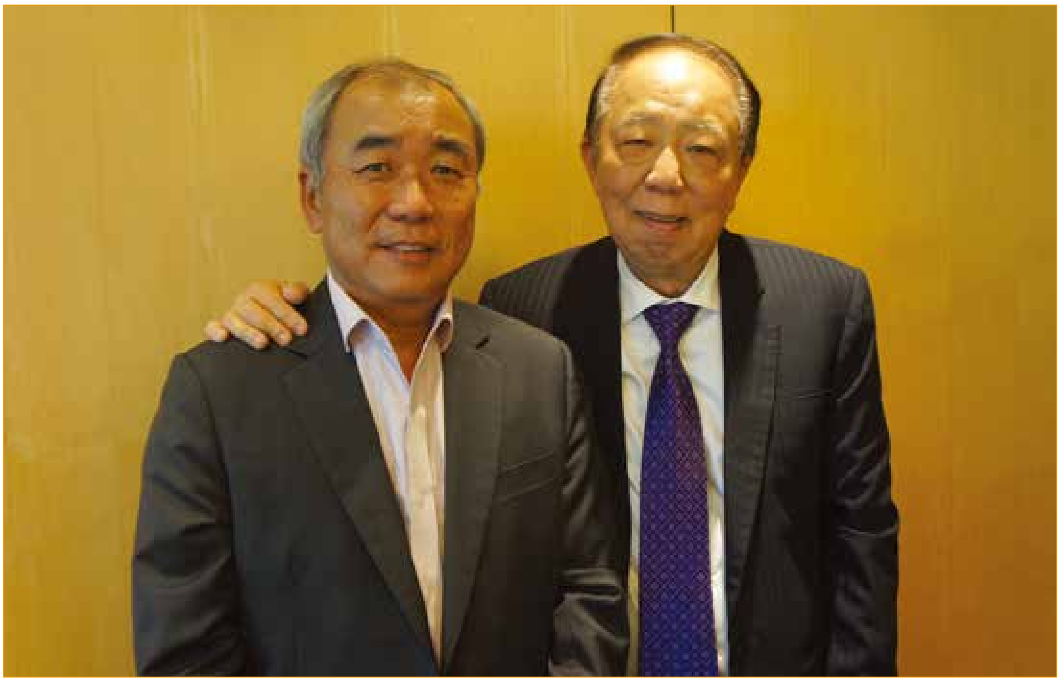
In February 2018, the consortium completed mobilization, deployment of equipment, infrastructure setup and personnel for both the onshore and offshore phase of the Project. Operational work on the onshore phase of the Project started in March 2018, and operational work on the offshore phase started in May 2018. Physical aspect of the work execution has concluded and closure of the Project is expected to be fully completed by end of April 2019.

OUR CUSTOMERS

Over the years, our dedicated services have enabled us to establish strong and stable relationships with various leading oil companies, contractors, survey companies, ship owners, ship yards and charterers in the region.

We are a pre-qualified marine support and service provider to various MENOCs and oil majors such as Saudi Aramco, Abu Dhabi National Oil Company and its marine operating companies such as ADMA-OPCO, Zakum Development Company (ZADCO), Bunduq Oil Company, Qatar Gas and Qatar Petroleum as well as international offshore Engineering Procurement Contractors (EPC) including J Ray McDermott, SAIPEM, Boskalis, Dynamic Industries, Technip FMC, Subsea 7 and NPCC.

JOINT STATEMENT BY CHAIRMAN AND CEO



Setting the Direction through Leadership and Experience

Left: Mr Wong Siew Cheong, Bill, Executive Director and Chief Executive Officer

Right: Mr Kum Soh Har, Michael, Non-Executive Non-Independent Chairman

Dear Distinguished Shareholders

It is with considerable sense of privilege and honour that I write to you as the recently appointed Chairman of the Company, having being appointed to the Board of Directors in late December 2018.

Mr Wong Siew Cheong, Bill and I have gone a long way since we first made our work ventures and in-roads to the Middle East back in the 1980s. When Bill presented me with the opportunity to invest in the Company in mid-2018, despite that oil prices having stabilized somewhat at a level above US$60 for international Brent Crude, I was cognizant that the offshore oil and gas marine logistics services sector will continue to remain challenging with the excess tonnages in an environment characterized by the subdued daily charter rates.

However, I saw and continue to believe in the potential of the Group as helmed by Bill as the Chief Executive Officer and the management team, which he has assembled, and readily invested cash in exchange for a slight majority equity stake in the Company. Under Bill's leadership and indefatigable work ethics, the Group has now established a strong entrenched market position in the Middle East supported by a relatively young fleet with a significant portion of our vessel fleet being backed by long term contracts. All of these achievements are commendable as they were attained by the Group not being overly-extended on leverage but nonetheless impacted by the severe downturn in the industry over the past couple of years.

Before I turn over to Bill for his discussion on operations and financial results, I wish to express my appreciation to Bill for allowing me to share and contribute to this Company platform in an industry which I have endeared myself with and hence never truly left, and graciously allowing me to assume the chairmanship of the Company.

First and foremost, I wish to thank Michael for his kind words and strong endorsement with his significant cash-for-equity investment in the Group, which has contributed immensely to the stability of the Group and its operations. The Management is also grateful that Michael has decided to devote part of his time to assume the chairmanship of and provide leadership and insight to the Group.

In a way, 2018 followed through with the developments of late 2017 with oil prices stabilizing above US$60 per barrel with increased activities and tendering enquiries as a result. From an operational perspective, the significant milestones and highlights of FY2018 is that we took full delivery and deployment of the 7 new-built vessels which now forms part of the 10-vessel marine spread service offering being deployed in the Middle East. The vessels continue to enjoy almost full 100% utilization and the duration of the respective contracts is expected to continue until the 3rd quarter of 2022. In addition, both the liftboats in our fleet, i.e. AOS Maintainer I and Delta 22 were deployed for the most part of 2018 as intended with reference to their respective contracts awarded.

FINANCIAL PERFORMANCE

Group revenue for FY2018 increased by a commendable 73.6% to US$58.8 million as compared to US$33.9 million in FY2017 due largely to our MLS division with an enlarged owned fleet at enhanced utilization rates. The increase in gross profit by 369.2% to US$15.3 million in FY2018 as compared to FY2017 corresponded with the significant increase in revenue primarily as a result of a higher utilization of owned vessels, deployment of Group's liftboats, deployment of 3 front runners and 5 new vessels, and higher daily charter rates for long term contracts with a MENOC. As a result, the gross profit margin for the Group improved by 16.4 percentage points to 26.1% in FY2018.

However, our Group recorded a net loss of US$16.9 million in FY2018, as compared to a net loss of US$13.2 million in FY2017 due mainly to the impairment losses on certain vessels of US$16.4 million, provision set aside for an arbitration case of US$0.5 million as well as loss on fair value changes in hedging derivatives of US$0.6 million.

Our Group's operations generated significantly higher operating cash flow before changes in working capital of US$18.1 million in FY2018 as compared to US$5.5 million in FY2017. As a

JOINT STATEMENT BY CHAIRMAN AND CEO

result of the cash-for-equity injection of US$26.0 million by Saeed Investment Pte. Ltd. of which a significant portion was used to fully repay the convertible loan which was previously classified as debt in the balance sheet, the Group's gearing ratio had remained stable at 57.0% in FY2018 compared to 57.3% in FY2017, despite taking delivery of and the associated significant capital expenditure on the 7 new-built vessels during FY2018.

OUTLOOK AND STRATEGY

Given the uncertainties in outlook of the oil and gas sector coupled with the intensity of competition for contracts, the Group is expected to continue to focus on improving its operational efficiencies while maintaining or reducing its cost of operations to be market competitive in price quotations as it pursues new contracts with its established pool of existing and new clients. Competitive downward pressure on charter rates is still to be expected due to the influx of excess tonnages from other more adversely affected regions into the Middle East.

The Group will remain focused on maintaining and protecting the enhanced level of utilization of our existing enlarged fleet and securing employment for our owned vessels at competitive market rates. Given the established track record and entrenched market presence in the Middle East, the Group will continue to explore opportunities for cross chartering-in of third party vessels backed by secured contracts to complement its fleet and service offering to generate positive cash flows and profits for the Group.

Having taken full delivery of the 7 new-built vessels, we have now a fleet of vessels which are relatively new of less than 4 years old on average, if we disregard the old legacy vessels comprising of a utility vessel, 2 tugboats and 1 remaining deck barge. We will continue to evaluate our fleet portfolio in accordance of the needs of the market with a view of continual fleet renewal in our bid to remain streamlined and focused with the ultimate aim of being nimble and competitive in our service offerings.

DIVIDENDS AND PAYOUT

No dividend had been declared or recommended for FY2018 in view of the operational and financial requirements of the Group.

WORDS OF APPRECIATION

From the both of us as the Chairman and the Executive Director and CEO, we can reflect back on 2018 as a year of significant changes, especially during the latter half of 2018. We would like to take this opportunity to express our sincere appreciation to all the previous members of our Board, namely Messrs Tong Choo Cherng, Goh Boon Chye, Eu Lee Koon and Andrew Lyndon Waite for their unstinting support and guidance during the past extremely difficult periods, as well as to the new members who have stepped up to provide their expertise and experience in the stewardship and governance of the Group.

We would also like to express our gratitude to our principal bankers for their steadfast support to the financial needs of the Group, and our partners and suppliers for supporting our daily operations so that we can continue to operate effectively during these challenging times.

In addition, we thank our fellow colleagues for continuing to remain dedicated and focused on their roles and responsibilities as we look forward to jointly steer the Group through another challenging year ahead. Lastly, our special expression of gratitude also goes to all fellow shareholders for their patience as we work to deliver positive results and shareholder value in the years to come.

Mr Kum Soh Har, Michael
Non-Executive Non-Independent Chairman

Mr Wong Siew Cheong, Bill
Executive Director and CEO

BOARD OF DIRECTORS

Mr Kum Soh Har, Michael

Non-Executive Non-Independent Chairman

Age: 74
Country of principal residence: Singapore
Date of last re-election: Due for re-election at the forthcoming AGM to be held on 26 April 2019.

Mr Kum was appointed to the Board on 21 December 2018 as the Non-Executive Non-Independent Chairman and a member of the Audit Committee and Remuneration Committee.

Mr Kum has over four decades of hands-on experience in the offshore support vessels ("OSV") market, extending from the Middle East, India, South East Asia and Australia. He commenced his career in Singapore in 1969 working for an Australian OSV company headquartered in Fremantle, Western Australia (with operations in Singapore). He subsequently founded Offshore Equipment Pte Ltd in 1976 to charter OSVs to the oil and gas industry in the Middle East (including Egypt), India, Australia (including the North West Shelf) and South East Asia, which was later renamed Miclyn Offshore Pte Ltd ("Miclyn Offshore"). Miclyn Offshore was later merged with Express Offshore Transport Pte. Ltd. to form Miclyn Express Offshore Pte Ltd ("MEO"), which was listed on the Australian Stock Exchange ("ASX") in 2010. Mr Kum served as Chairman of Miclyn Offshore and MEO, and was responsible for the strategic planning and development of the group's business and was instrumental to the expansion and growth of the group. He retired as Chairman of MEO post-listing on the ASX. Mr Kum was previously a majority shareholder of ASX-listed Mermaid Marine Australia Limited (which is now known as MMA Offshore Limited) and is currently its substantial minority shareholder.

Since 2009, Mr Kum founded the hotel real estate platform, M&L Hospitality, a leading international hospitality real estate investment platform with hotel properties across Asia Pacific and Europe. He currently serves as Chairman to M&L Hospitality.

Mr Kum obtained a Certificate in Higher Commercial Law and Higher Costing (Cost Accounting) from the London Chamber of Commerce in 1966.

Mr Wong Siew Cheong, Bill

Executive Director and Chief Executive Officer

Age: 66
Country of principal residence: United Arab Emirates
Date of last re-election: Due for re-election at the forthcoming AGM to be held on 26 April 2019.

Mr Wong was appointed to the Board on 31 July 2012. He is responsible for the strategic planning and development of the Group's business and spearheading the expansion and growth of the Group. Mr Wong is the founder of the Group and has more than 40 years of experience in the marine chartering and shipbuilding, repair, fabrication and maintenance business. Prior to establishing the Group, Mr Wong served as general manager of Selat Marine Service Co. Ltd. from 1991 to 1996, where he was responsible for the overall marketing, technical management and operations of their offshore vessels. Prior to joining Selat Marine Service Co. Ltd., Mr Wong was the shipyard manager at Marine Engineering Services Co (LLC) in Sharjah, UAE, where he was in charge of running the shipyard's operations and expansion program. Mr Wong had also worked with Qubaiai Int'l Est. Abu Dhabi, and the Keppel Group in Singapore.

Mr Wong graduated with a Bachelor of Mechanical Engineering from the University of Singapore in 1977.

Mr Gwee Lian Kheng

Lead Independent Director

Age: 78
Country of principal residence: Singapore
Date of last re-election: Due for re-election at the forthcoming AGM to be held on 26 April 2019.

Mr Gwee was appointed to the Board on 4 March 2019 as the Lead Independent Director, Chairman of the Audit Committee and the Nominating Committee, and a member of the Remuneration Committee.

Mr Gwee was the Group Chief Executive and Executive Director of UOL Group Limited, a listed property and hospitality company. He has served the UOL Group for more than 45 years prior to his retirement on 31 January 2019.

Mr Gwee is an accountant by profession and is a fellow member of the Chartered Institute of Management Accountants (United Kingdom), the Association of Chartered Certified Accountants (United Kingdom) and the Institute of Singapore Chartered Accountants. He graduated with a Bachelor of Accountancy (Honours) from the University of Singapore in 1970.

Mr Gwee received the Asia Pacific Hotelier of the Year Award in 2003 and the Hotel Legends Hall of Fame Award at the 11th Australian New Zealand Pacific Hotel Industry Conference in 2011. He was awarded the Pingat Bakti Masyarakat (PBM) Public Service Medal and the Bintang Bakti Masyarakat (BBM) Public Service Star in 1994 and 2002 respectively.

Mr Gwee currently sits on the boards of directors of UOL Group Limited and United Industrial Corporation Limited.

Mr Wong Chee Meng, Lawrence

Independent Director

Age: 51
Country of principal residence: Singapore
Date of last re-election: 29 June 2018

Mr Wong was appointed to the Board on 15 March 2018. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee. He is the Managing Director of Equity Law LLC and also heads its Corporate and Securities Practice. He is an experienced and established corporate practitioner and was previously a partner of reputable law firms. He co-headed the Corporate and Securities Practice of his previous firm and also headed its subsidiary, an approved SGX continuing sponsor.

His areas of practice include corporate and securities laws, capital markets, mergers and acquisitions, corporate restructuring, joint ventures, corporate and commercial contracts, regulatory compliance and corporate governance advisory and corporate secretarial work. He has led numerous initial public offerings, reverse take-overs, secondary fund raising and cross-border merger and acquisition exercises.

Mr Wong graduated from the National University of Singapore in 1991 with an Honours degree in Law, on a scholarship from the Public Service Commission of Singapore. Subsequently, he has accumulated an extensive working experience in both the public and the private sectors of the legal profession. He is an advocate and solicitor in Singapore and a solicitor in Hong Kong SAR. He has been recognised in leading legal publications such as IFLR 1000, The Legal 500 Asia Pacific for Corporate and M&A and Acquisition International.

Mr Wong was a director of several public listed companies in Singapore and currently sits on the board of directors of Eindec Corporation Limited.

Mr Sam Chee Leong

Independent Director

Age: 71
Country of principal residence: Singapore
Date of last election: Due for re-election at the forthcoming AGM to be held on 26 April 2019.

Mr Sam was appointed to the Board on 21 December 2018. He is a member of the Audit Committee and the Nominating Committee.

Mr Sam started his career as a Marine Surveyor with the American Bureau of Shipping ("ABS") on 15 July 1973. He garnered vast experience in various aspects of the shipping and offshore industry over the next 43 years, and retired on 31 December 2016 as Vice President of Service Delivery. Over these four decades, Mr Sam held various management positions in the ABS Pacific Division, including a five-year stint in China as Vice President/Country Manager responsible in the operations, business and financial aspects of ABS.

Mr Sam has a Mechanical Engineering Diploma from the Singapore Polytechnic in 1970 and a Bachelor of Engineering Management from the University of Western Sydney in 1999. He also holds various certificates including a Graduate Certificate Project Management from RMIT.

EXECUTIVE OFFICERS

Mr Stoyan Radev Ialamov

Chief Operating Officer

Mr Ialamov joined the Group in November 2018 as the Chief Operating Officer, and is responsible for day-to-day operations of the Group. Prior to joining the Group, Mr Ialamov was the Senior Manager in charge of the functions of fleet vessels as well as Deputy General Manager of Zakher Marine International Inc from June 2010 to November 2018, and before that, Managing Director of South East Marine, UAE from October 2008 to June 2010.

Mr Ialamov has in overall more than 20 years of combined seagoing and shore management experience in offshore oil and gas sector. His experience covers all aspects of the marine and offshore vessels operations and management, which includes increasing strategic and corporate management responsibilities in the latter part of his career. Mr Ialamov holds a Master of Science in Marine Navigation and Operations and Repairs of ships from the Bulgarian Maritime Academy in 1989.

Mr Hsu Chong Pin

Chief Financial Officer

Mr Hsu joined the Group in January 2019 as the Chief Financial Officer, and is responsible for overall financial management as well as the administrative management of the Group. Prior to joining the Group, Mr Hsu was the Chief Financial Officer of EMAS Offshore Limited from January 2016 to December 2018, and before that, the Head of Business Development and Investor Relations at Marco Polo Marine Limited from March 2012 to December 2015.

Mr Hsu has more than 18 years of experience in accounting and finance, corporate finance, financial advisory, business development and investor relations across various industries including offshore oil and gas, fund management and property real estate. Mr Hsu completed his Master of Philosophy in Management from the University of Cambridge in 1999 and a Bachelor of Science in Economics and Finance (First Class Honours) from the University of York, UK in 1998.

Mr Mohammad Reza Sadeghi

Project Director

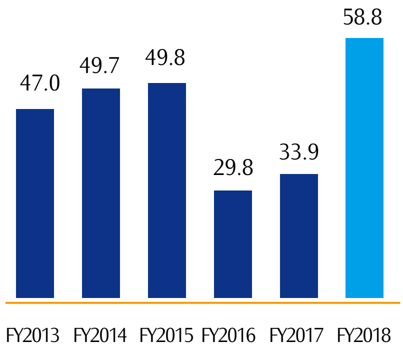
Mr Sadeghi is currently the Project Director with responsibilities in the day-to-day operations of the Group's SRM division, as well as in the oversight and execution of special projects. Prior to joining the Group, Mr Sadeghi was a technical operation manager of the AQUA Group in Dubai, and between 1999 and 2001, Mr Sadeghi was a technical operation manager of Irano-Hind Shipping Co., a joint venture between Islamic Republic of Iran Shipping Lines Co ("IRISL") and Shipping Corporation of India. Mr Sadeghi had also held various technical, General Manager, Board Member of Marine Services & Eng Co. (IRISL subsidiary company) and other managerial roles in IRISL, including responsibility for new vessels in IRISL's Guangzhou shipyard from 1985 to 1999.

Mr Sadeghi graduated with a Bachelor of Science in Marine Engineering in 1985 from the Marine Engineering College of Calcutta, India, and attained the certificate of competency of Chief Engineer in 1993.

GROUP FINANCIAL HIGHLIGHTS

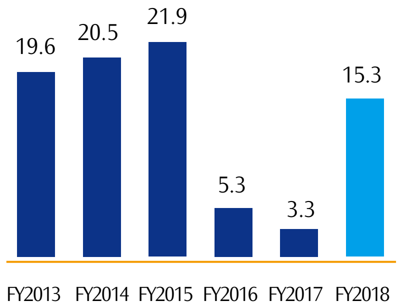
Group Revenue
(US$ million)

73.6% increase from US$33.9 million in FY2017 to US$58.8 million in FY2018



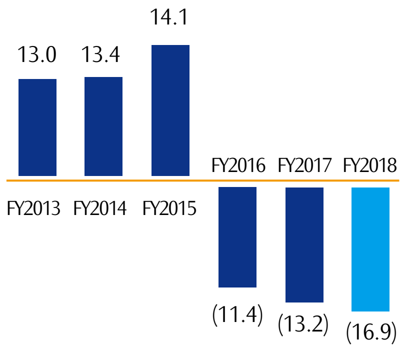
Group Gross Profit
(US$ million)

369.2% increase from US$3.3 million in FY2017 to US$15.3 million in FY2018



Net Profit/(Loss) after Tax
(US$ million)

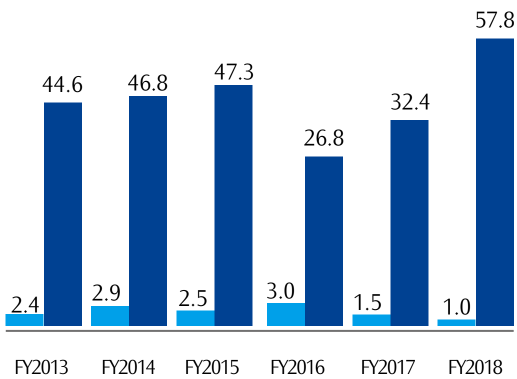
Increased from a loss of US$13.2 million in FY2017 to a loss of US$16.9 million in FY2018, which includes US$16.4 million impairment loss on property, vessels and equipment.



Revenue by Segments
(US$ million)

Revenue for the MLS division increased by US$25.4 million or 78.5% in FY2018.

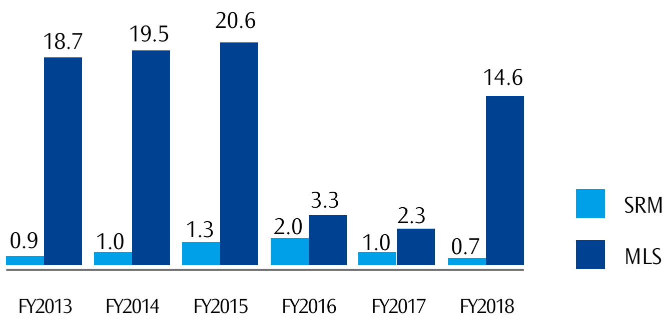
Revenue for the SRM division decreased by US$0.5 million or 33.7% in FY2018.



Gross Profit by Segments
(US$ million)

Gross profit for the MLS division increased by US$12.4 million or 544.0% in FY2018.

Gross profit for the SRM division decreased by US$0.3 million or 29.6% in FY2018.



Financial Indicators	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Basic Earnings/(Loss) per share (US$ cents)	4.98	5.14	5.39	(4.38)	(5.05)	(6.15)
Diluted Earnings/(Loss) per share (US$ cents)	4.98	5.07	5.30	(4.38)	(5.05)	(6.15)
Net Asset Value per share (US$ cents)	27.3	32.0	36.9	32.6	29.0	16.1
Return on Total Assets	18.2%	16.0%	14.6%	(6.3)%	(7.4)%	(8.4)%
Return on Shareholders' Equity	12.9%	11.0%	10.8%	(13.3)%	(17.4)%	(20.1)%
Net Gearing	23.1%	27.7%	23.6%	52.0%	57.3%	57.0%

OPERATIONAL REVIEW

FINANCIAL PERFORMANCE

The Group's revenue for the MLS segment for FY2018 increased by US$25.4 million or 78.5%, from US$32.4 million in FY2017 to US$57.8 million in FY2018. The increase in revenue was mainly attributable to the higher rate of utilization of owned vessels, coupled with the deployment of the Group's liftboats, deployment of 3 front runners and 5 new vessels to support long-term contracts with a MENOC, and provision of vessels to support a joint venture project for the purchase and removal of decommissioned offshore and onshore facilities. The Group's revenue for the SRM segment for FY2018 decreased by US$0.5 million or 33.7% compared to FY2017 mainly due to the lower level of repairs works undertaken on third party vessels.

The Group reported gross profit of US$14.6 million for the MLS segment during FY2018, compared to the gross profit of US$2.3 million in FY2017. The increase in gross profit by US$12.4 million or 544.0% in FY2018 compared to FY2017 corresponded with the significant increase in revenue primarily as a result of a higher utilization of owned vessels, deployment of Group's liftboats, deployment of 3 front runners and 5 new vessels, and higher daily charter rates for long-term contracts with a MENOC. As a result, the gross profit margin for the MLS segment improved by 18.3 percentage points in FY2018. The Group reported gross profit of US$0.7 million for the SRM segment during FY2018, compared with gross profit of US$1.0 million in FY2017. The decrease in gross profit of US$0.3 million or 29.6% in FY2018 was mainly due to the lower level of repairs works undertaken on third party vessels.

Other income for FY2018 increased by US$0.3 million as compared to FY2017 mainly due to reversal of provision for material cost and services for FY2017, gain on disposal of vessel, recovery of insurance claim related to a machine's failure and modification work performed for customer.

Marketing and distribution expenses in FY2018 increased by US$0.5 million mainly due to the fee for business feasibility analysis, consultancy fee for future business expansion plans, brokerage commission and increase in travel expenses. Administrative expenses for FY2018 decreased by US$0.6 million or 10.2% as compared to FY2017 due to cost control measures resulting in reduction in salaries, office maintenance and other administrative costs.

Finance costs decreased by US$0.8 million or 9.7% in FY2018 to US$7.7 million as compared to US$8.5 million in FY2017 which included US$3.6 million for loss on extinguishment of convertible loan instrument in FY2017. Setting aside the loss on extinguishment of convertible loan instrument in FY2017, the increase in finance charges in FY2018 was mainly a result of new bank borrowings of US$29.8 million and private borrowings of US$8.5 million for the acquisition of 7 new vessels which were all accepted for delivery in FY2018.

With respect to the loss on fair value changes in derivatives, the Group recorded a mark to market (MTM) loss of US$0.6 million on its interest rate swap derivative contract. The interest rate swap derivative contract pays fixed interest rates based on notional values and receives variable rates equal to 3 months USD LIBOR. The interest rate swap derivative contract is entered into to hedge the Group's interest rate risk arising from certain of its floating rate USD bank loans.

Other expense in FY2018 relates to provision set aside of US$0.5 million for the arbitration case with Guangxin Shipbuilding & Heavy Industry Co. Ltd. arising from alleged damages resulting from the rescission of a ship building contract as previously announced and impairment losses of certain vessels in aggregate of US$16.4 million.

The Group recorded profit of US$0.6 million from its 40% interest in joint venture during FY2018.

The Group recorded a loss before tax of US$15.3 million in FY2018 as compared to a loss before tax of US$12.4 million in FY2017 mainly due to impairment losses on certain vessels, provision set aside for arbitration case with Guangxin Shipbuilding & Heavy Industry Co. Ltd., loss on fair value changes in derivatives, higher marketing and distribution expenses, and partially offset by an increase in gross profit, share of profit in a joint venture, absence of loss on extinguishment of convertible loan instrument, lower finance cost and lower administrative expense.

FINANCIAL POSITION

Non-current assets increased by US$20.7 million from US$160.2 million as at 31 December 2017 to US$180.9 million as at 31 December 2018 mainly due to additional investment of US$45.5 million in 7 new vessels including capitalization of borrowing cost of US$0.5 million, and an increase in investment

OPERATIONAL REVIEW

in a joint venture of US$0.6 million, partially offset by aggregate impairment losses of US$16.4 million, disposal of a vessel of US$0.6 million and depreciation charge of US$8.6 million.

Current assets increased by US$3.1 million from US$18.3 million as at 31 December 2017 to US$21.4 million as at 31 December 2018. This was mainly due to an increase in cash and bank balances of US$4.2 million, partially offset by decrease in trade and other receivables of US$1.2 million.

Non-current liabilities increased by US$7.7 million, from US$63.1 million as at 31 December 2017 to US$70.8 million as at 31 December 2018. This was mainly due to increases in the non-current portion of new borrowings in aggregate of US$24.3 million and loss on fair value changes in derivatives of US$0.6 million, partially offset by the repayment of term loans (including the SCF Convertible Loan) of US$17.2 million.

Current liabilities increased by US$7.5 million from US$39.8 million as at 31 December 2017 to US$47.3 million as at 31 December 2018, primarily due to (i) an increase in trade payables and other payables of US$2.6 million; (ii) an increase in other liabilities of US$3.8 million comprising mainly of provisions for operating expenses of US$1.7 million, finance costs of US$0.7 million, and provision for an arbitration case of US$0.5 million; and (iii) net increase in current portion of bank borrowings of US$1.1 million.

Net current liabilities increased by US$4.4 million from US$21.5 million as at 31 December 2017 to US$25.9 million as at 31 December 2018, primarily due to an increase in current liabilities of US$7.5 million, partially offset by an increase in current assets of US$3.1 million.

In the opinion of the Directors, the Group will be able to continue as a going concern as there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as the Group is expected to be able to generate sufficient cash flows from its operations with an enlarged fleet as well as securing the support from its principal bankers and other stakeholders.

The deployment of certain vessels during the year has, and is expected to continue to contribute positively to the operating cash flows of the Group. The Group has also taken certain steps to strengthen its balance sheet with the completion of the share subscription pursuant to the Subscription Agreement with Saeed Investment Pte. Ltd. (the “Subscriber”) pursuant to which the Company has issued and allotted an aggregate of 262,918,394 Subscription Shares to the Subscriber. The proceeds had been utilized to repay the SCF Convertible Loan and support the working capital of the Group.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flows generated from operating activities amounted to US$15.0 million in FY2018. This was mainly due to operating cash flows before changes in working capital of US$18.1 million, changes in working capital of US$5.5 million, partially offset by interest paid of US$7.0 million and income tax paid of US$1.6 million.

Net cash flows used in investing activities amounted to US$44.8 million in FY2018 as a result of investment in new vessels of US$45.5 million, partially offset by proceeds received from the disposal of vessels of US$0.7 million.

Net cash flows generated from financing activities of US$34.6 million in FY2018 was mainly a result of new borrowings of US$38.3 million, proceeds received from shares subscription of US$26.0 million, partially offset mainly by repayment of term loans of US$29.7 million.

OPERATIONAL REVIEW

OPERATIONAL REVIEW

Since the signing of the long-term charter contract for 10 vessels with a MENOC as first announced in May 2016, fulfilment of contract had started since July 2016 with progressive deployment of frontrunner vessels comprising of owned vessels and charter-in vessels. 7 out of the 10 vessels were purchased and commissioned as new vessels to support the long-term charters with the first delivery of vessel in March 2018 and last of remaining 2 out of 7 new vessels delivered in December 2018.

All of the 7 new vessels together with 1 existing owned and 2 chartered-in vessels are currently deployed with the MENOC at almost full utilization when they were put into service. The remaining contract duration of the 10-vessel contract is expected to last at least until end August 2022.

Apart from the 10-vessel fleet on long-term charters, both the liftboats in our fleet, i.e. AOS Maintainer I and Delta 22 were deployed for full FY2018 and for almost 10-month period in FY2018, respectively, as intended with reference to their respective contracts awarded. Other vessels in our fleet were mainly either on spot contracts or being actively marketed to clients for contracts.

As announced by the Company on 25 April 2017, the Company and its Korean Consortium partner secured a US$45.2 million project with a MENOC for the purchase and removal of decommissioned offshore and onshore facilities. As an update, physical aspect of the work execution has concluded and closure of the project is expected to be fully completed by end April 2019.

OUTLOOK

Given the continuing uncertainties in the oil and gas sector caused by the subdued and volatility in oil prices, the Group continues to exercise management prudence in its operations. The Group is expected to continue to focus on improving its operational efficiencies while maintaining or reducing its cost of operations as it pursues new contracts with its established pool of existing and new clients.

The Group expects continuing competitive pressure on charter rates due to the influx of excess tonnages from other more adversely affected regions into the Middle East. While we expect charter rates in this region to remain competitive, our fleet utilization has improved mainly due to the full deployment of 7 new vessels to support the long-term contracts secured by the Group.

The Group continues to focus on maintaining and protecting the enhanced level of utilization of its existing fleet and securing employment for its owned vessels at competitive market rates. Given the established track record and entrenched market presence in the Middle East, the Group will continue to explore opportunities for cross chartering-in of third party vessels backed by secured contracts to complement its fleet and service offering to generate positive cash flows and profits for the Group.

As previously announced, the share subscription by the Subscriber was completed in December 2018, pursuant to which US$26.0 million were raised through an aggregate of 262,918,394 Subscription Shares being allotted and issued to the Subscriber which is now a majority shareholder with approximately 50.2% stake in the Company. Apart from strengthening the equity base of the Group, a significant portion of the proceeds had been utilized to fully redeem the principal and interests under the SCF Convertible Loan Agreement which had resulted in significant decrease in the use of leverage within the Group.

Set up solely for the purpose of undertaking the share subscription, the Subscriber is a company incorporated in Singapore which is controlled by Mr Kum Soh Har, Michael ("Mr Kum"). Mr Kum has since been appointed as the Non-Executive Chairman of the Company in December 2018. As an industry veteran with more than 40 years of experience in the offshore oil and gas sector and in particular being an early entrant to the Middle East market, the appointment of Mr Kum is expected to enhance the bench of experience and expertise of the Group. The Management team is expected to benefit from Mr Kum's strategic advice with respect to the expansion plans and financial strategy of the Group and vast industry contacts. Mr Wong Siew Cheong continues to be the Executive Director and CEO while retaining significant ownership of slightly under 40% of the Company so that the Group continues to benefit from his in-depth experience and leadership of the Group.

Currently, the trading of the Company's shares is suspended due to the free-float of shares (i.e. shares held by public shareholders) being below the compliance level of 10%. The Company is currently evaluating on measures to rectify this technical breach shortly in due course.

Barring unforeseen circumstances, the Group expects its performance to improve for FY2019, mainly due to the increase in number of owned vessels and sustained utilization rates across the enlarged fleet.

VESSEL FLEET LIST

Young and Diversified Fleet for Different Phases of Offshore Oilfield Development

Average Age* - Overall **5.4 Years**

Average Age* - Excluding the Utility/Supply/Tug and Barge vessels **3.9 Years**

* Estimated as at 31 March 2019

Jack-Up Accommodation Barge

Name of Vessel	Type	Size	Deck Area	Crane Capacity	Year Built
AOS Maintainer I	DP-1 Jack-Up Accommodation Barge	85.1m / 260 men	1200 sqm	Main: 190T	2015
				Aux: 20T	
Delta 22	Jack-Up Barge	46.00m / 92 men	700 sqm	Main: 45T	2013
				Aux: 5.4T	

Platform Supply Vessel - DP2

Name of Vessel	BHP	Size	Deck Area	Crane Capacity	Year Built
AOS Neptune	6000	75.00m / 58 men	700 sqm	20T	2015

Recent New-built Vessels

Name of Vessel	Type	BHP	Deck Space	Crane Capacity	Year Built
AOS Vision	Maintenance Utility Vessel	2600	200 sqm/40 men	20T @ 4m; 30m Boom	2018
AOS Valor	Maintenance Utility Vessel	2600	200 sqm/40 men	20T @ 4m; 30m Boom	2018
AOS Venture	Maintenance Utility Vessel	2600	200 sqm/34 men	20T @ 4m; 30m Boom	2018
AOS Valiant	Maintenance Utility Vessel	2600	200 sqm/34 men	20T @ 4m; 30m Boom	2018
AOS Eagle	Work Utility Vessel	2600	175 sqm/30 men	10T @ 3.1m; 18.3m Boom	2018
AOS Sapphire	Shallow Draft AHTS	4800	360 sqm/26 men	4T @ 9m; 12m Boom	2018
AOS Emerald	Shallow Draft AHTS	4800	360 sqm/26 men	4T @ 9m; 12m Boom	2018

Anchor Handling Tug - Azimuth Stern Drive

Name of Vessel	BHP	Bollard Pull	Deck Area	Crane Capacity	Year Built
AOS Power	5500	70TBP	150 sqm	3T	2012

Anchor Handling Tug Supply Vessel - DP2

Name of Vessel	BHP	Bollard Pull	Deck Area	Crane Capacity	Year Built
AOS Victory	6400	80TBP	360 sqm	3T	2014
ES Thunder*	6400	80TBP	360 sqm	3T	2014

Anchor Handling Tug Supply Vessel - DP1

Name of Vessel	BHP	Bollard Pull	Deck Area	Crane Capacity	Year Built
AOS Triumph**	5150	65TBP	350 sqm	3T	2014
AOS Handler	5150	65TBP	350 sqm	NA	2010
AOS Hauler	5150	65TBP	350 sqm	NA	2010
AOS Provider	5150	65TBP	350 sqm	NA	2010

Crew Boat

Name of Vessel	BHP	Size	Deck Area	Crane Capacity	Year Built
AOS Swift	2 x 2400	27.00m / 35 men	100 sqm	25 knots	2015

Utility/Supply/Tug

Name of Vessel	Type	BHP	Size	Deck Area	Year Built
AOS Honour	Utility	3500	45.00m / 18 men accommodation and seating for 30	216 sqm	2006
AOS Star	Towing Tug	3200	36.00m / 40TBP	100 sqm	2008
AOS Energy	Towing Tug	3200	36.00m / 40TBP	175 sqm	2006

Barge

Name of Vessel	Type	Deck Strength	Size	Year Built
AOS 102	Deck Cargo Barge	15T/m2	250ft	2006

* Under management with 15% ownership under Investment in Joint Operations
** Under management with 51% ownership under Investment in Joint Operations

SIGNIFICANT DEVELOPMENT MILESTONES

Date	Significant development/Milestones	Description	Reference
Jan-16	The Company secured a convertible loan of US$13 million for expansion with proceeds used to partially finance the purchase of liftboat, i.e. AOS Maintainer I. The vessel was delivered and started work since September 2016.	The Company had entered into a convertible loan agreement with SCF-VIII, L.P. ("SCF") pursuant to which SCF had extended to the Company a loan of a principal amount of US$13 million ("SCF Loan"), to partially fund the cash portion for the Company's purchase of a liftboat, i.e. AOS Maintainer I, and related mobilisation costs.	https://links.sgx.com/FileOpen/ANH_Convertible%20Loan%20Agreement.ashx?App=Announcement&FileID=384878
May-16	The Company secured US$236 million long-term charters for 10 vessels with a MENOC. Fulfilment of contracts started since July 2016 with progressive deployment of front runner vessels comprising of owned vessels and charter-in vessels.	The Company was awarded long-term charters for 10 vessels with a combined value of approximately US$236 million by a MENOC. The Group will supply 5 Maintenance/Work/Utility vessels and 5 Anchor-Handling Tug, Supply and Safety Standby vessels, of which 7 will be new builds. The vessels, on a firm five-year charter with a two-year extension option, will support the MENOC's operations in the Arabian Gulf.	https://links.sgx.com/FileOpen/ANH_Media_Release_Atlantic_Navigation_secures_USD236million_long_term_charters_for_10_vessels.ashx?App=Announcement&FileID=404692
Jun-16	Purchase of and commissioning to build 7 new vessels to support the long-term charters. First delivery of vessel in March 2018 and last of which in December 2018.	The Company signed Shipbuilding Agreements with a shipyard in the People's Republic of China for the supply of 5 Maintenance/Work/Utility vessels and 2 Anchor-Handling Tug, Supply and Safety Standby vessels at a total cost of approximately US$45 million. The vessels will, upon delivery, be deployed under firm five-year charters to support the operations of a MENOC in the Arabian Gulf.	https://links.sgx.com/FileOpen/Media_Release_Acquisition_of_7_new_vessels.ashx?App=Announcement&FileID=408372
Mar-17	The Company secured US$44 million charter for its liftboat, i.e. AOS Maintainer I, with a MENOC. Contract started in June 2017 and had since extended until end June 2019.	The vessel, on a firm one-year charter with two one-year extension options, will support the MENOC's operations in the Arabian Gulf.	https://links.sgx.com/FileOpen/ANHSL_Announcement_Maintainer_I.ashx?App=Announcement&FileID=443163
Apr-17	The Company received support from one of its principal bankers with the revision of repayment and extension of tenure of term loan revolving credit facilities of US$46 million until April 2023.	On 11 April 2017, the Company executed agreements to revise the repayment and to extend the tenure of term loans and revolving credit facilities of US$46 million with Maybank Singapore (the "Loan Facilities"). The Loan Facilities has been extended to an average of 8 years from an average of 4 years previously. The Group's loan principal repayment will be reduced by an aggregate of US$9 million over the next 3 years.	https://links.sgx.com/FileOpen/ANHSL_Announcement_Refinancing.ashx?App=Announcement&FileID=451549
Apr-17	The Group and its Korean Consortium partner secured a US$45.2 million project with a MENOC for the purchase and removal of decommissioned offshore and onshore facilities. Physical aspect of the work execution has concluded and closure of the project is expected to be fully completed by end April 2019.	The Company's subsidiary, Atlantic Ship Management LLC ("ASM"), and Oceanus Co. Ltd. Korea c/o Oceanus Co. Ltd. Abu Dhabi formed a consortium in which ASM had a 49% interest and had on 19 April 2017 been awarded a US$45.2 million project for the purchase and removal of decommissioned offshore and onshore facilities by a MENOC. ASM's interest in the consortium was subsequently reduced to 40% with the introduction of an additional partner in March 2018.	https://links.sgx.com/FileOpen/ANHSL_Announcement_Arzanah.ashx?App=Announcement&FileID=449871
Mar-18	The Group secured US$8.5 millon loan from its Middle East partner which is payable over 5 years to partially finance the cash portion and mobilization cost due for the 5 out of the 7 new vessels.	The Company's wholly-owned subsidiary, Atlantic Maritime Group FZE ("AMG"), had on 28 March 2018 entered into a loan agreement with Mr. Mubarak Abdullah Al-Suwaiket ("Middle East partner"), for the grant of a loan of a principal amount of US$8.5 million by the Middle East partner to AMG, maturing 365 days after the date of receipt by AMG of the loan amount. AMG had undertaken to repay the loan and the financial charges to the Middle East partner within 5 years commencing on the date on which the loan is received by AMG in 5 instalments.	https://links.sgx.com/FileOpen/ANH%20Announcement.ashx?App=Announcement&FileID=495279

Date	Significant development/Milestones	Description	Reference
Apr-18	AMG obtained a 7-year commodity term loan facility of up to US$29.8 million from its United Arab Emirates banker to finance the acquisition of the 7 new vessels.	AMG had on 3 April 2018 executed a 7-year Term Loan Facility of up to US$29.8 million (the "Facility") from its United Arab Emirates banker. The Facility will be utilized to finance the acquisition of 7 new vessels. The Company had drawn down US$20.4 million of the loan from the Facility to pay for the first batch of 5 out of 7 new vessels.	https://links.sgx.com/FileOpen/Announcement%20-%20Term%20Loan%20Facility%20-%20Final.ashx?App=Announcement&FileID=496441
Jul-18	Proposed subscription of 262,918,394 new ordinary shares in the share capital of the Company ("Subscription Shares") by Saeed Investment Pte. Ltd. ("Saeed Investment") to raise US$26 million, for majority 50.2% stake in the enlarged share capital of the Company.	On 15 July 2018, the Company had entered into a conditional share subscription agreement with Saeed Investment ("Subscription Agreement") pursuant to which the Company has agreed to issue and allot an aggregate of 262,918,394 Subscription Shares to the Saeed Investment, and Saeed Investment has agreed to subscribe for the Subscription Shares, at the subscription price of US$0.09889 per Subscription Share, for an aggregate amount of US$26 million.	https://links.sgx.com/FileOpen/ANH%20Announcement%20-%20Subscription%20Agreement%20-%20final.ashx?App=Announcement&FileID=516356
Oct-18	Delivery of the remaining 2 out of 7 new vessels to support the long-term charter contracts with a MENOC. Remaining firmed contract duration for the full 10-vessel marine spread is expected to least until end August 2022.	On 18 October 2018, the Company drawn down on the balance of US$9.4 million of the Facility to pay for the remaining 2 out of 7 new vessels. The Group has taken the delivery of these 2 vessels for mobilization to the Middle East to support the long-term contracts with the MENOC.	https://links.sgx.com/FileOpen/ANHSL%20Announcement%20NBF%20Loan%20Drawdown%20-%20Final.ashx?App=Announcement&FileID=530817
Dec-18	Completion of proposed subscription of Subscription Shares by Saeed Investment, which is controlled and helmed by Mr Kum Soh Har, Michael.	On 11 December 2018, 262,918,394 Subscription Shares were allotted and issued to Saeed Investment in accordance with the Subscription Agreement. The Company's total issued and paid-up share capital has increased from 260,593,750 shares to 523,512,144 shares.	https://links.sgx.com/FileOpen/ANH%20Announcement%206%20-%20Completion.ashx?App=Announcement&FileID=537063
Dec-18	Repayment of outstanding principal and interests of the SCF Loan funded by the new cash-for-equity injection by Saeed Investment.	The Company has, in accordance with the terms of the Subscription Agreement, utilised part of the subscription proceeds amounting to US$17.2 million to fully repay the outstanding principal and interests accured and accuring up to and including 3 January 2019 for the SCF Loan.	https://links.sgx.com/FileOpen/ANH%20-%20Announcement%20-%20Repayment%20of%20SCF.ashx?App=Announcement&FileID=537951
Dec-18	Appointment of Mr Kum Soh Har, Michael as the Non-Executive Non-Independent Chairman, with Mr Wong Siew Cheong being re-designated as Executive Director and Chief Executive Officer, along with other Board appointments and resignations.	Completion of renewal of members of Board of Directors as well as strengthening of Management team to meet the challenges of the future.	https://links.sgx.com/1.0.0/corporate-announcements/5OHH16YLF16B45F4/b73f917af8d768ffc2683a6f83fd80082c2f355501ccf20c70989dadaa0687e5
Mar-19	Completion of changes to members of the Board of Directors and the Board Committees culminating with the appointment of Mr Gwee Lian Kheng as Lead Independent Director in March 2019.		https://links.sgx.com/FileOpen/ANH%20-%20Announcement%20-%20Board%20composition%20-%20final.ashx?App=Announcement&FileID=545991

HSE DESCRIPTION

HEALTH, SAFETY AND ENVIRONMENT ("HSE")

The Group believes that the safe operation of vessels, safety of its employees (including Contractors and all persons working under its control), together with the public, as well as the protection of the environment, are the overriding responsibilities and considerations in carrying out its diverse marine operations.

The Group maintains strict quality control programs to monitor and control its operational risks. We remain focused on increasing HSE awareness amongst our employees and crew, and on upholding our core values in our daily operational activities. Structured safety meetings are held and safety trainings were organized for them throughout the year.

The Stop Work policy of the Group provides responsibility and authority to all employees or contractors to stop an activity if, in his/her opinion or judgment, the activity is deemed to be an unsafe or risky behavior.

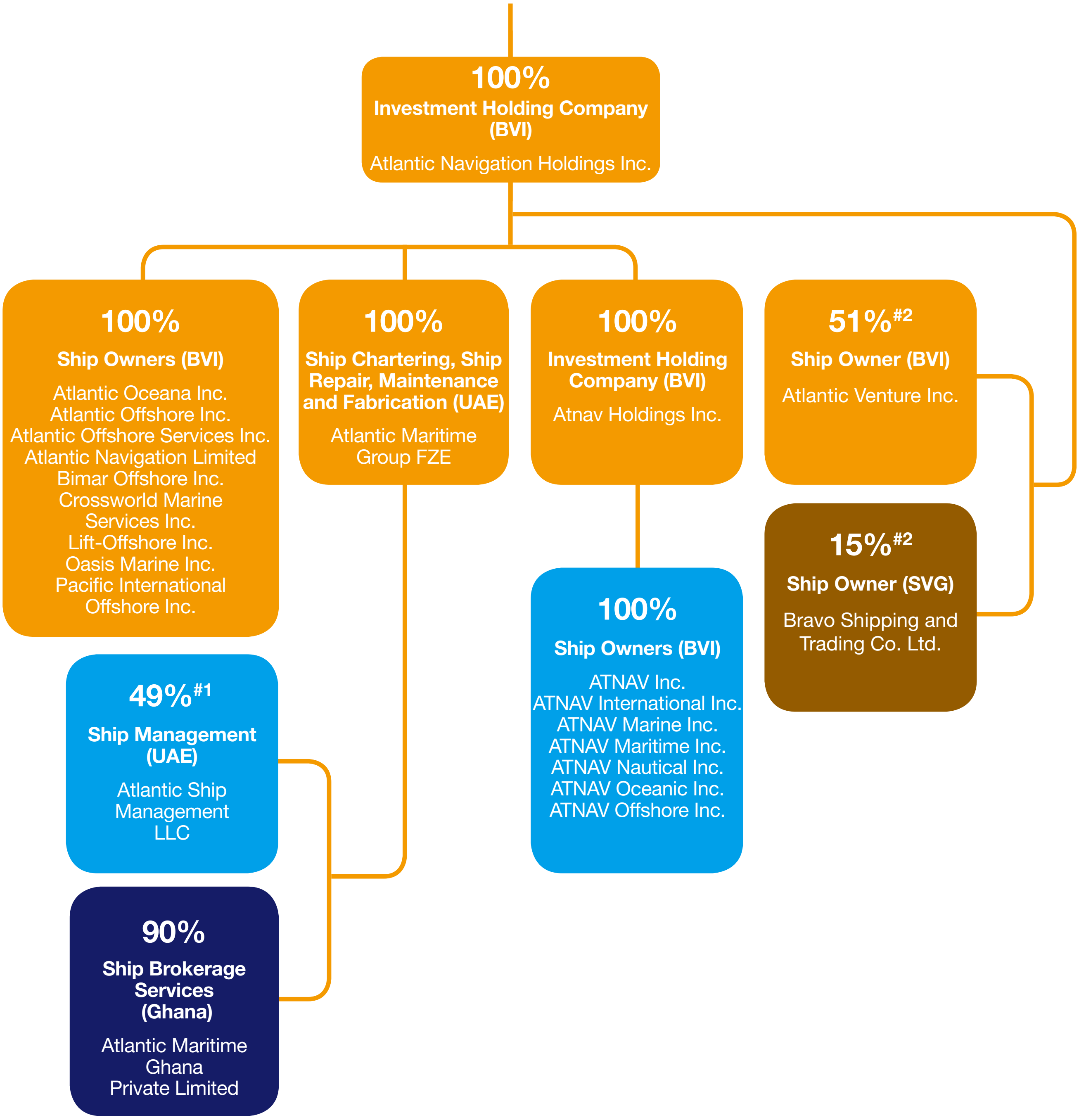
Atlantic Maritime Group FZE ("AMG") has successfully aligned its safety management system from OHSAS 18001:2008 to the new standard ISO 45001:2018. AMG follows a risk based approach and proactive method of implementing control measures or taking preventive actions to achieve its goal of zero accident.

The commitment of the Group in ensuring the safety of employees, the protection of environment and continual improvement are evident from the statistics showing ZERO Lost Time Injury and ZERO oil spills in past 5 years.

GROUP STRUCTURE

Atlantic Navigation
Holdings (Singapore) Limited

Investment Holding Company
(Singapore)



[#1] This represents the legal interests of the Group in Atlantic Ship Management LLC. The Directors consider Atlantic Ship Management LLC a subsidiary of the Group as the Group has control over the financial and operating policies and activities of this entity.

[#2] The Group has 51% and 15% interests respectively in the ownership and voting rights in two joint operations, Atlantic Ventures Inc. and Bravo Shipping and Trading Co. Ltd.. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**" or the "**Directors**") of Atlantic Navigation Holdings (Singapore) Limited ("**Atlantic**" or the "**Company**") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (collectively, the "**Group**") to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board confirms that, for the financial year ended 31 December 2018 ("**FY2018**"), the Company has generally adhered to the principles and guidelines set out in the Singapore Code of Corporate Governance 2012 (the "**Code**"). Where there are deviations from the Code, appropriate explanations are provided. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

The revised Code of Corporate Governance was recently issued on 6 August 2018 (the "**2018 Code**"), with the aim to enhance board quality by strengthening board independence and diversity and encourage better engagement between companies and all stakeholders. The 2018 Code is effective for annual reports covering financial years commencing from 1 January 2019. The Group will outline its corporate governance practices and structures in place to comply with the 2018 Code, where appropriate, in the next annual report for the financial year ending 31 December 2019.

A. BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The primary role of the Board is to lead and control the Company's operations and affairs and to protect and enhance long-term shareholders' value. The Board establishes the corporate strategic objectives of the Group and oversees the performance of the management of the Group (the "**Management**"). The Board also ensures that the necessary financial and human resources are in place for the Company to meet its objectives.

The principal functions of the Board are:

- reviewing the financial results of the Group, evaluating the adequacy and integrity of the Group's internal controls and external audit;
- reviewing the performance of the Management and the remuneration packages for the Board and key management personnel;
- identifying principal risks of the Group's business, ensuring that such risks are assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- monitoring major investments, divestments, acquisition and disposal of assets;
- determining the Group's values and standards including ethical standards;
- considering sustainability issues including environmental and social factors in the formulation of Group's strategies; and
- assuming responsibility for corporate governance.

The Group has adopted internal guidelines for the Management, setting forth matters that require the Board's approval. Matters which are reserved for the Board's decision include, *inter alia*:

- approving the remuneration packages for the Board and key management personnel;

CORPORATE GOVERNANCE REPORT

- approving corporate strategies;
- approving major funding proposals; and
- approving major investments, divestments, acquisition and disposal of assets.

All Directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times, the interests of the Company. To assist in the efficient and effective discharge of its duties and responsibilities, the Board has established the board committees, namely, Audit Committee ("**AC**"), Remuneration Committee ("**RC**") and Nominating Committee ("**NC**") (collectively, the "**Board Committees**"). The Board Committees operate within clearly defined terms of reference which sets out the authority and duties, and operating procedures, which are reviewed on a regular basis. The Board acknowledges that while the Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

The Board conducts regular scheduled meetings at least four (4) times a year to review, *inter alia*, the strategic policies of the Group, significant business transactions, performance of the business and approve the release of the quarterly and year-end financial results when required, ad-hoc Board and Board Committees meetings are also held to address significant transactions or issues that may arise. The Company's Constitution allows meetings to be conducted by way of teleconference and videoconference.

Details of Board and Board Committees meetings held during FY2018 and members' attendance are summarised in the table below:

Meetings	**Board**	**Board Committees**		
		Audit	**Nominating**	**Remuneration**
Total held in FY2018	**6**	**5**	**1**	**1**
Number of meetings attended				
Mr Kum Soh Har, Michael[1]	–	–	–	–
Mr Wong Siew Cheong[2]	6	5#	1	1#
Mr Gwee Lian Kheng[3]	–	–	–	–
Mr Wong Chee Meng, Lawrence[4]	5	4	–	–
Mr Sam Chee Leong[5]	–	–	–	–
Mr Tong Choo Cherng[6]	6	5#	–	1#
Mr Goh Boon Chye[7]	6	5	1	1
Mr Eu Lee Koon[8]	6	5	1	1
Mr Andrew Lyndon Waite[9]	5	4#	1#	1#
Mr Lee Kah Hoo[10]	1	1	1	1

Notes:

#By invitation

1 On 21 December 2018, Mr Kum Soh Har, Michael was appointed as the Non-Executive Non-Independent Chairman of the Company and a member of the RC. On 4 March 2019, Mr Kum was appointed as a member of the AC.

2 On 21 December 2018, Mr Wong Siew Cheong was re-designated as Executive Director and Chief Executive Officer of the Company, and ceased to be a member of the NC.

CORPORATE GOVERNANCE REPORT

3 On 4 March 2019, Mr Gwee Lian Kheng was appointed as the Lead Independent Director of the Company, Chairman of the AC and NC, and a member of the RC.

4 On 15 March 2018, Mr Wong Chee Meng, Lawrence was appointed as the Lead Independent Director of the Company, Chairman of the NC, and a member of the RC and AC. On 21 December 2018, Mr Wong was appointed as Chairman of the RC. On 4 March 2019, Mr Wong was re-designated as an Independent Director of the Company, Chairman of the RC, and a member of the AC and NC.

5 On 21 December 2018, Mr Sam Chee Leong was appointed as an Independent Director of the Company and a member of the AC, RC and NC. On 4 March 2019, Mr Sam ceased to be a member of the RC.

6 On 21 December 2018, Mr Tong Choo Cherng ceased to be the Executive Director (Finance) of the Company and was re-designated as Chief Financial Officer of the Company. He has subsequently ceased to be Chief Financial Officer of the Company on 31 January 2019.

7 On 21 December 2018, Mr Goh Boon Chye ceased to be a member of the RC. On 4 March 2019, Mr Goh ceased to be an Independent Director of the Company, Chairman of the AC and a member of the NC.

8 On 21 December 2018, Mr Eu Lee Koon ceased to be an Independent Director of the Company, the Chairman of the RC, and a member of the AC and NC.

9 On 21 December 2018, Mr Andrew Lyndon Waite ceased to be the Non-Executive Non-Independent Director of the Company. Mr Jeffrey William Ewen, Alternate Director to Mr Waite, has also ceased from him position on the same day.

10 On 15 March 2018, Mr Lee Kah Hoo ceased to be the Lead Independent Director of the Company, Chairman of the NC, and a member of the RC and AC.

The Company has and intends to continue to organise orientation programmes for current and new Directors (if and when required or when appointed) to familiarise them with the Group's operations and business issues as well as the relevant regulations and governance requirements. Newly appointed Directors will be provided with background information on the Group's history, business operations and policies. For new appointed Directors who do not have prior experience as a director of a public listed company in Singapore, pursuant to the amended Rule 406(3)(a) of the Catalist Rules, which was revised to be consistent with the 2018 Code and effective from 1 January 2019, the Company will arrange for the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties.

Directors are kept informed on the relevant new laws, regulations, code of corporate governance, financial reporting standards and changing commercial risks, from time to time. Where appropriate, the Company will also fund the Directors' attendance at any training programme. During the period under review, Directors are provided with briefings and updates (i) on the developments in financial reporting and governance standards by the external auditors, Ernst & Young LLP; and (ii) on changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during the Board Committees meetings.

Upon appointment of each Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

CORPORATE GOVERNANCE REPORT

As at the date of this report, the Board consists of five (5) Directors, three (3) of whom are independent:

Mr Kum Soh Har, Michael	Non-Executive Non-Independent Chairman
Mr Wong Siew Cheong	Executive Director and Chief Executive Officer
Mr Gwee Lian Kheng	Lead Independent Director
Mr Wong Chee Meng, Lawrence	Independent Director
Mr Sam Chee Leong	Independent Director

The NC reviews the independence of Directors on an annual basis. In its deliberation as to the independence of a Director, the NC took into account examples of relationships as set out in the Code, considered whether a Director had business relationships with the Group, its related corporations, its substantial shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment with a view to the best interests of the Group.

Following the recent revision to the Code, the Catalist Rules has been amended to be consistent with the 2018 Code. In relation to the assessment of the independence of the Directors, specific tests of Directors' independence have been hardcoded into the Catalist Rules to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. Under Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules which took effect on 1 January 2019, it stipulates that a Director will not be considered as independent if he is employed by the issuer or any of its related corporations for the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporation for the past three financial years, and whose remuneration is determined by the remuneration committee of the issuer. In this regard, the Independent Directors have confirmed that they and their respective associates do not have any employment relationships with the Company or any of its related corporations for the current or any of the past three financial years.

After taking into account the views of the NC, the Board is satisfied that each Independent Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, the Independent Director's judgement. The Board is of the view that there is a good balance between the Executive and Non-Executive Directors, and a strong and independent element on the Board.

Mr Kum Soh Har, Michael is the Non-Executive Non-Independent Chairman of the Company. In view of the fact that the Chairman is not an Independent Director, with the Board comprising five (5) Directors, three (3) of whom are independent, the composition of the Board complies with the recommendation under the Code that Independent Directors make up at least half of the Board as well as the recommendation under the 2018 Code that the Independent Directors make up a majority of the Board.

None of the Independent Directors has served on the Board beyond nine (9) years from the date of his first appointment.

The composition of the Board and its Board Committees are reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board, and collectively possesses the necessary core competence in business, investment, audit, accounting and tax matters and industry knowledge for informed decision-making and effective functioning.

The Board, taking into account the scope and nature of the operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and its Board Committees, is of the view that its current size of five (5) Directors and the composition of the Board and its Board Committees are appropriate to meet the Company's objectives and facilitates effective decision making.

The Non-Executive Directors (i.e. including Independent Directors) will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and in monitoring the reporting of performance. When necessary, the Non-Executive Directors will have discussions/meetings amongst themselves without the presence of the Management.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Kum Soh Har, Michael is currently the Non-Executive Non-Independent Chairman. The Chairman takes a leading role in the Company's drive to achieve and maintain high standards of corporate governance with the full support of the Board and the Company Secretary.

The Chairman, with the assistance of the Company Secretary, schedules and prepares the meeting agenda to enable the Board to discharge its duties responsibly having regard to the Group's operations. The Chairman leads all Board meetings and ensures that Board members receive complete, accurate and timely information to enable them to be fully cognisant of the affairs of the Group, and ensuring sufficient allocation of time for thorough discussion of each agenda item (in particular strategic issues). He also promotes a culture of openness and solicits contributions from the Board members to facilitate constructive discussions.

Mr Wong Siew Cheong is the Group's Chief Executive Officer ("**CEO**") who has full executive responsibility over the business direction and operational decisions on the day-to-day operations and management of the Company. Mr Wong is the founder of the Group and plays a key role in developing the Group's business. Through the Group's performance in these few years, Mr Wong has demonstrated his vision, strong leadership and passion in the Group's business.

The Chairman and CEO are not related.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Three (3) out of five (5) of the Board members are Independent Directors and all the Board Committees are chaired by the Independent Directors. In addition, in view that the Non-Executive Chairman is not an Independent Director, the Company has appointed Mr Gwee Lian Kheng as the Lead Independent Director and he is available to shareholders where they have concerns and for which contact through the normal channels of the Non-Executive Non-Independent Chairman, the CEO or the Chief Financial Officer has failed to resolve or is inappropriate. As such, the Board believes that there is a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process.

The Independent Directors led by the Lead Independent Director, discuss and/or meet amongst themselves without the presence of the other Directors where necessary. The Lead Independent Director will also provide feedback to the Non-Executive Non-Independent Chairman after such discussions/meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

As at the date of this report, the NC comprises three (3) members, all of whom, including the Chairman, are Independent Directors. The members of the NC are:

Mr Gwee Lian Kheng	(Lead Independent Director)	Chairman
Mr Wong Chee Meng, Lawrence	(Independent Director)	Member
Mr Sam Chee Leong	(Independent Director)	Member

CORPORATE GOVERNANCE REPORT

The NC is governed by its written terms of reference. The principal functions of the NC are:

(a) to make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board and the balance between Executive and Non-Executive Directors appointed to the Board;

(b) to review, assess and recommend nominee(s) or candidate(s) for appointment or election to the Board, having regard to his/her qualifications, competency, other principle commitments and whether or not he/she is independent and in the case of a re-nomination, his/her contribution and performance;

(c) to review Board succession plans for Directors, in particular for the CEO and the progressive renewal of the Board;

(d) to assess the effectiveness of the Board as a whole, its Board Committees and the contribution of each individual Director to the effectiveness of the Board;

(e) to determine, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company will disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. The NC may at its discretion determine a Director as non-independent even if he has no business or, other relationships with the Company, its related corporation, its substantial shareholders or its officers and provide its views to the Board for the Board's consideration;

(f) to review training and professional development programmes for the Board; and

(g) to establish and review the criteria on the determination of the maximum number of directorships of listed companies any Director may hold, and to decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and other principal commitments.

The NC is of the view that the Directors' contributions at the Board and Board Committees meetings, and their time commitment to the affairs of the Company, are adequate and it is not necessary at this stage to put a maximum limit on the number of listed company board representations and other principal commitments of each Director. The NC will continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The NC will evaluate the suitability of the nominee(s) or candidate(s) based on his/her qualifications, experience, commitment and ability to contribute to the Board process and such qualities and attributes that may be required by the Board.

Pursuant to Regulation 89 of the Company's Constitution, at least one-third of the Directors are to retire by rotation at every annual general meeting of the Company ("**AGM**") and a retiring Director is eligible for re-election by the shareholders of the Company at the AGM, provided that all Directors shall retire from office at least once every three (3) years at an AGM of the Company. In addition, Regulation 88 of the Company's Constitution provides that a newly appointed Director can only hold office until the next AGM and then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation. In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committees meetings but also their time and attention devoted to the Group's business and affairs.

The NC has recommended to the Board that Mr Wong Siew Cheong, Mr Kum Soh Har, Michael, Mr Sam Chee Leong and Mr Gwee Lian Kheng be nominated for re-election at the Company's forthcoming AGM. In making the recommendation, the NC has considered each of the said Directors' overall contribution and performance. The Board has accepted the recommendation of the NC. Each member of the NC and the Board shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC and the Board in respect of the assessment of his performance or re-nomination as Director.

CORPORATE GOVERNANCE REPORT

Mr Wong Siew Cheong will, upon re-election as a Director, remain as Executive Director and CEO of the Company. Mr Kum Soh Har, Michael will, upon re-election as a Director, remain as Non-Executive Non-Independent Chairman of the Company and a member of the AC and RC. Mr Sam Chee Leong will, upon re-election as a Director, remain as Independent Director of the Company and a member of the AC and NC. Mr Gwee Lian Kheng will, upon re-election as a Director, remain as Lead Independent Director, the Chairman of AC and NC, and a member of the RC.

Key information regarding the Directors is provided in the section entitled "Board of Directors" of the Annual Report. In addition, pursuant to Rule 720(5) of the Catalist Rules, the additional information as set out in Appendix 7F of the Catalist Rules relating to the retiring Directors who are submitting themselves for re-election is disclosed as below to be read in conjunction with the information in the section entitled "Board of Directors" of the Annual Report:

Name of Directors	**Wong Siew Cheong**	**Kum Soh Har, Michael**	**Sam Chee Leong**	**Gwee Lian Kheng**
Shareholding interest in the listed issuer and its subsidiaries	The Company Direct interest – 173,099,000 Ordinary Shares Deemed interest – 33,375,000 Ordinary Shares 750,000 share options under the Atlantic 2015 Employee Share Option Scheme Subsidiaries of the Group Nil	The Company Deemed interest – 262,918,394 Ordinary Shares Subsidiaries of the Group Nil	The Company Nil Subsidiaries of the Group Nil	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Spouse of Madam Chong Mee Chin, a substantial shareholder of the Company.	Spouse of Madam Ong Bee Yong, Lynda ("**Mdm Ong**"), who is deemed controlling shareholder of the Company through her 50% shareholding interest in Saeed Investment Pte. Ltd. ("**Saeed**"). Mr Kum and Mdm Ong hold 100% shareholding interest in Saeed, a controlling shareholder of the Company.	None	None

CORPORATE GOVERNANCE REPORT

Name of Directors	Wong Siew Cheong	Kum Soh Har, Michael	Sam Chee Leong	Gwee Lian Kheng
Conflict of interest (including any competing business)	Nil	Mr Kum and Mdm Ong hold 100% shareholding interest in Halom Investments Pte. Ltd. ("**Halom**"). Halom is an investment holding company which currently holds 7.86% shareholding interest in MMA Offshore Limited ("**MMA**"), an ASX-listed company. MMA has similar businesses as the Group, i.e. provision of marine services to the offshore oil and gas industry. The Board, in consultation with the NC, is of the view that the interests of Mr Kum and his associates in MMA do not pose any conflict of interests with the Group's business as Mr Kum has confirmed that: (i) Halom is only a passive investor of MMA; (ii) he and his associates do not hold any directorship or management role in MMA; and	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of Directors	Wong Siew Cheong	Kum Soh Har, Michael	Sam Chee Leong	Gwee Lian Kheng
		(iii) he and his associates do not, directly and/or indirectly, make any executive decisions for, or participate in the day-to-day management of MMA. Should there be any conflict of interest arise of which Mr Kum is reasonably aware in respect of himself and/or his associates. Mr Kum will make such conflict of interest known to the Board as soon as he is so reasonably aware so that he may recuse himself from such related discussions and/or decisions and resolutions as most appropriate.		
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules has been submitted to the listed issuer	Yes	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

Name of Directors	Wong Siew Cheong	Kum Soh Har, Michael	Sam Chee Leong	Gwee Lian Kheng
Other Principal Commitments* including Directorships **Exclude the occupation(s) as disclosed in the section entitled "Board of Directors" of the Annual Report*	**Past (for the last 5 years)** *Directorships* - Sealantic Co. FZC - Playlor Pte. Ltd. - Astra Offshore Sdn. Bhd. *Other principal commitments* Nil **Present** *Directorships* - Atlantic Offshore Services LLC - Atlantic Marine Services LLC - Trend Steel Construction and Engineering Co. Ltd - Atlantic Navigation Holdings Inc. - Atlantic Maritime Group FZE - Atlantic Oceana Inc. - Atlantic Offshore Inc. - Atlantic Offshore Services Inc. - Atlantic Navigation Limited - Bimar Offshore Inc. - Crossworld Marine Services Inc. - Lift-Offshore Inc. - Oasis Marine Inc. - Pacific International Offshore Inc. - Atnav Holdings Inc. - ATNAV Inc. - ATNAV International Inc. - ATNAV Marine Inc. - ATNAV Maritime Inc. - ATNAV Nautical Inc.	**Past (for the last 5 years)** *Directorships* - Lillie Pte. Ltd. - EPC Investments Holding Pte. Ltd. - EPD Investments Holding Pte. Ltd. - M&L Offshore Investments V Pte. Ltd. - M&L (Hilton Auckland) Singapore Pte. Ltd. - M&L Trustee-Manager Pte. Ltd. - LJ&M Management Pty Ltd - Oceanic Horizon Limited *Other principal commitments* Nil **Present** *Directorships* - M&L Manager Pte. Ltd. - M&L Offshore Investments Pte. Ltd. - M&L Offshore Investments IV Pte. Ltd. - M&L Offshore Investments VI Pte. Ltd. - M&L Offshore Investments VII Pte. Ltd. - M&L Offshore Investments VIII Pte. Ltd. - M&L Offshore Investments IX Pte. Ltd. - M&L Offshore Investments X Pte. Ltd.	**Past (for the last 5 years)** *Directorships* Nil *Other principal commitments* Nil **Present** *Directorships* Nil *Other principal commitments* Nil	**Past (for the last 5 years)** *Directorships* - Tianjin UOL Xiwang Real Estate Development Co., Ltd. - Pan Pacific Shared Services Centre Pte. Ltd. - Singapore Land Limited - UOL Equity Investments Pte Ltd - UOL Treasury Services Pte. Ltd. - Pan Pacific Hospitality Holdings Pte. Ltd. - Success Venture Investment (Jersey) Limited - Secure Venture Investments Limited - Pan Pacific Hotels Group Limited - Parkroyal Pickering Hotel Pte. Ltd. - Pan Pacific Hotels and Resorts Pte. Ltd. - Suzhou Wugong Hotel Co Limited - Westlake International Company Limited - Yangon Hotel Limited - Garden Plaza Company Limited - Hotel Investments (Hanoi) Pte. Ltd. - Success City Pty Limited - Success Venture Investments (Australia) Ltd - Success Venture Pty Limited

CORPORATE GOVERNANCE REPORT

Name of Directors	Wong Siew Cheong	Kum Soh Har, Michael	Sam Chee Leong	Gwee Lian Kheng
	- ATNAV Oceanic Inc. - ATNAV Offshore Inc. - Atlantic Ship Management LLC - Atlantic Maritime Ghana Private Limited - Atlantic Venture Inc. - Bravo Shipping and Trading Co. Ltd. *Other principal commitments* Nil	- M&L Offshore Investments XI Pte. Ltd. - M&L Offshore Investments XII Pte. Ltd. - M&L Offshore Investments XV Pte. Ltd. - M&L Offshore Investments XVI Pte. Ltd. - M&L Offshore Investments XVII Pte. Ltd. - M&L Offshore Investments XVIII Pte. Ltd. - M&L Offshore Investments XIX Pte. Ltd. - M&L Offshore Investments XX Pte. Ltd. - M&L Offshore Investments XXI Pte. Ltd. - M&L Offshore Investments XXII Pte. Ltd. - M&L (Hilton Auckland No.2) Singapore Pte. Ltd. - M&L Auckland Central (No. 1) Limited - M&L Auckland Central (No. 2) Limited - M&L Auckland Central Limited - Bencool LA Pte. Ltd. - Ewart Offshore Investments Pte. Ltd. - Balestier Investment Pte. Ltd. - EPB Pte. Ltd. - EPAB Pte. Ltd.		- OUB Centre Limited - Marina Centre Holdings Private Limited - Hotel Marina City Private Limited - Aquamarina Hotel Private Limited - Marina Bay Hotel Pte Ltd - Pilkon Development Company Limited - Plaza Hotel Company Limited - City Square Hotel Co., Ltd. *Other principal commitments* Nil **Present** *Directorships* - UOL Group Limited - United Industrial Corporation Limited *Other principal commitments* Nil

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Name of Directors	Wong Siew Cheong	Kum Soh Har, Michael	Sam Chee Leong	Gwee Lian Kheng
		- Halom Investments Pte. Ltd. - Girino Investments Pte. Ltd. - Koleth Winbuild Pte. Ltd. - Saeed Investment Pte. Ltd. - 08-49 Novena Medical Pte. Ltd. - 08-48 Novena Medical Pte. Ltd. - GL Investment Management Pty Ltd - Top Maple Investment Limited - Ambrosia Land Limited - Ewart NZ Management Ltd - Ewart NZ Management (No.2) Ltd - Rexton Global Limited - Albert St Auckland Limited - Superb Talent Holding Limited - AFT1 Holdings Limited - ES Properties (Stratford) SARL - Ewart (Manchester) SARL - Stratford City Hotels Limited - Flight Opco Limited - Ewart Manchester Properties Limited - Ewart X SARL - Ewart X Properties Limited - Ewart Frankfurt Hotel SARL - Ewart XVII SARL - AFT1 Hotels Limited - AFT1 Investments Limited		

CORPORATE GOVERNANCE REPORT

Name of Directors	Wong Siew Cheong	Kum Soh Har, Michael	Sam Chee Leong	Gwee Lian Kheng
		- Ewart Amsterdam B.V. - Tencourts B.V. - Ewart Prague B.V. - South City Hotels - Ewart Hotel Schiphol Management B.V. - Gestin Holdings a.s - Gestin Centrum a.s *Other principal commitments* Nil		

The retiring Directors had responded negative to items (a) to (k) listed in Appendix 7F of the Catalist Rules in their appointment announcements dated 24 December 2018 (Mr Wong Siew Cheong, Mr Kum Soh Har, Michael and Mr Sam Chee Leong) and 1 March 2019 (Mr Gwee Leng Kheng) respectively and the retiring Directors have confirmed that there is no change to their declarations as at the date of this report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.

The Board is satisfied that its current size and composition is appropriate for effective decision making, taking into account the nature and scope of the Company's operations.

A formal Board performance evaluation, led by the NC, is conducted annually by means of a confidential questionnaire designed to assess the state of affairs of corporate governance matters in the Company, including the performance of each individual Board Committee. The NC is of the view that it is more appropriate and effective to assess the performance of the Board as a whole, bearing in mind that each member of the Board contributes in different ways to the success of the Company and Board decisions are made collectively. The assessment is separately completed by each Director to elicit his individual input, collated, analysed and discussed with the NC and the Board with comparatives from the previous year. Recommendations to further enhance the effectiveness of the Board and the various Board Committees are implemented, as appropriate. The NC had conducted a performance evaluation of the Board and the Board Committees for FY2018, and areas highlighted by the Directors in the evaluation were further deliberated on to improve corporate governance of the Group. No external facilitator had been engaged by the Board for this purpose.

Access to Information

Principle 6: In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board has independent and separate access to the Management at all times in carrying out its duties. The Management provides the Board with adequate and timely information including Board papers and related materials, and updates on initiatives and developments for the Group's business whenever possible.

CORPORATE GOVERNANCE REPORT

For subjects that require the Board's decision, relevant members of the Management are invited to brief the Directors at the Board and Board Committee meetings. Periodic financial reports, budgets, forecasts, and other relevant reports and disclosure documents are provided to the Board, where appropriate, prior to the Board meeting. In respect of budgets, any material variance between the projections and actual results will be explained.

Directors have separate and independent access to the Company Secretary. The Company Secretary or his representatives attend all Board meetings and Board Committees meetings to ensure that Board procedures are followed and that applicable rules and regulations, and all governance matters are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board may, either individually or as a group, seek independent professional advice in furtherance of his duties, if necessary, at the Company's expense.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing a policy on executive remuneration and fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

As at the date of this report, the RC comprises three (3) members, all of whom, including the Chairman, are Independent Directors. The members of the RC are:

Mr Wong Chee Meng, Lawrence	(Independent Director)	Chairman
Mr Gwee Lian Kheng	(Lead Independent Director)	Member
Mr Kum Soh Har, Michael	(Non-Executive Non-Independent Chairman)	Member

The RC is governed by its written terms of reference, which sets out its responsibilities:

(a) to review and submit its recommendations for endorsement by the entire Board, a general framework of remuneration for the Board and key management personnel and the specific remuneration packages and terms of employment for each Director and key management personnel including but not limited to senior executives reporting directly to the CEO or employees related to the Executive Director and controlling shareholders of the Group, if any;

(b) to review and submit its recommendations for endorsement by the entire Board, share option schemes, share award plans or any long-term incentive schemes which may be set up from time to time, in particular to review whether Directors and key management personnel should be eligible for such schemes and also to evaluate the costs and benefits of such schemes and to do all acts necessary in connection therewith; and

(c) as part of its review, the RC shall ensure that:

  i. all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits-in-kind are covered;

  ii. the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Directors' and key management personnel's performance;

  iii. the remuneration package of employees related to Executive Directors and controlling shareholders of the Group, if any, are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility; and

  iv. the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Each member of the RC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC in respect of his remuneration package. The RC benchmarks the remuneration of all Directors against peer companies in the sector. The RC has not engaged external professional remuneration consultant in FY2018. When necessary, the RC would seek independent professional advice on remuneration matters at the expense of the Company.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC considers the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of each individual Director.

The Executive Directors and Non-Executive Non-Independent Chairman do not receive Directors' fees. The remuneration for the Executive Directors and the key management personnel comprise a basic salary component and a variable component and an annual bonus, based on the performance of the Group as well as their individual performance.

Annual reviews of the remuneration of the Executive Directors and key management personnel are carried out by the RC to ensure that their remuneration is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

The Independent Directors receive Directors' fees in accordance with their representation and contributions on the Board and various Board Committees, taking into account factors such as effort and time spent, as well as the general corporate responsibilities, risks and obligations of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised. Directors' fees are recommended by the Board for approval at the Company's AGM.

On 29 April 2015, the Company has adopted the new Atlantic 2015 Employee Share Option Scheme (the "**Atlantic 2015 ESOS**"), Atlantic 2015 Performance Share Plan (the "**Atlantic 2015 PSP**") and the Atlantic 2015 Restricted Share Plan (the "**Atlantic 2015 RSP**") (collectively, the "**2015 Schemes**") in substitution of the Atlantic Employee Share Option Scheme (the "**Atlantic 2008 ESOS**"), the Atlantic Performance Share Plan (the "**Atlantic 2008 PSP**") and the Atlantic Restricted Share Plan (the "**Atlantic 2008 RSP**"), respectively, all adopted on 18 November 2008 (collectively, the "**2008 Schemes**"). The 2008 Schemes had been terminated by the Committee upon passing of the resolution for the proposed Schemes at an extraordinary general meeting of the Company held on 29 April 2015. The details of the new 2015 Schemes are set out in the circular to shareholders of the Company dated 14 April 2015 in relation to the proposed adoption of the 2015 Schemes.

The Directors and key management personnel had participated in the Atlantic 2008 ESOS and share options were granted on 30 January 2014. The share options granted under the Atlantic 2008 ESOS have a validity period of five (5) years from the date of grant, and had expired on 29 January 2019. In addition, share options pursuant to the Atlantic 2015 ESOS were granted to Mr Wong Siew Cheong, the Executive Director and CEO, on 12 May 2015. The share options granted under the Atlantic 2015 ESOS have a validity period of five (5) years from the date of grant, which will expire on 11 May 2020. The Atlantic 2008 ESOS and the Atlantic 2015 ESOS are share option incentive plans which serves to reward and motivate Directors and key management personnel to strive for higher performance for the Company's growth and success. During FY2018, no share options and share awards have been granted under the 2015 Schemes.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company. The Executive Directors and the key management personnel owe a fiduciary duty to the Company. The Company should be able to avail itself of remedies against the Executive Directors and key management personnel in the event of such breach of fiduciary duties. The RC will review such contractual provision as and when necessary.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

The level and mix of each Director's remuneration for FY2018 are as follows:

US$'000	Directors fees	Salary[1]	Bonus	Other benefits[2]	Total
Mr Kum Soh Har, Michael	–	–	–	–	–
Mr Wong Siew Cheong	–	464.4	–	–	464.4
Mr Gwee Lian Kheng	–	–	–	–	–
Mr Wong Chee Meng, Lawrence	30.5	–	–	–	30.5
Mr Sam Chee Leong	–	–	–	–	–
Mr Tong Choo Cherng	–	336.7	–	–	336.7
Mr Goh Boon Chye	35.3	–	–	–	35.3
Mr Eu Lee Koon	34.6	–	–	–	34.6
Mr Andrew Lyndon Waite	–	–	–	–	–
Mr Lee Kah Hoo	5.5	–	–	–	5.5

Please see pages 22 to 23 of the AR2018 on the respective dates of appointment, re-designation and cessation of each of the Directors.

As at the date of this report, the Group only has three (3) key management personnel who are not Directors or the CEO. For FY2018, the aggregate remuneration paid to all the key management personnel of the Group amounted to approximately US$541,000. The details of remuneration of the key management personnel of the Group are as follows:

US$'000	Salary[1]	Bonus	Other benefits[2]	Total
Mr Stoyan Radev Ialamov[3] *Chief Operating Officer*	32.0	–	–	32.0
Mr Hsu Chong Pin[4] *Chief Financial Officer ("CFO")*	–	–	–	–
Mr Mohammad Reza Sadeghi[5] *Former Chief Operating Officer, now Project Director*	275.7	–	–	275.7
Mr Wong Sek Pun[6] *Former Commercial Director (MLS Division)*	171.9	–	–	171.9
Mr Zamirul Hassan Bayezid[7] *Former Group Finance Manager*	61.0	–	–	61.0

Notes:

1 Includes short term employee benefits and allowances.

2 Fair value of grant of equity-settled share options.

3 Mr Stoyan Radev Ialamov was appointed as Chief Operating Officer on 19 November 2018.

4 Mr Hsu Chong Pin was appointed as CFO on 31 January 2019.

5 Mr Mohammed Reza Sadeghi was re-designated from Chief Operating Officer to Project Director on 19 November 2018.

CORPORATE GOVERNANCE REPORT

6 Mr Wong Sek Pun resigned from his position as Commercial Director (MLS Division) on 5 September 2018.

7 Mr Zamirul Hassan Bayezid resigned from his position as Group Finance Manager on 31 July 2018.

Mr Wong Sek Pun is the nephew of Mr Wong Siew Cheong, the Company's Executive Director and CEO. There are no employees of the Group who is an immediate family member of any Director or the CEO, and whose remuneration exceeded S$50,000 during FY2018.

In developing long-term incentive schemes, the Company's main objectives are to provide its employees an opportunity to participate in the equity of the Company and to enhance its competitive edge in attracting, recruiting and retaining talented key management personnel and employees. In line with these objectives, the Group has adopted the Atlantic 2015 ESOS, the Atlantic 2015 PSP and the Atlantic 2015 RSP.

The Company believes that these long-term incentive schemes will align the interests of its employees with those of its shareholders.

On 30 January 2014, the Company granted 4,050,000 share options under the Atlantic 2008 ESOS. 2,025,000 share options are exercisable between 30 January 2015 and 29 January 2019, and the remaining 2,025,000 share options are exercisable between 30 January 2016 and 29 January 2019, at the exercise price of S$0.34 if the vesting conditions are met. The Atlantic 2008 ESOS has expired on 29 January 2019. Further information on the Atlantic 2008 ESOS, Atlantic 2008 PSP and Atlantic 2008 RSP are set out in the section entitled "Directors' Statement" of this Annual Report.

On 12 May 2015, the Company granted 750,000 share options under the Atlantic 2015 ESOS. 375,000 share options are exercisable between 12 May 2016 and 11 May 2020, and the remaining 375,000 share options are exercisable between 12 May 2017 and 11 May 2020, at the exercise price of S$0.43 if the vesting conditions are met. Further information on the Atlantic 2015 ESOS, Atlantic 2015 PSP and Atlantic 2015 RSP are set out in the section entitled "Directors' Statement" of this Annual Report.

There is no termination, retirement or post-employment benefits that are granted to the Directors and the key management personnel.

C. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Company provides information pertaining to the operations, performance and financial position of the Group to all shareholders through SGXNet and the Company's Annual Report. The Board reviews and approves the results as well as any announcements before its release.

The Management provides the Board regularly with management accounts and a continual flow of relevant information on a timely basis in order for the Board to effectively discharge its duties. The Management also highlights key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make a balanced and informed assessment of the Company's performance, position and prospects. In presenting the annual financial statements and quarterly results to shareholders, the Board ensures that there are detailed analyses, explanations and assessments made on the Group's financial performance, position and prospects.

The Board reviews reports from the Management to ensure compliance with all the Group's policies, operational practices and procedures and relevant legislative and regulatory requirements. The Directors may seek independent professional advice and receive relevant training whenever applicable so as to maintain continuing standards and vigilance.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The Group has established an enterprise risk management framework and register to identify, manage and monitor the business and operating risks impacting the Group on an on-going basis. Until a dedicated chief risk officer or its equivalent is appointed commensurating with the size and complexities of the operations of the Group, the risk management framework and register is currently overseen by the CFO and supported by various heads of divisions or business units such as Operations, Finance, IT and Administration. During the financial year, these departments were involved in identifying and evaluating risks from the bottom up, and these risks were then reviewed in consultation with the senior management of the Group to provide a top down perspective as well.

All significant matters will be reported to the AC and the Board for further discussion. The AC and the Board also work with the internal and external auditors on their recommendations and institutes and executes relevant controls with a view to managing business risks.

The Group's financial risk management is discussed under Note 33 to the Financial Statements in the Annual Report.

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but it notes that all internal control systems contain inherent limitations and no system of internal controls or risk management could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The adequacy and effectiveness of these controls is subject to review by the internal auditors and is monitored by the AC. In addition, the external auditors also review the accounting systems and internal controls to assist them in expressing an opinion on the financial statements of the Group as a whole. Significant non-compliance in internal controls, together with recommendations for improvement, is reported to the AC. Copies of these reports are also issued to the relevant department for follow-up action. The AC reviewed the adequacy and effectiveness of the Group's key internal controls that address the Group's financial, operational, compliance and information technology controls, and risk management systems, with the assistance of the internal and external auditors and the Management, who provide regular reports during the year to the AC in addition to briefings and updates at the AC meetings.

The Board had received written confirmations from the CEO and the CFO, that (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, the various Board Committees and the Board, the Board, with the concurrence of the AC, is of the opinion that there are adequate and effective controls in place within the Group addressing financial, operational, compliance and information technology controls, and risk management policies and systems to meet the needs of the Group in its current business environment.

The Board will, on a continuing basis, endeavour to further enhance and improve the Company's system of internal controls and risk management policies and systems.

CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC performs its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50 and the requirements of the Catalist Rules.

As at the date of this report, the AC comprises four (4) members, three (3) of whom, including the Chairman, are independent. The members are:

Mr Gwee Lian Kheng	(Lead Independent Director)	Chairman
Mr Wong Chee Meng, Lawrence	(Independent Director)	Member
Mr Sam Chee Leong	(Independent Director)	Member
Mr Kum Soh Har, Michael	(Non-Executive Non-Independent Chairman)	Member

The AC members have numerous years of experience in senior management positions and have sufficient financial management expertise to discharge their responsibilities.

The AC meets at least four (4) times a year and as and when deemed appropriate to carry out its functions.

The AC assists the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and in developing and maintaining effective systems of risk management and internal control.

The AC is governed by its written terms of reference. The authorities and principal functions of the AC are as follows:

(a) to review and monitor significant financial reporting issues and judgment to ensure the integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards used by the Company and the Group;

(b) to review, at the end of the audit cycle, the audit representation letters and the contents of the external auditors' management letter, and meet with the internal auditors and external auditors without the presence of the Management;

(c) to review any formal announcements relating to the Group's financial performance;

(d) to review and report to the Board at least annually on the adequacy and effectiveness of the Company's internal financial controls, operational, compliance and information technology controls, and risk management policies and systems;

(e) to review, monitor, assess and evaluate the role and effectiveness of the internal audit function in the overall context of the Company's risk management policies and systems;

(f) to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;

(g) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions;

CORPORATE GOVERNANCE REPORT

(h) in connection with the terms of engagement to the external auditors, to make recommendations to the Board on the selection, appointment, re-appointment, and resignation of the external auditors based upon a thorough assessment of the external auditors' functioning, and approve the remuneration and terms of engagement of the external auditors. The proposal should be submitted to the general meeting of shareholders for approval when there is a change of external auditors;

(i) monitor and assess the external auditors' independence and keep the nature and extent of non-audit services provided by the external auditors under review to ensure the external auditors' independence or objectivity is not impaired;

(j) to review interested person transactions falling within the scope of the Catalist Rules;

(k) to undertake such other reviews and projects as may be requested by the Board; and

(l) to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has put in place a whistle-blowing policy whereby employees may, in confidence, report possible improprieties which may cause financial or non-financial loss of the Company. Whistle blowers could call and/or email to the Whistle Blowing Committee directly and in confidence, and his/her identity is protected from reprisals within the limit of the law. For FY2018 the Whistle Blowing Committee did not receive any whistle blowing reports.

The AC has full access to and co-operation from the Management and full discretion to invite any Director or executive officer to attend its meetings, and has been given resources to enable the AC to discharge its functions properly. The internal and external auditors have direct and unrestricted access to the Chairman of the AC and the Chairman of the Board.

The AC meets with the external auditors and the internal auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.

The aggregate audit fees paid and payable to the external auditor, Ernst & Young LLP and its affiliates amounted to US$118,000. Non audit services provided by the Company's external auditors for the period under review amounted to approximately US$3,000. The AC conducts an annual review of all non-audit services, which was mainly for tax services and is satisfied that the provision of such services did not affect the independence and objectivity of the external auditors.

The Company has complied with Rules 712 and 715 of the Catalist Rules in relation to the appointments of its external auditors. No former partner or director of the Company's existing auditing firm is a member of the AC. Having satisfied as to the foregoing and that Rule 712 of the Catalist Rules has been complied with, the AC has recommended the re-appointment of Ernst & Young LLP as external auditors at the forthcoming AGM.

In addition to the activities undertaken to fulfill its responsibilities, the AC is kept abreast by the Management, external and internal auditors on changes to accounting standards, Catalist Rules and other codes and regulations which could have an impact on the Group's business and financial statements.

With respect to the Independent Auditor's Report for FY2018, in line with the recommendations by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and the SGX-ST, the AC can play an important role to improve transparency and enhance the quality of corporate reporting by providing a commentary on Key Audit Matters ("**KAM**"). The AC has considered the KAM presented by the external auditor together with management on page 51 of the Independent Auditor's Report. The AC reviewed the KAM and concurred and agreed with the external auditor and management on their assessment, judgements and estimates on the significant matter reported by the external auditor.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group believes and recognises the need to put in place a robust and effective system of internal controls. The Company's internal audit function is outsourced to RSM UAE, a member firm of RSM International. RSM UAE reports directly to the Chairman of the AC. The main objective of the internal audit function is to assist the Group in evaluating and testing the effectiveness of internal controls and to reduce the risk that the Group might not achieve its business objectives. The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

CORPORATE GOVERNANCE REPORT

RSM UAE is staffed with professionals with relevant qualifications and experience. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The internal auditor plans its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC at the beginning of the financial year for approval prior to the commencement of the internal audit work. In addition, the internal auditor may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concern.

The AC reviews the independency, adequately resourced and effectiveness of the internal audit function on an annual basis and is satisfied with its independency, adequacy and effectiveness.

D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights. Furthermore, the Company continually reviews and updates such governance arrangement.

Shareholders are informed of changes in the Company's businesses that are likely to materially affect the value of the Company's shares.

At general meetings of the Company, shareholders are given the opportunity to participate effectively in and vote at general meetings. Shareholders are informed of the rules, including voting procedures, that govern general meetings. In accordance with the Constitution of the Company, shareholders may appoint not more than two (2) proxies to attend and vote at the general meetings in their absence. Further, the Company allows corporations which provide nominee or custodial services to appoint more than two (2) proxies. On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors. All shareholders are allowed to vote in person or by proxy.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company is committed to regular and proactive communication with its shareholders. It is the Board's policy that the shareholders be informed of the major developments that impact the Group. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Pertinent information will be disclosed to shareholders in a timely, fair and equitable manner. The Company does not practise selective disclosure. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

Information is communicated to shareholders on a timely basis through:

(a) SGXNet releases and press releases;

(b) annual reports that are prepared and issued to all shareholders; and

CORPORATE GOVERNANCE REPORT

(c) quarterly and annual financial statements containing a summary of the financial information and affairs of the Group for the period.

To further enhance its communication with investors, the Company's websites http://www.atlanticnavigation.com or http://www.atlanticmaritimegroup.com allow the public to access information on the Group directly. In addition, the Company also has investor relations email addresses (ir@amguae.net and corp@amguae.net) available on the Company's website to attend to the emails and requests from the public.

General meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or inputs and address shareholders' concerns at general meetings.

The Company currently does not have a fixed dividend policy. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flows generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. For FY2018, the Board has not declared or recommended any dividend in view of the operational and financial requirements of the Group.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

Shareholders have the opportunity to participate effectively in and to vote at the AGMs or general meetings either in person or by proxy.

Resolutions on each distinct issue are tabled separately at general meetings.

Shareholders are encouraged to attend the Company's AGMs or general meetings to clarify issues and to share their opinions or concerns. The Board, including the respective Chairmen of the AC, NC and RC, external auditors and the Management will normally be in attendance to address shareholders' queries relating to the work of these Board Committees, the conduct of audit and the preparation and content of the auditors' report.

The Company Secretary prepares minutes of general meetings relating to the agenda of the meetings, and makes these minutes, subsequently approved by the Board, available to shareholders during office hours.

For greater transparency, the Company has instituted poll voting and all resolutions are put to vote by poll at its AGMs. Announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will also be made on the same day.

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of shareholders' identities through the web are not compromised.

Dealing in Securities

In compliance with Rule 1204(19) of the Catalist Rules, the Company has in place a policy prohibiting share dealings by officers of the Company for the period of two (2) weeks prior to the announcement of the Company's quarterly results and one (1) month prior to the announcement of the full year results, as the case may be, and ending on the date of the announcement of the relevant results. Directors and employees who are in possession of unpublished material price-sensitive information of the Group should not deal in the Company's securities on short term considerations. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

CORPORATE GOVERNANCE REPORT

Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, no non-sponsor fees were paid/payable to the Sponsor, SAC Capital Private Limited, for FY2018.

Interested Person Transactions

The Company has established review and approval procedures to ensure that interested person transactions entered into by the Group are conducted on normal terms and are not prejudicial to the interests of shareholders. In the event that a member of the AC is involved in any interested person transaction, he will abstain from reviewing that particular transaction.

The AC has reviewed the rationale for and terms of the Group's interested person transactions and is of the view that the interested person transactions are entered on normal terms and are not prejudicial to the interests of shareholders.

No general mandate has been obtained from shareholders in respect of interested person transactions for FY2018. The aggregate value of interested person transactions entered into during FY2018 as required for disclosure pursuant to Rule 1204(17) of the Catalist Rules is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)
Wong Siew Cheong - Interests on shareholder loan[(1)]	US$446,000 (approximately S$606,300)	NIL

Note:

(1) As at 31 December 2018, Mr Wong Siew Cheong, the Executive Director and CEO of the Company, had provided an aggregate of US$7.3 million loan (the "Loan") to the Group. The Loan is unsecured, interest-bearing at interest rate of 6.00% per annum, and is to be settled in cash.

Material Contracts

The Company and its subsidiaries did not enter into any material contracts (including loans) involving the interests of any Directors or controlling shareholders, which are either still subsisting as at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.

Use of Proceeds

The net proceeds of US$26.0 million from the Company's share subscription completed on 11 December 2018 has been fully utilised, as announced on 1 March 2019.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Atlantic Navigation Holdings (Singapore) Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as the Group is expected to be able to generate sufficient cash flows from its operations as well as securing the support from its principal bankers and other stakeholders.

2. Directors

The directors of the Company in office at the date of this statement are:

Kum Soh Har, Michael	Non-Executive Non-Independent Chairman	(Appointed on 21 December 2018)
Wong Siew Cheong	Executive Director and CEO	
Gwee Lian Kheng	Lead Independent Director	(Appointed on 4 March 2019)
Wong Chee Meng, Lawrence	Independent Director	(Appointed on 15 March 2018)
Sam Chee Leong	Independent Director	(Appointed on 21 December 2018)

In accordance with Regulation 88 of the Company's Consitution, Mr Kum Soh Har, Michael, Mr Sam Chee Leong and Mr Gwee Lian Kheng will retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, will offer themselves for re-election.

Pursuant to Rule 720(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, Mr Wong Siew Cheong will retire at the forthcoming AGM and, being eligible, will offer himself for re-election.

3. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph 5 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year/or date of appointment**	**At the end of financial year**	**At the beginning of financial year/or date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Kum Soh Har, Michael	–	–	262,918,394	262,918,394
Wong Siew Cheong	173,099,000	173,099,000	33,375,000	33,375,000
Share options of the Company				
Wong Siew Cheong	750,000	750,000	–	–
Goh Boon Chye^	260,000	260,000	–	–

^ Mr Goh Boon Chye resigned on 4 March 2019.

By virtue of Section 164(15)(a) of the Singapore Companies Act, Chapter 50, Mr Wong Siew Cheong is deemed to have an interest in the 33,375,000 shares of the Company held by his spouse, Madam Chong Mee Chin.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr Kum Soh Har, Michael and his spouse, Madam Ong Bee Yong, Lynda are deemed to have an interest in the 262,918,394 shares of the Company held through Saeed Investment Pte. Ltd.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

5. Share plans

In developing long-term incentive schemes, the Company's main objectives are to provide its employees an opportunity to participate in the equity of the Company and to enhance its competitive edge in attracting, recruiting and retaining talented key senior management and employees.

In line with these objectives, the Company has adopted, which were approved by the shareholders of the Company at the Extraordinary General Meeting held on 18 November 2008, the Atlantic Employee Share Option Scheme ("Atlantic 2008 ESOS") (previously known as Fastube ESOS), Atlantic Performance Share Plan ("Atlantic 2008 PSP") (previously known as Fastube PSP) and Atlantic Restricted Share Plan ("Atlantic 2008 RSP") (previously known as Fastube RSP) (collectively, the "2008 Schemes").

DIRECTORS' STATEMENT

5. Share plans (cont'd)

On 29 April 2015, the Company has terminated the 2008 Schemes and no further options or awards shall be offered by the Company under the 2008 Schemes. On the same day, the Company has also adopted the Atlantic 2015 Employee Share Option Scheme ("Atlantic 2015 ESOS"), Atlantic 2015 Performance Share Plan ("Atlantic 2015 PSP") and Atlantic 2015 Restricted Share Plan ("Atlantic 2015 RSP") (collectively, the "2015 Schemes") which were approved by the shareholders of the Company to substitute the 2008 Schemes.

Atlantic 2008 ESOS and Atlantic 2015 ESOS ("Atlantic ESOS")

On 30 January 2014, the Company granted 4,050,000 share options under the Atlantic 2008 ESOS. 2,025,000 share options are exercisable between 30 January 2015 and 29 January 2019, and the remaining 2,025,000 share options are exercisable between 30 January 2016 and 29 January 2019, at the exercise price of S$0.34 if the vesting conditions are met. The termination of the Atlantic 2008 ESOS shall not affect the outstanding share options granted and accepted but remain unexercised (whether fully or partially) at the termination of this Atlantic 2008 ESOS. None of the share options under the Atlantic 2008 ESOS were exercised during the financial year and any unexercised share options has expired on 29 January 2019.

Under the Atlantic 2015 ESOS, the number of additional ordinary shares to be issued pursuant to Atlantic 2015 ESOS shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company but subject to the aggregate number of shares available under the 2015 Schemes not exceeding 15% of total number of issued shares (excluding treasury shares and subsidiary holdings), from time to time.

On 12 May 2015, the Company granted 750,000 share options under the Atlantic 2015 ESOS to Mr Wong Siew Cheong. 375,000 share options are exercisable between 12 May 2016 and 11 May 2020, and the remaining 375,000 share options are exercisable between 12 May 2017 and 11 May 2020, at the exercise price of S$0.43 if the vesting conditions are met. The estimated fair value of the options granted is approximately S$76,000 (equivalent to US$54,000).

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the Atlantic ESOS are as follows:

Name of director	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial year	Aggregate options exercised / lapsed since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
Tong Choo Cherng[(1)(3)]	–	750,000	–	750,000
Lee Kah Hoo[(1)(4)]	–	260,000	–	260,000
Eu Lee Koon[(1)(3)]	–	260,000	–	260,000
Goh Boon Chye[(1)(5)]	–	260,000	–	260,000
Wong Siew Cheong[(2)]	–	750,000	–	750,000
Total	–	2,280,000	–	2,280,000

(1) These options are granted under the Atlantic 2008 ESOS, and has expired on 29 January 2019.
(2) These options are granted under the Atlantic 2015 ESOS, and expiring on 11 May 2020.
(3) Resigned on 21 December 2018.
(4) Resigned on 15 March 2018.
(5) Resigned on 4 March 2019.

These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

DIRECTORS' STATEMENT

5. Share plans (cont'd)

Atlantic 2008 PSP and Atlantic 2015 PSP ("Atlantic PSP")

The Atlantic 2008 PSP has been terminated on 29 April 2015 and there are no outstanding performance shares under the Atlantic 2008 PSP at the termination of this Atlantic 2008 PSP.

Under the Atlantic 2015 PSP, the number of additional ordinary shares to be issued pursuant to the Atlantic PSP shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company but subject to the aggregate number of shares available under the 2015 Schemes not exceeding 15% of total number of issued shares (excluding treasury shares and subsidiary holdings), from time to time.

No performance shares have been granted under the Atlantic PSP during the financial year ended 31 December 2018.

Atlantic 2008 RSP and Atlantic 2015 RSP ("Atlantic RSP")

The Atlantic 2008 RSP has been terminated on 29 April 2015 and there are no outstanding performance shares under the Atlantic 2008 RSP at the termination of this Atlantic 2008 RSP.

Under the Atlantic 2015 RSP, the number of additional ordinary shares to be issued pursuant to the Atlantic 2015 RSP shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company but subject to the aggregate number of shares available under the 2015 Schemes not exceeding 15% of total number of issued shares (excluding treasury shares and subsidiary holdings), from time to time.

No share awards have been granted under the Atlantic RSP during the financial year ended 31 December 2018.

At the date of this report, the committee which administers the Atlantic ESOS, Atlantic PSP and Atlantic RSP is the Remuneration Committee and currently comprises Mr Wong Chee Meng, Lawrence, Mr Gwee Lian Kheng and Mr Kum Soh Har, Michael.

Except as disclosed above, since the commencement of the employee share option plans till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates
- No participant has received 5% or more of the total options available under the plans
- No participant has been granted to directors and employees of holding company and its subsidiaries
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted
- No options have been granted at a discount

6. Audit committee

The members of the Audit Committee ("AC") at the date of this report are:

Gwee Lian Kheng (Chairman)	Lead Independent Director
Wong Chee Meng, Lawrence (Member)	Independent Director
Sam Chee Leong (Member)	Independent Director
Kum Soh Har, Michael (Member)	Non-Executive Non-Independent Chairman

DIRECTORS' STATEMENT

6. Audit committee (cont'd)

The AC carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened five meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

The AC has nominated Ernst & Young LLP for re-appointment as auditor of the Company at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Wong Siew Cheong
Director

Kum Soh Har, Michael
Director

8 April 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atlantic Navigation Holdings (Singapore) Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the financial statements. The Group incurred a net loss of US$16,916,000 during the financial year ended 31 December 2018 and as at that date, the Group's current liabilities exceeded its current assets by US$25,904,000. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows from its operations as well as secure support from its principal bankers to meet its financial obligations in the near term. The Group's actions after the balance sheet date are disclosed in Note 36 to the financial statements. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Key Audit Matters

Key audit matters are matters that, in our professional judgement, 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Carrying value of vessels

The Group owned 23 vessels, including 2 vessels held by the Group's joint operations, with a carrying value of US$178,526,000 as at 31 December 2018. Following management's assessment in view of the challenging offshore oil and gas sector conditions, market demand and supply and low vessel utilisation rates of certain vessels in its fleet, the Group recorded impairment charge of US$16,357,000 in aggregate on certain vessels during the year. The impairment test was conducted by comparing the carrying amount of the vessels to their respective recoverable amount which is the higher of its fair value less costs to dispose and its value in use.

Management has assessed the recoverable amounts of vessels based on its fair value less costs to dispose of which the fair value of vessels is determined by independent professional valuers. Due to the high level of judgement involved in estimating the fair value and the significance of the carrying amount of the vessels, we determined this as a key audit matter.

We carried out procedures to understand management's process for identifying impairment indicators and considered management's assessment of impairment. Our audit procedures, amongst others, in assessing the appropriateness of the recoverable amounts determined by management included:

– Assessed management's evaluation of indicators of impairment for the vessels;

– Reviewed the basis of management's assessment of the estimated useful lives and residual values of the vessels;

– Evaluated the competence, capabilities and objectivity of the external valuer engaged by the management;

– Analysed the methodologies and key valuation parameters adopted by external valuer;

– Involved our internal valuation specialist to assist us in our assessment of the external valuer's methodologies and reasonableness of key valuation parameters taking into consideration the specification of the vessels.

We also assessed the adequacy of the relevant disclosures in the financial statements. The management's conclusion on the impairment test and the related disclosures are included in Note 3.2b and Note 11.

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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 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 Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

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 SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with SSAs, 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 Groups internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group to cease to continue as a going concern.

– 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.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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 the directors 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 the directors, 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Wong Yew Chung.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

8 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

(Amounts expressed in United States Dollars)

	Note	2018 US$'000	2017 US$'000
Revenue	4	58,801	33,874
Cost of services		(43,453)	(30,603)
Gross profit		15,348	3,271
Other items of income			
Finance income	5	5	2
Other income	6	319	55
Other items of expense			
Marketing and distribution expenses		(735)	(236)
Administrative expenses		(5,672)	(6,318)
Finance costs	5	(7,699)	(8,522)
Loss on fair value changes in derivatives	28	(614)	–
Other expenses	7	(16,857)	(730)
Share of results of a joint venture		631	77
Loss before tax	8	(15,274)	(12,401)
Income tax expense	9	(1,642)	(755)
Loss for the year, representing total comprehensive income for the year attributable to owners of the Company		(16,916)	(13,156)
Loss per share attributable to owners of the Company (US$ cents)			
Basic	10	(6.15)	(5.05)
Diluted	10	(6.15)	(5.05)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2018

(Amounts expressed in United States Dollars)

	Note	Group 2018	Group 31 December 2017	Group 1 January 2017	Company 2018	Company 31 December 2017	Company 1 January 2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
ASSETS							
Non-current assets							
Property, vessels and equipment	11	179,696	159,712	165,248	–	–	–
Intangible asset	12	141	141	141	141	141	141
Investment in subsidiaries	13	–	–	–	66,741	66,741	66,741
Investment in an associate	14	–	–	–	–	–	–
Investment in a joint venture	15	708	77	–	–	–	–
Trade and other receivables	19	–	–	–	45,956	–	–
Prepayments		426	319	299	–	–	–
		180,971	160,249	165,688	112,838	66,882	66,882
Current assets							
Inventories	17	184	215	281	–	–	–
Vessels held for sale	18	–	–	180	–	–	–
Trade and other receivables	19	15,110	16,329	10,887	10,453	72,507	72,526
Prepayments		917	803	843	7	205	205
Cash and bank balances	20	4,935	697	1,536	1,805	163	197
Bank deposits pledged	20	250	235	100	235	235	8
		21,396	18,279	13,827	12,500	73,110	72,936
Total assets		202,367	178,528	179,515	125,338	139,992	139,818
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables	23	17,246	14,672	14,782	281	237	2,414
Other liabilities	24	9,331	5,483	3,409	1,079	1,434	730
Loans and borrowings	21	20,723	19,642	35,349	7,657	8,811	31,897
		47,300	39,797	53,540	9,017	10,482	35,041
Net current (liabilities)/assets		(25,904)	(21,518)	(39,713)	3,483	62,628	37,895
Non-current liabilities							
Provisions	22	538	570	519	–	–	–
Derivative	28	614	–	–	–	–	–
Loans and borrowings	21	62,312	55,234	40,400	25,523	47,734	30,044
Other payables	23	7,332	7,332	–	7,332	7,332	–
		70,796	63,136	40,919	32,855	55,066	30,044
Total liabilities		118,096	102,933	94,459	41,872	65,548	65,085
Net assets		84,271	75,595	85,056	83,466	74,444	74,733
Equity attributable to owners of the Company							
Share capital	25	38,307	12,370	12,370	111,471	85,534	85,534
Other reserves	26	4,690	4,690	995	4,431	4,431	736
Retained earnings/(accumulated losses)		41,274	58,535	71,691	(32,436)	(15,521)	(11,537)
Total equity		84,271	75,595	85,056	83,466	74,444	74,733
Total equity and liabilities		202,367	178,528	179,515	125,338	139,992	139,818

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

(Amounts expressed in United States Dollars)

Group	Equity, total	Attributable to owners of the Company		
		Share capital (Note 25)	**Other reserves (Note 26)**	**Retained earnings**
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2018	75,595	12,370	4,690	58,535
Adjustment due to first time adoption of SFRS(I) 9	(345)	–	–	(345)
Loss for the year, representing total comprehensive income for the year	(16,916)	–	–	(16,916)
Issuance of new ordinary shares in the share capital of the Company	26,000	26,000	–	–
Share issuance expenses	(63)	(63)	–	–
Balance at 31 December 2018	84,271	38,307	4,690	41,274
Balance at 1 January 2017	85,056	12,370	995	71,691
Loss for the year, representing total comprehensive income for the year	(13,156)	–	–	(13,156)
<u>Contributions by and distributions to owners</u>				
Grant of equity-settled share options to employees	5	–	5	–
Equity component of convertible loan instrument (Note 21)	3,690	–	3,690	–
Total contributions by and distributions to owners	3,695	–	3,695	–
Balance at 31 December 2017	75,595	12,370	4,690	58,535

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

(Amounts expressed in United States Dollars)

		Attributable to owners of the Company		
Company	**Equity, total** US$'000	**Share capital (Note 25)** US$'000	**Other reserves (Note 26)** US$'000	**Accumulated losses** US$'000
Balance at 1 January 2018	74,444	85,534	4,431	(15,521)
Loss for the year, representing total comprehensive income for the year	(16,915)	–	–	(16,915)
Issuance of new ordinary shares in the share capital of the company	26,000	26,000	–	–
Share issuance expenses	(63)	(63)	–	–
Balance at 31 December 2018	83,466	111,471	4,431	(32,436)
Balance at 1 January 2017	74,733	85,534	736	(11,537)
Loss for the year, representing total comprehensive income for the year	(3,984)	–	–	(3,984)
Contributions by and distributions to owners				
Grant of equity-settled share options to employees	5	–	5	–
Equity component of convertible loan instrument (Note 21)	3,690	–	3,690	–
Total contributions by and distributions to owners	3,695	–	3,695	–
Balance at 31 December 2017	74,444	85,534	4,431	(15,521)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

(Amounts expressed in United States Dollars)

	Note	2018 US$'000	2017 US$'000
Operating activities			
Loss before tax		(15,274)	(12,401)
Adjustments for:			
Net (gain)/loss on disposal of property, vessels and equipment	7,6	(125)	721
Net loss on disposal of vessels held for sale	7	–	9
Interest income	5	(5)	(2)
Depreciation of property, vessels and equipment	8	8,626	7,317
Allowance for doubtful trade debts, net	8	154	1,285
Loss on fair value changes in derivatives	28	614	–
Share of results of a joint venture	15	(631)	(77)
Finance costs	5	7,699	8,522
Provisions	22	150	77
Provision for an arbitration case	7	500	–
Impairment loss on property, vessels and equipment	7	16,357	–
Grant of equity-settled share options to employees	27	–	5
Total adjustments		33,339	17,857
Operating cash flows before changes in working capital		18,065	5,456
Changes in working capital:			
Decrease in inventories		31	66
Decrease/(increase) in trade and other receivables		721	(7,161)
(Increase)/decrease in prepayments		(221)	20
Increase in trade and other payables		2,574	2,190
Decrease in provisions		(681)	(26)
Increase in other liabilities		3,120	703
Total changes in working capital		5,544	(4,208)
Cash generated from operations		23,609	1,248
Interest received		5	2
Interest paid		(6,973)	(3,241)
Income tax paid		(1,642)	(755)
Net cash flows generated from/(used in) operating activities		14,999	(2,746)
Investing activities			
Purchase of property, vessels and equipment		(45,522)	(2,326)
Proceeds from disposal of property, vessels and equipment		680	1,158
Proceeds from disposal of vessel held for sale		–	605
Net cash flows used in investing activities		(44,842)	(563)
Financing activities			
Proceeds from loan from a shareholder		–	5,032
Proceeds from shares subscriptions		26,000	–
Proceeds from loans and borrowings		38,320	7,500
Repayment of loans and borrowings		(29,687)	(9,806)
Increase in bank deposits pledged		(15)	(135)
Share issuance expenses		(63)	–
Net cash flows generated from financing activities		34,555	2,591
Net increase/(decrease) in cash and cash equivalents		4,712	(718)
Cash and cash equivalents at 1 January		223	941
Cash and cash equivalents at 31 December	20	4,935	223

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1. General information

1.1 *Background of Company*

Atlantic Navigation Holdings (Singapore) Limited (the "Company") is a limited liability company incorporated in Singapore and is listed on the Catalist board of Singapore Exchange Securities Trading Limited (the "SGX-ST"). The former name of the Company is Fastube Limited, and upon the completion of a reverse acquisition on 31 July 2012, the Company's name has changed to Atlantic Navigation Holdings (Singapore) Limited.

The immediate and ultimate holding company is Saeed Investment Pte. Ltd., which is incorporated in Singapore. The change in control took place when the Company issued new shares to Saeed Investment Pte. Ltd. resulting in approximately 50.2% stake in the Company pursuant to the cash-for-equity subscription agreement which was completed in December 2018.

The registered office of the Company is at 6 Battery Road #10-01, Singapore 049909. The principal place of business of the Group is located at Plot No. HD-02, P. O. Box 50246, Hamriyah Free Zone, Sharjah, United Arab Emirates.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

1.2 *Reverse acquisition undertaken by the Company (the "Reverse Acquisition")*

On 13 March 2011, Atlantic Navigation Holdings (Singapore) Limited (the "Company") had entered into a sale and purchase agreement with the then-controlling shareholders of the Company (the "Purchasers") to dispose of the Company's then-existing subsidiaries and its existing business to the Purchasers (the "Disposal"). The Disposal was subsequently completed on 31 July 2012 and pursuant to the Disposal, the Company became a non-trading shell company.

On 31 July 2012, the Company completed the acquisition of the entire issued and paid-up capital of Atlantic Navigation Holdings Inc. ("ANH Inc.") and its subsidiaries (collectively, the "Atlantic Group") (the "Acquisition"). The Acquisition resulted in a Reverse Takeover ("RTO") of the Company.

The Acquisition has been accounted for as a RTO and the legal subsidiaries, the Atlantic Group, is regarded as the acquirer and the Company, previously known as Fastube Limited ("Fastube") before completion on 31 July 2012, is regarded as the acquiree for accounting purposes. As such, the consolidated financial statements have been prepared and presented as a continuation of the Atlantic Group's financial statements.

The purchase consideration was satisfied by the allotment and issuance of 228,125,000 new shares in the capital of the Company on 31 July 2012.

The shares in the Company were consolidated on 31 July 2012 on the basis of one share for every 10 shares held by shareholders ("Share Consolidation"). The number of consolidated shares to which shareholders are entitled arising from the Share Consolidation were rounded down to the nearest whole consolidated share, and any fractions of consolidated shares arising from the Share Consolidation were disregarded.

At Group level

The acquisition of the Atlantic Group has been accounted for in the consolidated financial statements as a reverse acquisition involving a non-trading shell company. This transaction has been accounted for in the consolidated financial statements as a share-based transaction as described in FRS 102 *Share-based Payment* where the Atlantic Group was deemed to have issued shares in exchange for the net assets/liabilities in the Company together with the listing status of the Company. The cost of acquisition is determined using the fair value of the issued equity of the Company before the acquisition, being 12,500,000 consolidated shares at the market price at the date of acquisition. The listing status did not qualify for recognition as an intangible asset, and accordingly, the cost of the reverse acquisition (net of assets/ liabilities acquired) had been expensed off in the consolidated statement of comprehensive income for the financial year ended 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1. General information (cont'd)

1.2 ***Reverse acquisition undertaken by the Company (the "Reverse Acquisition") (cont'd)***

At Group level (cont'd)

Since such consolidated financial statements represent a continuation of the financial statements of the Atlantic Group:

(a) the assets and liabilities of the Atlantic Group are recognised and measured in the balance sheet of the Group at their pre-acquisition carrying amounts;

(b) the assets and liabilities of the Company are recognised and measured in the consolidated balance sheet at their acquisition-date fair values;

(c) the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of the Atlantic Group immediately before the reverse acquisition; and

(d) the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of the Atlantic Group immediately before the reverse acquisition to the costs of the reverse acquisition. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the Company to effect the reverse acquisition.

At Company level

Reverse acquisition accounting applies only to the consolidated financial statements at the Group level. Therefore, in the Company's separate financial statements, the investment in the legal subsidiaries (the Atlantic Group) is accounted for at cost less accumulated impairment losses, if any, in the Company's balance sheet.

2. Summary of significant accounting policies

2.1 ***Basis of presentation***

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("USD" or "US$") and all values are rounded to the nearest thousand (US$'000), except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.1 ***Basis of presentation (cont'd)***

Going concern uncertainty

The Group incurred a net loss of US$16,916,000 (2017: US$13,156,000) during the financial year ended 31 December 2018 and as at that date, the Group's current liabilities exceeded its current assets by US$25,904,000 (2017: US$21,518,000). The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will be able to pay its debts as and when they fall due as the Group is expected to be able to generate sufficient cash flows from its operations as well as secure the support from its principal bankers and other stakeholders. The Group's actions after the balance sheet date are disclosed in Note 36 to the financial statements.

2.2 ***First time adoption of SFRS(I)***

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statement that comply with SFRS(I) applicable as at 31 December 2018, together with comparative data for the year ended 31 December 2017, as describe in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.2 ***First time adoption of SFRS(I) (cont'd)***

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply for the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

<u>Classification and measurement</u>

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group has assessed its portfolios of financial assets in terms of their business model and their cash flow characteristics at the contract level. All of the Group's debt securities meet the cash flow characteristics criteria under SFRS(I) 9. Except for the portfolio of equity securities, all other financial assets are held in a business model of held to collect and therefore these are carried at amortised cost.

<u>Impairment</u>

SFRS(I) 9 requires the Group to record expected credit losses (ECL) on all of its financial assets measured at amortised cost or FVOCI and loan commitments. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivable of US$345,000, with corresponding decrease in retained earnings of US$345,000 as at 1 January 2018.

The Company did not recognised any additional impairment upon adoption of SFRS(I) 9 as at 1 January 2018.

Initial application of SFRS(I) 9 does not have any reclassification effect to the Group's and Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.2 ***First time adoption of SFRS(I) (cont'd)***

SFRS(I) 9 Financial Instruments (cont'd)

The reconciliation of loss allowance for the Group are as follows:

	Trade receivables US$'000
Opening loss allowance as at 1 January 2018	(2,599)
Amount restated through opening retained earnings	(345)
Adjusted loss allowance	(2,944)

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been the same.

The Group is in the main business of chartering of vessels and provision for ship repairs, fabrication and other marine related services.

Chartering of vessels

The performance obligation under the contracts are satisfied and charter revenue is recognised over the duration of the charter period. Transaction price is based on the contracted charter rates on a per day basis.

Ship repair, fabrication and other related marine services

Revenue from the provision of ship repairs, fabrication and other marine related services are recognised when the performance obligation under the contracts are satisfied.

The first time adoption of SFRS(I) 15 does not have any significant financial impact to the Group's and the Company's financial statement as at 1 January 2017, 31 December 2017 and 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.2 *First time adoption of SFRS(I) (cont'd)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group. The first time adoption of SFRS(I) did not have any impact on 1 January 2017 to the balance sheet of the Group.

	Group				
	31 December 2017 (FRS)	**SFRS(I) 1 adjustments**	**31 December 2017 (SFRS(I))**	**SFRS(I) 9 adjustments**	**1 January 2018 (SFRS(I))**
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets					
Non-current assets					
Property, vessels and equipment	159,712	–	159,712	–	159,712
Intangible asset	141	–	141	–	141
Investment in subsidiaries	–	–	–	–	–
Investment in an associate	–	–	–	–	–
Investment in a joint venture	77	–	77	–	77
Prepayments	319	–	319	–	319
	160,249	–	160,249	–	160,249
Current assets					
Inventories	215	–	215	–	215
Vessels held for sale	–	–	–	–	–
Trade and other receivables	16,329	–	16,329	(345)	15,984
Prepayments	803	–	803	–	803
Cash and bank balances	697	–	697	–	697
Bank deposits pledged	235	–	235	–	235
	18,279	–	18,279	(345)	17,934
Total assets	178,528	–	178,528	(345)	178,183
Equity and liabilities					
Current liabilities					
Trade and other payables	14,672	–	14,672	–	14,672
Other liabilities	5,483	–	5,483	–	5,483
Loans and borrowings	19,642	–	19,642	–	19,642
	39,797	–	39,797	–	39,797

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.2 ***First time adoption of SFRS(I) (cont'd)***

	Group				
	31 December 2017 (FRS)	**SFRS(I) 1 adjustments**	**31 December 2017 (SFRS(I))**	**SFRS(I) 9 adjustments**	**1 January 2018 (SFRS(I))**
	US$'000	US$'000	US$'000	US$'000	US$'000
Net current liabilities	(21,518)		(21,518)		(21,863)
Non-current liabilities					
Provisions	570	–	570	–	570
Derivative	–	–	–	–	–
Loans and borrowings	55,234	–	55,234	–	55,234
Other payables	7,332	–	7,332	–	7,332
	63,136	–	63,136	–	63,136
Total liabilities	102,933	–	102,933	–	102,933
Net assets	75,595	–	75,595	–	75,250
Equity attributable to owners of the Company					
Share capital	12,370	–	12,370	–	12,370
Other reserves	4,690	–	4,690	–	4,690
Retained earnings	58,535	–	58,535	(345)	58,190
Total equity	75,595	–	75,595	(345)	75,250
Total equity and liabilities	178,528	–	178,528	(345)	178,183

2.3 ***Standards issued but not yet effective***

The Company has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Descriptions	**Effective for annual periods beginning on or after**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 Interpretation 23 *Uncertainty Over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I) 2015-2017 Cycle	1 January 2019
Definition of a Business (Amendments to SFRS(I) 3)	1 January 2020
Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application, except for SFRS(I) 16 described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective (cont'd)***

SFRS(I) 16 Leases

SFRS(I) 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under FRS 17. The standard includes two recognition exemptions for lessees - leases of 'low value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases,
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019, and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis. The Group expects that the adoption of SFRS(I) 16 will result in a material increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 ***Basis of consolidation and business combinations***

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation and business combinations (cont'd)***

(b) *Business combinations*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 ***Foreign currency***

The financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.6 ***Property, vessels and equipment***

All items of property, vessels and equipment are initially recorded at cost. Subsequent to recognition, property, vessels and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Vessels	10 to 25 years
Dry docking	5 years
Machinery and equipment	3 to 5 years
Motor vehicles	3 to 5 years
Office equipment	3 to 5 years

Capital work-in-progress is not depreciated as it is not yet available for use.

The carrying values of property, vessels and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Dry docking refers to major inspections and overhauls which are required at regular intervals of 5 years over the useful life of the vessels to allow the continued use of the vessels. When major inspection and overhaul is performed, its cost is recognised in the carrying amount of the vessels as a replacement if the following recognition criteria are met:

(i) It is probable that future economic benefits associated with the asset will flow to the entity; and

(ii) The cost of the asset to the entity can be measured reliably.

Any remaining carrying amount of the cost of the previous inspection is derecognised.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, vessels and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 ***Intangible asset***

Intangible asset acquired separately is measured initially at cost. Following initial acquisition, intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful life of intangible asset is assessed as indefinite.

Intangible asset with indefinite useful life are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Club membership

Club membership acquired is measured initially at cost less any accumulated impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.8 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 ***Subsidiaries***

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

2.10 ***Joint arrangements***

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint operations

The Group recognises in relation to its interest in a joint operation,

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

2. Summary of significant accounting policies (cont'd)

2.10 ***Joint arrangements (cont'd)***

Joint operations (cont'd)

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.11.

2.11 ***Joint ventures and associate***

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investment in associate and joint venture using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associate or joint venture are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture. The profit or loss reflects the share of results of the operations of the associate or joint venture. Distributions received from joint venture or associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate or joint venture are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.12 ***Financial instruments***

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortised cost or Fair Value Through Other Comprehensive Income (FVOCI) are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

<u>Derivatives</u>

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.12 ***Financial instruments*** **(cont'd)**

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(c) ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.13 ***Impairment of financial assets***

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group applies a simplified approach in measuring ECLs for these financial assets and therefore does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and bank overdrafts that form an integral part of the Group's cash management.

2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 *Convertible loan instrument*

Convertible loan instrument are separated into liability and equity components based on terms of the contract.

On issuance of the convertible loan instrument, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption in accordance with the accounting policy set out in Note 2.12(b).

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible loan instrument based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.19 ***Employee benefits***

(a) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees in accordance with the UAE labour law. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and re-measurement of the liability are recognised in profit or loss.

(b) *Employees' end of service benefits*

The Group makes provision for end of service benefits in accordance with the UAE Labour Law. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of entitlement.

(c) *Employees share option plans*

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

<u>Vesting and non-vesting conditions</u>

Vesting conditions are conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity under a share-based payment arrangement.

Vesting conditions are limited to two types:

– Service condition – a vesting condition that requires counterparty to complete a specified period of service which services are provided to the entity; and

– Performance condition – a vesting condition that requires

  (a) the counterparty to complete a specified period of service (i.e. a service condition); the service requirement can be explicit or implicit and

  (b) specified performance target(s) to be met while the counterparty is rendering the required.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.19 ***Employee benefits (cont'd)***

(c) *Employees share option plans (cont'd)*

<u>Vesting and non-vesting conditions (cont'd)</u>

Any condition that is neither a service condition nor a performance condition would be regarded as a non-vesting condition.

Non-vesting conditions are to be taken into account when estimating the fair value of the equity instruments granted.

2.20 ***Leases***

(a) *As lessee*

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for operating lease income (time charter income) is set out in Note 2.21(a).

2.21 ***Revenue***

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Marine logistics services*

Marine logistics services consist of services provided for time charter.

Revenue arising from chartering of vessels is calculated on a time apportionment basis in accordance with the terms and conditions of the charter agreement. Charter income is deferred to the extent that conditions necessary for its realisation have yet to be fulfilled.

Ancillary time charter revenue is recognised over time on a straight-line basis over the charter period, and the corresponding cost are charged to profit or loss using the same basis.

2. Summary of significant accounting policies (cont'd)

2.21 ***Revenue (cont'd)***

(b) *Ship repair, fabrication and other related marine services*

Revenue from the provision of ship repairs, fabrication and other marine related services are recognised when the performance obligation under the contracts are satisfied.

(c) *Interest income*

Interest income is recognised using the effective interest method.

2.22 ***Taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.22 *Taxes (cont'd)*

(b) *Deferred tax* (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.23 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.25 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

   (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

Proportionate consolidation of investment in joint operations

The Group formed two separate entities, Atlantic Venture Inc. ("AVI") and Bravo Trading & Shipping Co. Ltd. ("Bravo"), to acquire two vessels and provide charter services. These entities were formed with two separate groups of third party partners. The Group holds 51% and 15% equity interests in AVI and Bravo respectively. The Group has equal representation on each of the entities' board of directors and unanimous consent is required from both the Group and the respective third party partners for all major operational decisions. Both the Group and the third party partners, in accordance with their respective participating equity interests, would have the rights to the assets and obligations to the liabilities of AVI and Bravo. Based on these facts and circumstances, management concluded that the Group has joint control over AVI and Bravo and, therefore, recognised its share of each of the assets and the liabilities in respect of its interest in the respective joint operation in its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. Significant accounting estimates and judgments (cont'd)

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Residual values and useful lives of vessels and machinery and equipment*

The Group reviews the residual values and useful lives of vessels and equipment at the end of each reporting period in accordance with the accounting policy stated in Note 2.6. The cost of the vessels and equipment is depreciated on a straight-line basis over the vessels and equipment's estimated useful lives. Management estimates the useful lives of the vessels to be within 10 to 25 years and equipment to be within 3 to 5 years.

Changes in the expected level of usage and technological developments could impact the economic useful lives of the vessels and equipment; therefore future depreciation charges could be revised. The carrying amount of the Group's vessels, machinery and equipment as at 31 December 2018 was US$178,571,000 (31 December 2017: US$155,509,000, 1 January 2017: US$102,523,000). A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 5.2% (2017: 5.9%) variance in the Group's loss before tax.

(b) *Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The Group performs an annual impairment test on the vessels with indicator as at year end. The impairment test is conducted by comparing the carrying amount of the vessels to their respective recoverable amount, which is the higher of its fair value less cost to sell and the value in use. For vessels which recoverable amounts were estimated based on fair value less costs to sell, the assessment requires the Group to engage external valuation expert to perform valuations of the assets.

For the purposes of impairment assessment of vessels, the fair value less cost to dispose is determined mainly based on valuation reports issued by independent professional valuers. The impairment charge for the financial year was US$16,357,000 (2017: Nil). If the fair value less cost to dispose decrease by 10% from the fair value based on valuation reports, the impairment charges will increase by US$11,022,000 (2017: Nil).

(c) *Provision for expected credit losses on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 33.

The carrying amount of trade receivables as at 31 December 2018 are US$4,978,000 (31 December 2017: US$11,888,000, 1 January 2017: US$9,538,000).

4. Revenue

	Group 2018	Group 2017
	US$'000	US$'000
Disaggregation of revenue		
Type of services		
Time charter - lease revenue	45,945	25,214
Other ancillary time charter revenue	11,878	7,185
Ship repair, fabrication and other related marine services	978	1,475
	58,801	33,874

The Group accounts for the lease of vessels and time charter under SFRS(I) 1-17 *Leases* as lease revenue. Time charter comprises of lease of vessels and provision of other ancillary services. Other ancillary services include provision of crew and other services under the time charter contracts. The Group separates the lease and non-lease components of time charter by allocating the transaction price based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on cost plus approach where management determined the cost for the leases of vessels and services and apply a margin based on the Group's business pricing strategies and practices.

Refer to Note 35 for revenue disclosure by operating business segments and geographical location.

5. Finance income and costs

	Note	Group 2018	Group 2017
		US$'000	US$'000
Finance income:			
Interest income from bank balance		5	2
Finance costs:			
Interest expense on bank loans		7,253	4,521
Interest expense on loan from shareholder		446	374
Loss on extinguishment of convertible loan instrument	21	–	3,627
		7,699	8,522

6. Other income

	Group 2018	Group 2017
	US$'000	US$'000
Insurance claim	92	–
Miscellaneous income	102	55
Net gain on disposal of property, vessels and equipment	125	–
	319	55

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. Other expenses

	Note	Group 2018 US$'000	Group 2017 US$'000
Provision for an arbitration case		500	–
Net loss from sale of property, vessels and equipment		–	721
Net loss from disposal of vessels held for sale		–	9
Impairment loss on property, vessels and equipment	11	16,357	–
		16,857	730

8. Loss before tax

The following items have been included in arriving at loss before tax:

	Note	Group 2018 US$'000	Group 31 December 2017 US$'000
Audit fees paid to:			
- Auditors of the Company		61	62
- Other auditors		57	49
Non-audit fees paid to:			
- Auditors of the Company		3	3
Depreciation of property, vessels and equipment	11	8,626	7,317
Employee benefits*	27	16,186	11,172
Allowance for doubtful trade debts	19	154	1,285
Operating lease expense	30(b)	9,294	7,057
Inventories recognised as an expense in cost of services	17	214	251

* Includes directors' remuneration and remuneration of key management personnel as disclosed in Note 27 and Note 29(b).

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group 2018 US$'000	Group 2017 US$'000
Consolidated statement of comprehensive income:		
Current income tax		
- Withholding tax	1,642	755
Income tax expense recognised in profit or loss	1,642	755

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. Income tax expense (cont'd)

Relationship between income tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	**2017**
	US$'000	US$'000
Loss before tax	(15,274)	(12,401)
Tax at the domestic rates applicable to profits in the countries where the Group operates	(94)	(677)
Adjustment:		
Non-deductible expenses	94	677
Withholding tax expense on foreign charter income	1,642	755
Income tax expense recognised in profit or loss	1,642	755

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Company is subject to tax at the applicable rate in accordance with the relevant tax laws and regulations in Singapore. The Company's subsidiaries are either incorporated in BVI or UAE (Note 13). The BVI incorporated subsidiaries are incorporated under the International Business Companies Act of the BVI and accordingly, are exempted from payment of BVI income taxes. According to the relevant UAE laws, the UAE incorporated subsidiaries are not required to pay UAE income taxes.

10. Loss per share

Basic loss per share from continuing operations are calculated by dividing loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share from continuing operations are calculated by dividing loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Loss per share (cont'd)

The following tables reflect the profit and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Group	
	2018	**2017**
	US$'000	US$'000
Loss for the year attributable to owners of the Company used in the computation of basic and diluted loss per share	(16,916)	(13,156)
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic loss per share computation	275,000	260,594
Effects of dilution:		
- Share options	–	–
Weighted average number of ordinary shares outstanding for diluted loss per share computation	275,000	260,594
Basic loss per share (US$ cents)	(6.15)	(5.05)
Diluted loss per share (US$ cents)	(6.15)	(5.05)

4,800,000 (2017: 4,800,000) under the existing Atlantic ESOS. Share options granted to employee have not been included in the calculation of diluted loss per share because they are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Property, vessels and equipment

Group	Vessels	Dry docking	Machinery and equipment	Motor vehicles	Office equipment	Capital work-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:							
At 1 January 2016	114,894	1,819	401	272	194	14,412	131,992
Additions	13,361	423	–	–	–	56,151	69,935
Disposals	–	–	(191)	–	–	–	(191)
Reclassifications	4,020	–	–	–	–	(4,020)	–
Reclassifications from vessels held for sales (note 18)	519	–	–	–	–	–	519
Write off	–	–	–	–	–	(5,340)	(5,340)
At 31 December 2016 and 1 January 2017	132,794	2,242	210	272	194	61,203	196,915
Additions	2,681	567	–	–	–	412	3,660
Disposals	(8,296)	–	–	–	–	–	(8,296)
Reclassifications	58,984	–	–	–	–	(58,984)	–
At 31 December 2017	186,163	2,809	210	272	194	2,631	192,279
Additions	45,295	227	–	–	–	–	45,522
Disposals	(1,099)	–	–	–	–	–	(1,099)
Reclassifications	2,631	–	–	–	–	(2,631)	–
At 31 December 2018	232,990	3,036	210	272	194	–	236,702
Accumulated depreciation:							
At 1 January 2016	22,411	537	198	84	120	–	23,350
Depreciation for the year	5,649	374	76	42	29	–	6,170
Impairment loss	2,269	–	–	–	–	–	2,269
Disposals	–	–	(122)	–	–	–	(122)
At 31 December 2016 and 1 January 2017	30,329	911	152	126	149	–	31,667
Depreciation for the year	6,791	454	9	37	26	–	7,317
Disposals	(6,417)	–	–	–	–	–	(6,417)
At 31 December 2017 and 1 January 2018	30,703	1,365	161	163	175	–	32,567
Depreciation for the year	7,948	638	4	30	6	–	8,626
Impairment loss	16,357	–	–	–	–	–	16,357
Disposals	(544)	–	–	–	–	–	(544)
At 31 December 2018	54,464	2,003	165	193	181	–	57,006
Net carrying amount:							
At 1 January 2017	102,465	1,331	58	146	45	61,203	165,248
At 31 December 2017	155,460	1,444	49	109	19	2,631	159,712
At 31 December 2018	178,526	1,033	45	79	13	–	179,696

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Property, vessels and equipment (cont'd)

Capitalisation of borrowing costs

The Group's capital work-in-progress includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of seven vessels. During the financial year, the borrowing costs capitalised, including unwinding of interests, as cost of capital work-in-progress amounted to US$499,000 (31 December 2017: US$1,335,000, 1 January 2017: US$2,983,000). The average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.81% to 6.94% (31 December 2017: 4.42% to 15.00%, 1 January 2017: 4.20% to 8.00%), which is the effective interest rate of the specific borrowing.

Assets pledged as security

Vessels with a carrying value of US$160,505,000 (31 December 2017: US$151,557,000, 1 January 2017: US$144,067,000) were pledged to secure bank loans (Note 21).

Capital work-in-progress

Capital work-in-progress relates to vessels under construction. For the financial year ended 31 December 2016, the Group had written off the deposit placed for one of the vessel under construction, due to the Notice of Rescission served by the shipbuilder.

Impairment of assets

During the financial year ended 31 December 2018, in view of the low utilisation rate of and low margin generated from the Group's operating vessels as well as the current market environment in the oil and gas industry, a subsidiary of the Group, Atlantic Navigation Holdings Inc. carried out a review of the recoverable amount of its vessels. An impairment loss of US$16,357,000 (2017: Nil) representing the write-down of these vessels to the recoverable amount was recognised in "Other expenses" line item of profit or loss for the financial year ended 31 December 2018. The recoverable amount of the vessels was based on the valuation report from an independent valuer.

12. Intangible asset

	Group and Company		
	2018	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000
Club membership	141	141	141

The club membership with lifetime tenure is assessed as having an indefinite useful life and not amortised.

13. Investment in subsidiaries

	Company		
	2018	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000
Unquoted equity shares, at cost	66,741	66,741	66,741

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Investment in subsidiaries (cont'd)

The Group has the following significant investment in subsidiaries:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018 %	31 December 2017 %	1 January 2017 %
Held by the Company:					
(2) Atlantic Navigation Holdings Inc.	BVI	Investment holding	100	100	100
Held by Atlantic Navigation Holdings Inc.:					
(1) Atlantic Maritime Group FZE	UAE	Commercial and administrative manager of the Group's marine logistics services business and provider of ship repair, fabrication and other marine services	100	100	100
(2) Atlantic Oceana Inc	BVI	Ship owner	100	100	100
(2) Atlantic Offshore Services Inc	BVI	Ship owner	100	100	100
(2) Bimar Offshore Inc	BVI	Ship owner	100	100	100
(2) Atlantic Offshore Inc	BVI	Ship owner	100	100	100
(2) Crossworld Marine Services Inc	BVI	Ship owner	100	100	100
(2) Oasis Marine Inc	BVI	Ship owner	100	100	100
(2) Pacific International Offshore Inc	BVI	Ship owner	100	100	100
(2) Atlantic Navigation Limited	BVI	Ship owner	100	100	100
(2) Lift-Offshore Inc	BVI	Ship owner	100	100	100
(2) Atnav Holdings Inc.(3)	BVI	Investment holding	100	100	–
Held by Atnav Holdings Inc.:					
(2) ATNAV Nautical Inc.(3)	BVI	Ship owner	100	100	–
(2) ATNAV Maritime Inc.(3)	BVI	Ship owner	100	100	–
(2) ATNAV International Inc. (3)	BVI	Ship owner	100	100	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018	31 December 2017	1 January 2017
			%	%	%
(2) ATNAV Oceanic Inc. (3)	BVI	Ship owner	100	100	–
(2) ATNAV Marine Inc. (3)	BVI	Ship owner	100	100	–
(2) ATNAV Inc. (3)	BVI	Ship owner	100	100	–
(2) ATNAV Offshore Inc. (3)	BVI	Ship owner	100	100	–
Held by Atlantic Maritime Group FZE:					
(1) Atlantic Ship Management LLC	UAE	Ship management	49 #	49 #	49 #
(2) Atlantic Maritime Ghana Private Limited	Ghana	Ship brokerage services (inactive)	90	90	90

(1) Audited by member firms of EY Global in the respective countries
(2) These entities are not required to be audited under the laws of the country of incorporation.
(3) Newly incorporated during the financial year ended 31 December 2017.
This represents the legal interests of the Group in Atlantic Ship Management LLC. Atlantic Ship Management LLC is considered a wholly-owned subsidiary of the Group as the Directors have assessed and concluded that the Group has full control over the financial and operating policies and activities of this entity.

14. Investment in an associate

The Group's investment in an associate is summarised below:

	Group and Company 1 January 2017
	US$'000
Astra Offshore Sdn. Bhd.	544
Impairment losses	(544)
	–

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 1 January 2017
			%
(1) Astra Offshore Sdn. Bhd. ("Astra")	Malaysia	Provision of offshore marine services	40

(1) Audited by ST & Partners PLT (previously known as LT Ching & Associates, Malaysia).

14. Investment in an associate (cont'd)

During the financial year ended 31 December 2016, the Group had fully impaired the investment and had not recognised losses relating to the associate where its share of losses exceeded the Group's interest in this associate.

On 17 November 2017, Astra had been wound up and the Group has no further commitment and obiligation to the associate.

The summarised financial information in respect of Astra based on the Malaysia Private Entity Reporting Standards financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group and Company
	1 January 2017
	US$'000
Current assets	2,427
Non-current assets	20
Total assets	2,447
Current liabilities	2,109
Non-current liabilities	313
Total liabilities	2,422
Net assets	25
Proportion of Group's ownership	40%
Group's share of net assets	10
Goodwill on acquisition	400
Other adjustments	134
Carrying amount of the investment	544

Summarised statement of comprehensive income

	Astra	
	2017	**1 January 2017**
	US$'000	US$'000
Revenue	–	3,620
(Loss)/profit after tax, representing total comprehensive income	(237)	5

Impairment testing of investment in an associate

During the financial year ended 31 December 2016, the Group carried out a review of the recoverable amount of its investment in the associate. The associate may not be able to recover its trade receivables and this may impact its ability to continue as a going concern. Accordingly, an impairment loss of US$544,000 was recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. Investment in a joint venture

The Group has 40% (2017: 49%) interest in the ownership and voting rights in a joint venture business (consortium) with one of the partners that is held through a subsidiary, Atlantic Ship Management LLC. The joint venture is a strategic business venture in the purchase and removal of decommissioned offshore/onshore facilities.The Group jointly controls the venture with the other partners under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

Details of the joint venture as at 31 December are as follows:

	2018	**2017**#
	%	%
Proportion of ownership interest held by Atlantic Ship Management LLC	40	49

The joint venture was incorporated on 17 April 2017.

Summarised financial information in respect of the consortium based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group 2018	**Group 2017**
	US$'000	US$'000
Current assets	12,716	5,184
Non-current assets	–	655
Total assets	12,716	5,839
Current liabilities	11,614	5,680
Non-current liabilities	–	–
Total liabilities	11,614	5,680
Net assets	1,102	159
Group's share of net assets	708	77
Carrying amount of the investment	708	77

Summarised statement of comprehensive income

	Group 2018	**Group 2017**
	US$'000	US$'000
Revenue	39,994	6,642
Operating expenses	(39,051)	(6,483)
Profit before tax, representing total comprehensive income	943	159
Share of results of a joint venture	631	77

16. Investment in joint operations

The Group has 51% and 15% interest in the ownership and voting rights in two joint operations, Atlantic Ventures Inc ("AVI") and Bravo Shipping and Trading Co. Ltd. ("Bravo") respectively, that are held through a subsidiary, Atlantic Navigation Holdings Inc.

AVI is incorporated in the British Virgin Islands and Bravo is incorporated in Saint Vincent and the Grenadines. The Group jointly controls the joint operations with the respective third party partners under contractual agreements that require unanimous consent for all major operational and administrative decisions over the relevant activities.

Details of the joint operations as at 31 December 2018 are as follows:

			Proportion of ownership interest		
			2018	31 December 2017	1 January 2017
Name of Company	**Country of Incorporation**	**Principal activities**	%	%	%
Held by Atlantic Navigation Holdings Inc.					
[1] Atlantic Ventures Inc.	BVI	Buying, owning, chartering and selling of vessels	51	51	51
[1] Bravo Shipping and Trading Co. Ltd.	Saint Vincent and the Grenadines	Buying, owning, chartering and selling of vessels	15	15	15

[1] These entities are not required to be audited under the laws of the country of incorporation.

The Group had recognised its share of revenue and expenses, and assets and liabilities in respect of its interest in the respective joint operations.

17. Inventories

	Group		
	2018	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000
Balance sheet:			
Fuel and other materials	184	215	281
Consolidated statement of comprehensive income:			
Inventories recognised as an expense in cost of services	214	251	315

During the financial years ended 31 December 2018 and 2017, there have been no inventory written off or allowance for inventory obsolescence.

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For the financial year ended 31 December 2018

18. Vessels held for sale

	Group	
	31 December 2017	1 January 2017
	US$'000	US$'000
At cost:		
At 1 January	180	719
Additions	500	–
Disposals	(680)	–
Reclassification to property, vessels and equipment	–	(519)
Impairment losses	–	(20)
At 31 December	–	180

During the financial year ended 31 December 2017, the Group had accepted one vessel transferred from its trade debtor to offset against the trade receivables due from the debtor. The Group had classified this vessel as held for sale in 2017 and disposed during 2017.

In 2016, the transaction to dispose one of the vessels did not materialise and as the Group has no realistic expectation of sale within the near future, the vessel has been reclassified to property, vessels and equipment (Note 11).

There was no vessels held for sale in 2018.

19. Trade and other receivables

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade and other receivable (current)						
Trade receivables	4,978	11,888	9,538	–	–	–
Sundry debtors	255	954	–	–	–	–
Deposits	216	367	287	–	–	–
Advances to staff	430	43	12	–	–	–
Advances to suppliers	403	121	102	–	–	–
Due from a joint operation (non-trade)	1,893	1,045	596	–	–	–
Due from a subsidiary (non-trade)	–	–	–	10,453	72,507	72,526
Retention receivable	4,002	1,809	206	–	–	–
Unbilled receivables	2,933	102	146	–	–	–
	15,110	16,329	10,887	10,453	72,507	72,526
Trade and other receivable (non-current)						
Due from a subsidiary (non-trade)	–	–	–	45,956	–	–
Total trade and other receivables (current and non-current)	15,110	16,329	10,887	56,409	72,507	72,526
Add:						
- Cash and bank balances (Note 20)	4,935	697	1,536	1,805	163	197
- Bank deposits pledged (Note 20)	250	235	100	235	235	8
Total financial assets carried at amortised cost	20,295	17,261	12,523	58,449	72,905	72,731

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		
	2018	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000
Arab Emirates Dirham	322	1,875	1,389
Saudi Arabian Riyal	–	1,356	774

Due from a joint operation (non-trade)

Amounts due from a joint operation are unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Due from a subsidiary (non-trade)

Amounts due from a subsidiary are unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Retention receivables

Retention receivables represent the retention of 10% of the invoice amounts from one of the debtors. The amount is repayable in cash to the Group upon tax clearance from the Saudi Arabian tax authorities generally within 12 months.

Unbilled receivables

Unbilled trade receivables relate to the Group's right to consideration for charter hire earned but not yet billed at the reporting date.

Significant changes in unbilled trade receivables are explained as follows:

	2018	**2017**
	US$'000	US$'000
Unbilled trade receivables reclassified to trade receivables	102	146
Charter revenue earned but not yet billed	2,933	102

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$2,812,000 as at 31 December 2017 and US$7,158,000 as at 1 January 2017 that are past due at the end of the reporting period but not impaired. These trade receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	31 December 2017	**1 January 2017**
	US$'000	US$'000
Trade receivables past due:		
Lesser than 30 days	1,213	1,967
30 to 60 days	229	1,370
More than 60 days	1,370	3,821
	2,812	7,158

Receivables that are impaired

The Group's trade and other receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	31 December 2017	**1 January 2017**
	US$'000	US$'000
Trade receivables - nominal amounts	2,780	2,700
Amount due from associate (non-trade) - nominal amounts	101	101
Less: Allowance for impairment of trade receivables	(2,498)	(1,303)
Allowance for impairment of amount due from associate	(101)	(101)
	282	1,397
Movement in the allowance accounts:		
At 1 January	1,404	24
Charge for the year	1,285	1,404
Written off	(90)	(24)
Written back	–	–
At 31 December	2,599	1,404

19. Trade and other receivables (cont'd)

Receivables that are impaired (cont'd)

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payment. These receivables are not secured by any collateral or credit enhancements.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group 2018 US$'000
Movement in allowance accounts:	
At 1 January	2,944
Charge for the year (Note 8)	154
Written off during the year	(1,733)
At 31 December	1,365

Receivables subject to offsetting arrangements

The Group provides ship repair and other services to and charters vessels from various ship owners. There is no arrangement to settle the amount due to or from each other on a net basis but have the right to set off when mutually agreed between both parties.

The Group's trade receivables and trade payables that are off-set are as follows:

	31 December 2018 US$'000		
	Gross carrying amounts	**Gross amounts offset in the balance sheet**	**Net amounts in the balance sheet**
Description			
Trade receivables	1,120	(1,120)	–
Trade payables	1,501	(1,120)	381

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Trade and other receivables (cont'd)

Receivables subject to offsetting arrangements (cont'd)

	31 December 2017 US$'000		
Description	**Gross carrying amounts**	**Gross amounts offset in the balance sheet**	**Net amounts in the balance sheet**
Trade receivables	122	(122)	–
Trade payables	213	(122)	91

	1 January 2017 US$'000		
Description	**Gross carrying amounts**	**Gross amounts offset in the balance sheet**	**Net amounts in the balance sheet**
Trade receivables	683	(683)	–
Trade payables	992	(683)	309

20. Cash and bank balances

Bank deposits pledged

	Group			**Company**		
	2018	**31 December 2017**	**1 January 2017**	**2018**	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	4,935	697	1,536	1,805	163	197
Bank deposits pledged	250	235	100	235	235	8
	5,185	932	1,636	2,040	398	205

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank deposits are pledged for the Group's loans and borrowings, and earn interest at the respective bank deposit rates. The weighted average effective interest rates as at 31 December 2018 for the Group and the Company were 1.70% (31 December 2017: 0.93%, 1 January 2017: 0.56%).

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group			**Company**		
	2018	**31 December 2017**	**1 January 2017**	**2018**	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Saudi Riyals	1,375	–	–	–	–	–
Arab Emirates Dirham	198	148	233	–	–	–
Singapore Dollars	96	26	48	96	26	48
	1,669	174	281	96	26	48

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Cash and bank balances (cont'd)

Bank deposits pledged

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group		
	2018	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000
Cash and bank balances	4,935	697	1,536
Bank overdrafts (Note 21)	–	(474)	(595)
Cash and cash equivalents	4,935	223	941

21. Loans and borrowings

	Group			Company		
	2018	**31 December 2017**	**1 January 2017**	**2018**	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current:						
Bank loan						
- USD loan at 1-month LIBOR + 4.00% pa (1)	5,434	6,340	7,672	5,434	6,340	7,672
- USD loan 1-month LIBOR + 4.00% pa (2)	755	881	3,625	755	881	3,625
- USD revolving loan at 1-month cost of funds + 3.50% pa (3)	1,150	1,246	6,900	1,150	1,246	6,900
- USD loan at 1-month LIBOR + 4.00% pa (4)	318	344	700	318	344	700
- USD loan at LIBOR + 3.75% p.a. (5)	1,071	857	857	–	–	–
- USD loan at 3-month LIBOR + 3.75% p.a. (6)	2,000	2,000	2,000	–	–	–
- USD revolving loan at 3-month LIBOR + 4.50% p.a. (7)	3,409	5,000	–	–	–	–
- USD short term loan at 7% per annum (8)	626	2,500	–	–	–	–
Bank overdrafts (9)	–	474	595	–	–	–
Convertible loan instrument (10)	–	–	13,000	–	–	13,000
USD loan at 10% per annum (11)	1,700	–	–	–	–	–
- USD loan at 3-month LIBOR + 4.5% p.a. (12)	4,260	–	–	–	–	–
	20,723	19,642	35,349	7,657	8,811	31,897

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Loans and borrowings (cont'd)

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-current:						
Bank loan						
- USD loan at 1-month LIBOR + 4.00% p.a. [(1)]	18,115	23,549	26,852	18,115	23,549	26,852
- USD loan 1-month LIBOR + 4.00% pa [(2)]	2,518	3,273	1,812	2,518	3,273	1,812
- USD revolving loan at 1-month cost of funds + 3.50% p.a. [(3)]	3,833	4,983	–	3,833	4,983	–
- USD loan at 1-month LIBOR + 4.00% p.a. [(4)]	1,057	1,375	1,380	1,057	1,375	1,380
- USD loan at LIBOR + 3.75% p.a. [(5)]	429	1,500	2,356	–	–	–
- USD Loan at 3-month LIBOR +3.75% p.a. [(6)]	4,000	6,000	8,000	–	–	–
- USD loan at 10% per annum [(11)]	6,800	–	–	–	–	–
Convertible loan instrument [(10)]	–	14,554	–	–	14,554	–
- USD loan at 3-month LIBOR + 4.5% p.a. [(12)]	25,560	–	–	–	–	–
	62,312	55,234	40,400	25,523	47,734	30,044
Total loans and borrowings	83,035	74,876	75,749	33,180	56,545	61,941

[(1)] This facility was availed in January 2016 bearing interest at 3-month LIBOR + 3.50% per annum and was repayable over 5 years in 20 equal quarterly instalments with the last instalment due in April 2021. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and extended the tenure from 20 quarterly instalments to 72 monthly instalments on the revised interest rate at 4.00% per annum above one (1) month USD LIBOR with last instalment due in March 2023. The securities provided for this loan comprise:

- Mortgage over certain vessel (Note 11)
- Assignment of earnings/charter proceeds, insurances and requisition compensation of mortgaged vessel
- Assignment of all rights, title and interests of mortgaged vessel's charters
- Bank deposits pledged in a retention account [(a)]
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintaining aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

21. Loans and borrowings (cont'd)

(2) This facility was availed in June 2014 on the interest at 3-month LIBOR + 3.50% per annum and is repayable over 4 years in 16 equal quarterly instalments with the last instalment due in June 2018. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and extended the tenure from 16 quarterly instalments to 72 monthly instalments on the revised interest rate at 4.00% per annum above one (1) month USD LIBOR with last instalment due on in March 2023.

- Mortgage over certain vessels (Note 11)
- Assignment of earnings/charter proceeds and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessel's charters
- Bank deposits pledged in a retention account [(a)]
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintain aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

(3) This facility is a revolving loan facility availed in August 2014 and repayable on demand. The effective interest rates for this facility had ranged from 3.98% to 4.08% per annum. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and amended the revolving facility to a monthly step down for a tenure of six years (72 monthly instalments) on the revised interest rate at 3.50% per annum above one (1) month USD LIBOR with last instalment due on in March 2023. The securities provided for this loan comprise:

- Mortgage over certain vessel (Note 11)
- Assignment of earnings/charter proceeds and requisition compensation of mortgaged vessel
- Assignment of all rights, title and interests of mortgaged vessel's charters
- The loan includes financial covenants which require the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintain aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

(4) This facility was availed in December 2015 on the interest at 3-month LIBOR + 3.50% per annum and is repayable over 4 years in 16 equal quarterly instalments with the last instalment due in December 2019. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and extend the tenure from 20 quarterly instalments to 72 monthly instalments on the interest rate at 4.00% per annum above one (1) month USD LIBOR with last instalment due on in March 2023. The securities provided for this loan comprise:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings/charter proceeds and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Bank deposits pledged in a retention account [(a)]
- The loan includes financial covenants which require the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintain aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

(5) This loan carried interest at LIBOR + 3.75% per annum and is repayable over 5 years in 20 equal quarterly instalments with the last instalment due in August 2020. The securities provided for this loan comprised:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by a director-related company
- Bank deposits pledged in a retention account
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 50 million

(a) In 2016, the Group did not fulfil certain financial covenant in respect of pledged deposit. The Group has obtained waiver from the bank for the breach with a validity period up to second quarter of 2017. As such, the non-current portion of US$2,356,000 is not reclassified to current liabilities as at 31 December 2016.

Even though there are underlying physical assets or trading transactions with profit-sharing elements in these financing arrangements, to comply with Islamic financing requirements, the economic substance is largely comparable to that of conventional loan facilities.

Accordingly, the accounting treatment for these Islamic term financing arrangements will be the same as that of conventional loan financing arrangements. The sales proceeds and profit margins will be classified as principal of the loans outstanding and interest expenses accordingly, supported with appropriate explanatory disclosures.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Loans and borrowings (cont'd)

(6) This loan carried interest at 3-month LIBOR + 3.75% per annum and is repayable in 22 equal quarterly instalments commencing at the end of 3 months moratorium period from February 01, 2016 with the last instalment due in November 2021. The securities provided for this loan comprised:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by a director-related company
- Bank deposits pledged in a retention account
- Pledge over the shares of director-related company owning the vessel(s) mortgaged
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 80 million. From 2017 onwards, the Tangible Net Worth of the Group should improve by at least 5% year on year basis.

(7) This facility is repayable on demand. The loan carried interest rates at this facility is 3-month LIBOR + 4.50% per annum. The securities provided for this loan comprise:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by a director-related company
- Pledge over the shares of director-related company owning the vessel(s) mortgaged
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 80 million. From 2017 onwards, the Tangible Net Worth of the Group should improve by at least 5% year on year basis.

(8) This is a short term unsecured loan availed from a private establishment in February 2017, repayable after 454 days after the date of the receipt of the loan. The short term loan carried interest rates at 7.00% per annum.

(9) Bank overdrafts are denominated in AED, bear interest at 3-month EIBOR + 5% per annum. The facility is for the purpose of working capital requirement and is required to be settled twice a year. Non-compliance will result in financial penalty.

(10) In 2016, the Company issued a convertible loan instrument at the principal sum of US$13,000,000. The instrument is convertible at the option of the holder into ordinary shares of the Company by 31 December 2016 at the price of $0.31 per share. The instrument carried interests at 8% per annum.

In 2017, the Company entered into a second supplemental agreement to further amend, revise and vary the terms of the loan agreement. The maturity date of the loan agreement was extended from 31 December 2016 to 3 January 2019. In addition, the conversion price was changed from $0.31 per share to $0.20 per share and the interest rate were changed from 8% per annum to 5% per annum cash interest plus 10% payment-in-kind interest per annum.

During the financial year ended 31 December 2018, the Company has fully redeemed the convertible loan in December 2018.

(11) This is a long term loan availed from a private establishment in 28 March 2018, repayable in five (5) yearly instalments. The long term loan carried interest rates at 10.00% per annum. The securities provided for this loan comprise:

- Corporate guarantee by a director-related company
- Pledge over the shares of director-related company owning the vessel(s) mortgaged

(12) This loan carried interest at 3-month LIBOR + 4.5% per annum and is repayable in 28 equal quarterly instalments over a period of seven (7) years commencing at the end of 6 months moratorium period from January 03, 2018 with the last instalment due in October 2025. The securities provided for this loan comprised:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by a director-related company
- Bank deposits pledged in a retention account
- Pledge over the shares of director-related company owning the vessel(s) mortgaged
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 80 million. From 2017 onwards, the Tangible Net Worth of the Group should improve by at least 5% year on year basis, as well as to maintain Loan to Value (LTV) of 70% or below at all times during the tenor of the loan.

21. Loans and borrowings (cont'd)

Convertible loan instrument

The carrying amount of the liability component of the convertible loan instrument at the end of the reporting period is arrived at as follows:

	Group and Company	
	31 December 2017	**1 January 2017**
	US$'000	US$'000
Face value of convertible loan instrument	13,000	13,000
Equity component	(3,690)	(368)
Loss on extinguishment of convertible loan instrument	3,627	–
Liability component of convertible loan instrument at initial recognition	12,937	12,632
Add: Accumulated amortisation of discount	259	368
Add: Non-cash interest accruals	1,358	–
Liability component of convertible loan instrument at the end of the reporting period	14,554	13,000

In 2016, the holder did not convert the loan to ordinary shares at year end. On 4 January 2017, the Company entered into a second supplemental agreement ("Second Supplemental Agreement") to further amend, revise and vary the terms of the Loan Agreement (as amended by the First Supplemental Agreement on 8 February 2016). The maturity date of the Loan Agreement was extended from 31 December 2016 to 3 January 2019. In addition, the conversion price and interest rate were changed under the Second Supplemental Agreement. The Loan Agreement was extinguished upon the entering of the Second Supplemental Agreement and the Second Supplemental Agreement is recorded initially at fair value. In 2018, the convertible loan was fully repaid at year end.

The fair value of the Second Supplemental Agreement is estimated at its inception using a trinomial option pricing model, taking into account the terms and conditions upon which the Second Supplemental Agreement was entered.

The following table lists the inputs to the option pricing model for the year ended 31 December 2017:

	Group and Company
	31 December 2017
Dividend yield (%)	Nil
Annualised volatility (%)	113.00
Risk-free interest rate (% p.a.)	1.65
Market interest rate (% p.a.)	15.00
Weighted average share price (US$)	0.10

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	2017	Cash flows, net	Non-cash changes		2018
			Convertible loan instrument non-cash items	Other	
	US$'000	US$'000	US$'000	US$'000	US$'000
Bank loans					
- Current	19,168	(6,545)	–	8,100	20,723
- Non-current	40,680	29,732	–	(8,100)	62,312
Convertible loan instrument	14,554	(14,554)	–	–	–
Loan from shareholder (Note 23)	7,332	–	–	–	7,332
Total	81,734	8,633	–	–	90,367

The "other" column relates to reclassification of non-current portion of loans and borrowings due to passage of time and rescheduling of payment terms.

22. Provisions

	Group		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Employees' end of service benefits			
At 1 January	570	519	438
Provision made (Note 27)	150	77	137
Provision utilised	(182)	(26)	(56)
At 31 December	538	570	519

The Group makes provision for employees' end of service benefits ("EOSB") in order to meet the minimum benefits required to be paid to qualified employees, as required under the Federal Law No. 8 of 1980 Regulating Labour Relations (the "Labour Law") of the UAE. The EOSB for the qualified employees is calculated as follows:

(a) 21 days salary for each of the first five years using last drawn salary; and

(b) 30 days salary for each additional year using last drawn salary, provided that total EOSB amount should not exceed 2 years of salaries.

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For the financial year ended 31 December 2018

23. Trade and other payables

	Group			Company		
	2018	**31 December 2017**	**1 January 2017**	**2018**	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade and other payables (current)						
Trade payables	11,242	8,275	7,148	–	–	–
Other payables	3,875	3,887	3,106	186	129	19
Due to director/related companies (trade)	2,034	2,402	2,133	–	–	–
Due to directors (non-trade)	95	108	95	95	108	95
Loan from shareholder	–	–	2,300	–	–	2,300
	17,246	14,672	14,782	281	237	2,414
Other payables (non-current)						
Loan from shareholder	7,332	7,332	–	7,332	7,332	–
Total trade and other payables	24,578	22,004	14,782	7,613	7,569	2,414
Add:						
- Accrued operating expenses (Note 24)	8,640	5,197	3,394	1,079	1,434	730
- Loans and borrowings (Note 21)	83,035	74,876	75,749	33,180	56,545	61,941
Total financial liabilities carried at amortised cost	116,253	102,077	93,925	41,872	65,548	65,085

Trade payables/other payables

These amounts are non-interest bearing. Trade and other payables are normally settled on 30 to 60 days' terms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. Trade and other payables (cont'd)

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Arab Emirates Dirham	4,111	2,772	2,931
Saudi Riyal	1,425	817	–
Qatari Riyal	76	80	–
Euro	132	62	–

Due to director-related companies (trade)/due to directors (non-trade)

These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Loan from shareholder

Loan from shareholder is unsecured, interest-bearing at interest rate of 6.00% per annum, and is to be settled in cash. The amount is not expected to be repaid within the next 12 months.

24. Other liabilities

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accrued operating expenses	8,640	5,197	3,394	1,079	1,434	730
Advances from customers	523	286	15	–	–	–
Deferred liabilities	168	–	–	–	–	–
	9,331	5,483	3,409	1,079	1,434	730

Deferred liabilities referred to the penalties imposed to the Group due to the delay in the start of fulfilment of contracts net of the liquidated damages received as a result of the delay in the delivery of new vessels by the shipyard commissioned by the Group.

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25. Share capital

	Group		Company	
	No. of shares ('000) [1]	US$'000	No. of shares ('000) [1]	US$'000
Issued and fully paid ordinary shares:				
At 1 January 2017, 31 December 2017, 1 January 2018	260,594	12,370 [2]	260,594	85,534
Issuance of new ordinary shares in the share capital of the Company	262,918	26,000	262,918	26,000
Share issuance expense	–	(63)	–	(63)
At 31 December 2018	523,512	38,307	523,512	111,471

(1) The equity structure (i.e. the number and types of equity instruments issued) reflect the equity structure of the Company, being the legal parent, including the equity instruments issued by the Company to effect the reverse acquisition.

(2) The amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of Atlantic Navigation Holdings Inc. and its subsidiaries immediately before the reverse acquisition the costs of the reverse acquisition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

The Company has employee share option plans under which options to subscribe for the Company's ordinary shares have been granted to certain employees of the Group and directors of the Company.

26. Other reserves

	Group			Company		
	2018	**31 December 2017**	**1 January 2017**	**2018**	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Merger reserve (a)	259	259	259	–	–	–
Employee share option reserve (b)	373	373	368	373	373	368
Equity component of convertible loan instrument (c)	4,058	4,058	368	4,058	4,058	368
	4,690	4,690	995	4,431	4,431	736

(a) ***Merger reserve***

This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method.

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For the financial year ended 31 December 2018

26. Other reserves (cont'd)

(b) ***Employee share option reserve***

Employee share option reserve represents the equity-settled share options granted to employees (Note 27). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(c) ***Equity component of convertible loan instrument***

This represents the residual amount of convertible loan instrument after deducting the fair value of the liability component. This amount is presented net of transaction costs arising from the convertible loan instrument.

27. Employee benefits

		Group	
	Note	**2018**	**2017**
		US$'000	US$'000
Wages, salaries and bonuses		16,036	11,090
Share-based payments (Employee share option plans)		–	5
Employees' end of service benefits	22	150	77
		16,186	11,172

Employee share option plans

Atlantic Employee Share Option Scheme ("Atlantic 2008 ESOS")

Under Atlantic 2008 ESOS, 4,050,000 share options were granted to certain employees of the Group and directors of the Company. 2,025,000 share options are exercisable between 30 January 2015 and 29 January 2019, and the remaining 2,025,000 share options are exercisable between 30 January 2016 and 29 January 2019, at the exercise price of S$0.34 if the vesting conditions are met. There are no cash settlement alternatives. These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

Atlantic 2015 Employee Share Option Scheme ("Atlantic 2015 ESOS")

Under the Atlantic 2015 ESOS, 750,000 share options were granted to a director of the Company. 375,000 share options are exercisable between 12 May 2016 and 11 May 2020, and the remaining 375,000 share options are exercisable between 12 May 2017 and 11 May 2020, at the exercise price of S$0.43 if the vesting conditions are met. There are no cash settlement alternatives. These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

27. Employee benefits (cont'd)

Employee share option plans (cont'd)

Movement of share options during the financial year

The following table illustrates the number (No.) and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	2018		2017	
	No.	WAEP	No.	WAEP
Outstanding at 1 January	4,800,000	S$0.35	4,800,000	S$0.35
Exercisable at 31 December	4,800,000	S$0.35	4,800,000	S$0.35

– No options were granted and no options were exercised during the financial year ended 31 December 2018 and 2017.

– The range of exercise price for options outstanding at the end of the year was S$0.34 to S$0.43 (2017: S$0.34 to S$0.43). The weighted average remaining contractual life for these options is 0.43 years (2017: 1.28 years).

Fair value of share options granted

The fair value of the share options granted under the Atlantic 2008 ESOS and Atlantic 2015 ESOS are estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The following table lists the inputs to the option pricing models for the respective ESOS scheme:

	Atlantic 2008 ESOS		Atlantic 2015 ESOS	
	Tranche 1[(1)]	Tranche 2[(2)]	Tranche 1[(1)]	Tranche 2[(2)]
Dividend yield (%)	1.50	1.50	2.00	2.00
Expected volatility (%)	44.67	43.69	48.83	48.83
Risk-free interest rate (% p.a.)	0.87	1.05	0.14	0.14
Expected life of an option (years)	3.00	3.50	2.85	3.11
Weighted average share price (S$)	0.34	0.34	0.43	0.43

Atlantic 2008 ESOS

(1) Tranche 1 refers to 2,025,000 share options granted to certain employees of the Group and directors of the Company on 30 January 2014, which are exercisable between 30 January 2015 and 29 January 2019.

(2) Tranche 2 refers to 2,025,000 share options granted to certain employees of the Group and directors of the Company on 30 January 2014, which are exercisable between 30 January 2016 and 29 January 2019.

Atlantic 2015 ESOS

(1) Tranche 1 refers to 375,000 share options granted to a director of the Company on 12 May 2015, which are exercisable between 12 May 2016 and 11 May 2020.

(2) Tranche 2 refers to 375,000 share options granted to a director of the Company on 12 May 2015, which are exercisable between 12 May 2017 and 11 May 2020.

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

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For the financial year ended 31 December 2018

28. Derivatives

	Group		
	2018	**31 December 2017**	**1 January 2017**
	Liabilities	Liabilities	Liabilities
	US$'000	US$'000	US$'000
Interest rate swap	614	–	–
Total financial liabilities at fair value through profit or loss	614	–	–

The Group recorded a loss of on fair value changes of US$614,000 (2017: Nil) due to the interest rate swap contracts in profit and loss for the year ended 31 December 2018.

	Group								
	2018 US$'000			**31 December 2017 US$'000**			**1 January 2017 US$'000**		
	Contract/ Notional Amount	**Assets**	**Liabilities**	**Contract/ Notional Amount**	**Assets**	**Liabilities**	**Contract/ Notional Amount**	**Assets**	**Liabilities**
Interest rate swap	27,930	–	(614)	–	–	–	–	–	–
		–	(614)		–	–		–	–

As at 31 December 2018, the Group has interest rate swap agreements in place to partially hedge its floating rate loans. The interest rate swap receives floating interest rate equal to 3 month USD LIBOR (31 December 2017: Nil, 1 January 2017: Nil), pays fixed rate of interest of 2.6% – 2.75% p.a. (31 December 2017: Nil, 31 January 2017: Nil) and matures on 3 October 2025 (31 December 2017: Nil, 1 January 2017: Nil)

29. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2018	**2017**
	US$'000	US$'000
Management fees to director-related companies	65	65
Professional fees to director-related companies	48	18
Interests on shareholder loan	446	398

(b) Compensation of key management personnel

Short-term employee benefits	1,056	1,111
Others	392	420
	1,448	1,531
Comprises amounts paid to:		
Directors of the Company	907	895
Other key management personnel	541	636
	1,448	1,531

Key management personnel's interests in employee share option plan

During the financial year, no share options were exercised by the directors and key management personnel of the Group during the financial year.

At the end of the reporting period, options to purchase 3,030,000 shares (2017: 3,030,000 shares) of the Company by key management personnel were outstanding.

(c) Commitments with related parties

On 1 January 2011, Atlantic Maritime Group FZE entered into agreements with Atlantic Offshore Services LLC and Atlantic Marine Services LLC for administrative and ship management services provided by the above two director-related companies in return for management fees that amounted to US$65,000 in 2015. The agreements remain in effect until terminated by notice.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Commitments

(a) *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

		Group	
	2018	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000
Capital commitments in respect of property, vessels and equipment	–	39,900	42,180

(b) *Operating lease commitments – as lessee*

The Group entered into non-cancellable lease agreements as lessee for vessels and operating premises. These leases have different terms and terminate at various dates. Specific clauses like rental escalation and renewal rights can be found in some of these lease agreements.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to US$9,294,000 (2017: US$7,057,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

		Group	
	2018	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000
Not later than one year	7,444	8,480	6,982
Later than one year but not later than five years	27,567	34,952	36,500
Later than five years	–	–	6,880
	35,011	43,432	50,362

(c) *Operating lease commitments – as lessor*

Operating lease commitments relates to vessels. These non-cancellable leases have different terms and terminate at various dates. There was no contingent rent component included under the above non-cancellable leases relating to lease out arrangements for vessels owned by the Group as at the end of the reporting period.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

		Group	
	2018	**31 December 2017**	**1 January 2017**
	US$'000	US$'000	US$'000
Not later than one year	40,673	51,455	23,225
Later than one year but not later than five years	131,599	169,133	172,497
Later than five years	–	13,022	44,400
	172,272	233,610	240,122

31. Contingent liabilities

The Group had been working on the cancellation of, and had on, 8 March 2017, received a Notice of Rescission from the ship builder, for a ship building contract of a self-propelled self-elevating lift boat committed under a shipbuilding agreement entered in the financial year ended 2014 which was expected to be delivered in first half of the financial year ended 2017. As at 31 December 2016, the Group had written off US$5,340,000 relating to deposit and capitalisation of interest cost.

Based on the Notice of Rescission, the Group continues to be potentially liable for the deficiency if the shipbuilder incurs a loss on the sale of the vessel to another party. Negotiation with the shipbuilder is on-going and the final settlement amount cannot be reliably quantified at this juncture.

32. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Quoted prices in active markets for identical instruments (Level 1) US$'000	**Significant other observable inputs** (Level 2) US$'000	**Significant unobservable inputs** (Level 3) US$'000	**Total** US$'000
Group				
2018				
Financial liabilities				
Derivative financial instruments (Note 28)				
– Interest rate swap	–	614	–	614
	–	614	–	614

There have been no transfers between fair value measurement levels during the financial years ended 31 December 2018, 31 December 2017 and 1 January 2017.

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For the financial year ended 31 December 2018

32. Fair value of assets and liabilities (cont'd)

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy.

Derivatives (Note 28)

Derivatives are carried at level 2 of the fair value hierarchy and are valued using valuation techniques with market observable inputs. The most frequent applied valuation techniques include swap models, using present value calculation. The models incorporate various inputs including credit quality of counterparties and interest rate curves.

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and and bank balances (Note 20), Bank deposits pledge (Note 20), Loans and borrowings (Note 21), Trade and other receivables (Note 19) and Trade and other payables (Note 23).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature or the interest on the loans approximate the prevailing market interest rate

33. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Executive Director. The audit committee provides independent oversight on the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 365 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the value of the collateral supporting the obligation

– Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

The Group also determines that there is a significant increase in credit risk if a debtor is more than 180 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the borrower or the debtor

– A breach of contract, such as a default or past due event

– It is probable that the debtor will enter bankruptcy or other financial reorganisation

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

(i) Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of oil prices.

Summarised below is the information about the credit risk exposure on the Group's trade receivables (excluding unbilled trade receivables) using provision matrix.

	Total	**Current**	**< 90 days**	**90 to 150 days**	**> 150 days**
	US$'000	US$'000	US$'000	US$'000	US$'000
2018					
Gross carrying amount	6,343	2,574	1,875	162	1,732
Loss allowance provision	(1,365)	–	–	–	(1,365)

In addition to the provision matrix, the Group also provide for expected credit loss for trade receivables due from debtors that were in significant financial difficulties and had defaulted on payments. The loss allowance provision for trade receivables as at 31 December 2018 reconciles to the opening loss allowance as follows:

	Group
	2018
	US$'000
At 1 January	
Loss allowance measure at:	2,944
Lifetime ECL	
- Based on provision matrix	154
Written off during the year	(1,733)
At 31 December	1,365

Information regarding loss allowance movement of trade receivables are disclosed in Note 19.

(ii) Amounts due from related parties at amortised cost

The Group computes expected credit loss for non-trade amounts and loans due from related companies using the probability of default approach. In determining this ECL, the Group considers event such as significant adverse changes in financial conditions and changes in the operating results of the related companies and determined that significant increase in credit risk occur when there are changes in the risk that the specific related company will default on the payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

(ii) Amounts due from related parties at amortised cost (cont'd)

A summary of the Group's internal grading category in the computation of the Group's expected credit loss model for the amount due from related companies excluding trade related is as follows:

Category	Definition of category	Basis for recognition of expected credit loss provision	Basis for calculating interest revenue
Grade I	Related companies have a low risk of default and ability to meet contractual cash flows.	12-month expected credit losses	Gross carrying amount
Grade II	Loans for which there is a significant increase in credit risk.	Lifetime expected credit losses	Gross carrying amount
Grade III	Interest and/or principal repayments are 365 days past due and management assessed that there is no reasonable expectation of recovery	Lifetime expected credit losses	Amortised cost of carrying amount (net of credit allowance)

The Group provides for lifetime expected credit loss for amount due from related companies using the probability of default approach. In determining ECL, the Group considers events such as significant adverse changes in financial conditions and determined that significant increase in credit risk occur when there is changes in the risk that the specific debtors will default on the payments. Based on the Group's assessment, the amount of the allowance on these balances is insignificant.

Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

(ii) Amounts due from related parties at amortised cost (cont'd)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables is as follows:

	2018		31 December 2017		1 January 2017	
	US$'000	% of total	US$'000	% of total	US$'000	% of total
By country:						
United Arab Emirates	3,485	64	5,162	43	5,983	63
Other GCC countries	1,419	26	6,021	51	914	10
China	237	5	327	3	–	–
Singapore	211	4	378	3	764	8
South Korea	–	–	–	–	19	–
India	–	–	–	–	1,000	10
Other countries	74	1	–	–	858	9
	5,426	100	11,888	100	9,538	100

At the end of the reporting period, approximately 76% (31 December 2017: 82%, 1 January 2017: 66%) of the Group's trade receivables were due from 5 major customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with various banks. In addition, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. At the end of the reporting period, approximately 25% (31 December 2017: 26%, 1 January 2017: 47%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Note	One year or less	One to five years	Over five years	Total
		US$'000	US$'000	US$'000	US$'000
Group					
2018					
Financial assets					
Trade and other receivables	19	15,110	–	–	15,110
Cash and bank balances	20	4,935	–	–	4,935
Bank deposits pledged	20	250	–	–	250
Total undiscounted financial assets		20,295	–	–	20,295
Financial liabilities					
Trade and other payables	23	17,246	7,332	–	24,578
Accrued operating expenses	24	8,640	–	–	8,640
Loans and borrowings		26,119	77,791	12,122	116,032
Total undiscounted financial liabilities		52,005	85,123	12,122	149,250
Total net undiscounted financial liabilities		31,710	85,123	12,122	128,955
31 December 2017					
Financial assets					
Trade and other receivables	19	16,329	–	–	16,329
Cash and bank balances	20	697	–	–	697
Bank deposits pledged	20	235	–	–	235
Total undiscounted financial assets		17,261	–	–	17,261
Financial liabilities					
Trade and other payables	23	14,672	7,778	–	22,450
Accrued operating expenses	24	5,197	–	–	5,197
Loans and borrowings		20,885	63,364	4,351	88,600
Total undiscounted financial liabilities		40,754	71,142	4,351	116,247
Total net undiscounted financial liabilities		23,493	71,142	4,351	98,986
1 January 2017					
Financial assets					
Trade and other receivables	19	10,887	–	–	10,887
Cash and bank balances	20	1,536	–	–	1,536
Bank deposits pledged	20	100	–	–	100
Total undiscounted financial assets		12,523	–	–	12,523
Financial liabilities					
Trade and other payables	23	14,782	–	–	14,782
Accrued operating expenses	24	3,394	–	–	3,394
Loans and borrowings		37,272	47,461	–	84,733
Total undiscounted financial liabilities		55,448	47,461	–	102,909
Total net undiscounted financial liabilities		42,925	47,461	–	90,386

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For the financial year ended 31 December 2018

33. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	Note	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Company					
2018					
Financial assets					
Trade and other receivables	19	10,453	45,956	–	56,409
Cash and bank balances	20	1,805	–	–	1,805
Bank deposits pledged	20	235	–	–	235
Total undiscounted financial assets		12,493	45,956	–	58,449
Financial liabilities					
Trade and other payables	23	281	7,332	–	7,613
Accrued operating expenses	24	1,079	–	–	1,079
Loans and borrowings		9,630	31,994	–	41,624
Total undiscounted financial liabilities		10,990	39,326	–	50,316
Total net undiscounted financial assets		1,503	6,630	–	8,133
31 December 2017					
Financial assets					
Trade and other receivables	19	72,507	–	–	72,507
Cash and bank balances	20	163	–	–	163
Bank deposits pledged	20	235	–	–	235
Total undiscounted financial assets		72,905	–	–	72,905
Financial liabilities					
Trade and other payables	23	237	7,778	–	8,015
Accrued operating expenses	24	1,434	–	–	1,434
Loans and borrowings		9,964	54,411	4,351	68,726
Total undiscounted financial liabilities		11,635	62,189	4,351	78,175
Total net undiscounted financial assets/ (liabilities)		61,270	(62,189)	(4,351)	(5,270)
1 January 2017					
Financial assets					
Trade and other receivables	19	72,526	–	–	72,526
Cash and bank balances	20	197	–	–	197
Bank deposits pledged	20	8	–	–	8
Total undiscounted financial assets		72,731	–	–	72,731
Financial liabilities					
Trade and other payables	23	2,414	–	–	2,414
Accrued operating expenses	24	730	–	–	730
Loans and borrowings		33,788	35,036	–	68,824
Total undiscounted financial liabilities		36,932	35,036	–	71,968
Total net undiscounted financial assets/ (liabilities)		35,799	(35,036)	–	763

33. Financial risk management objectives and policies (cont'd)

(c) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, which are all at floating rates.

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting period, if LIBOR interest rates had been 50 (2017: 50) basis points lower/higher with all other variables held constant, the Group's loss before tax (2017: loss before tax) would have been US$370,000 lower/higher (2017: US$287,000 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

34. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

The Group is in compliance with the capital requirements imposed by the bankers in respect of the banking facilities granted for the financial years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and bank balances. Capital refers to equity attributable to owners of the Company.

		Group	
	Note	**2018**	**2017**
		US$'000	US$'000
Trade and other payables	23	24,578	22,004
Other liabilities	24	9,331	5,483
Loans and borrowings	21	83,035	74,876
Less: Cash and bank balances	20	(5,185)	(932)
Net debt		111,759	101,431
Equity attributable to owners of the Company		84,271	75,595
Capital and net debt		196,030	177,026
Gearing ratio		57%	57%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. Segment information

For management purposes, the Group is organised into business units based on services provided, and has two reportable operating segments as follows:

Marine logistics services

The marine logistics services segment provides vessel chartering and chandlery services to external customers.

Ship repair, fabrication and other marine services

The ship repair, fabrication and other marine services segment provides repairs and maintenance of marine equipment, engines, heavy machines and related marine services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) are managed on a group basis and are allocation to operating segments where appropriate.

The chief operating decision maker reviews the results of the segment using segment gross profit. Segment assets, liabilities and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. Segment information (cont'd)

	Marine logistics services		Ship repair, fabrication and other marine services		Adjustments/ Eliminations		Note	Per consolidated financial statements	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**		**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000		US$'000	US$'000
Revenue									
External customers	57,823	32,399	978	1,475	–	–		58,801	33,874
Results:									
Segment gross profit	14,646	2,274	702	997	–	–		15,348	3,271
Finance income	1	–	–	–	4	2	A	5	2
Other income	319	55	–	–	–	–		319	55
Share of results of a joint venture	–	–	–	–	631	77	B	631	77
Marketing and distribution expenses	(735)	(236)	–	–	–	–		(735)	(236)
Administrative expenses	(4,552)	(4,929)	(561)	(1,031)	(559)	(358)	C	(5,672)	(6,318)
Loss on fair value changes in derivatives	(614)	–	–	–	–	–		(614)	–
Other expenses	(16,857)	(730)	–	–	–	–	D	(16,857)	(730)
Finance costs	(7,699)	(8,522)	–	–	–	–		(7,699)	(8,522)
Segment loss before tax	(15,491)	(12,088)	141	(34)	76	(279)	E	(15,274)	(12,401)
Income tax expense	(1,642)	(755)	–	–	–	–		(1,642)	(755)
Loss for the year	(17,133)	(12,843)	141	(34)	76	(279)		(16,916)	(13,156)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. Segment information (cont'd)

Notes	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements
A	The adjustment pertains to unallocated interest income.
B	The adjustment pertains to share of results of a joint venture held by the Company and Group respectively.
C	The adjustment pertains to unallocated corporate expenses.
D	The adjustment pertains to impairment loss on property, vessels and equipment and provision for an arbitration case.
E	The following items are deducted from segment loss to arrive at "loss before tax" presented in the consolidated statement of comprehensive income:

	Group	
	2018	**2017**
	US$'000	US$'000
Share of result of the joint venture	631	77
Unallocated corporate expenses	(559)	(281)
Unallocated interest income	4	2
	76	(279)

Geographical information

Revenue information based on the geographical location of customers and assets respectively are as follows:

	Group	
	2018	**2017**
	US$'000	US$'000
United Arab Emirates	11,448	12,126
South Korea	–	43
Singapore	945	702
Other GCC countries	44,793	20,684
China	34	77
Others	1,581	242
	58,801	33,874

Other GCC countries include Kingdom of Saudi Arabia, Sultanate of Oman, Kingdom of Bahrain and Qatar.

The Group's non-current assets are located in the UAE.

Information about major customers

Revenue from two major customers amounted to approximately US$48,963,000 (2017: US$22,342,000), from the vessel chartering segment. Revenue from two major customers amounted to approximately US$589,000 (2017: US$895,000), from the ship repair, fabrication and other marine services segment.

36. Events occurring after the reporting period

(a) The Group has procured amendments to the repayment terms of a short term loan facility from one of its principal bankers in March 2019. With the extension and term-out granted, the principal repayment of the existing loans from this facility shall be repaid in 12 equal month instalments commencing from end August 2019, and any new loans disbursed shall take place six months starting from the date of such disbursements and shall be repaid in 12 equal monthly instalments. In addition, the principal banker had also in March 2019 deferred the cash reserve build-up requirement with respect to the respective debt service ratio clause in two of its other loans disbursed to the Group starting from end August 2019 and end September 2019 respectively.

(b) The Group had procured a short-term shareholder advance of US$1.5 million in March 2019 and is in discussions with financial institutions for the funding of working capital and other requirements mainly due to its expanded operations of an enlarged fleet as well as the re-activation costs and other front-end operating expenses incurred as a result of various vessels being progressively deployed following the securing of charter-hire contracts.

(c) The Group has sold its one of its two remaining deck cargo barges AOS 104 which is not subject to encumbrances in March 2019 which is more than 11 years old and for US$0.5 million. The Group is exploring options on the other vessels which are not subject to encumbrances for the funding of working capital and other requirements.

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 8 April 2019.

STATISTICS OF SHAREHOLDINGS

As at 26 March 2019

NO. OF ISSUED SHARES (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS)	:	**523,512,144**
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS)	:	ONE VOTE PER ORDINARY SHARE

The Company does not have any treasury shares and subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	–	–	–	–
100 - 1,000	86	28.57	49,777	0.01
1,001 - 10,000	81	26.91	342,499	0.06
10,001 - 1,000,000	124	41.20	18,315,100	3.50
1,000,001 and above	10	3.32	504,804,768	96.43
Total	**301**	**100.00**	**523,512,144**	**100.00**

SUBSTANTIAL SHAREHOLDERS' INFORMATION

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	**%**	**No. of Shares**	**%**
Saeed Investment Pte. Ltd.[(1)]	–	–	262,918,394	50.22
Kum Soh Har, Michael [(2)]	–	–	262,918,394	50.22
Ong Bee Yong, Lynda [(2)]	–	–	262,918,394	50.22
Wong Siew Cheong [(3)]	173,099,000	33.06	33,375,000	6.38
Chong Mee Chin [(3)]	33,375,000	6.38	–	–

Notes:

(1) On 11 December 2018, the Company issued 262,918,394 Subscription Shares to Saeed Investment Pte. Ltd., pursuant to the terms and conditions of the Subscription Agreement, with the shares being held at HSBC (Singapore) Nominees Pte Ltd.

(2) Mr Kum Soh Har, Michael and Madam Ong Bee Yong, Lynda are deemed interested in 262,918,394 shares in the capital of the Company which are held by Saeed Investment Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

(3) Mr Wong Siew Cheong is deemed to be interested in 33,375,000 shares in the capital of the Company which are held by his spouse, Madam Chong Mee Chin.

STATISTICS OF SHAREHOLDINGS

As at 26 March 2019

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	HSBC (SINGAPORE) NOMINEES PTE LTD	262,918,394	50.22
2.	WONG SIEW CHEONG	173,099,000	33.06
3.	CHONG MEE CHIN	33,375,000	6.38
4.	UOB KAY HIAN PRIVATE LIMITED	10,974,000	2.10
5.	WONG SIEW CHONG	10,000,000	1.91
6.	MOHAMMAD REZA SADEGHI	6,750,000	1.29
7.	THONG KWOK KHEONG	3,300,000	0.63
8.	WONG SEK PUN	1,699,000	0.32
9.	SOH SAI KIANG	1,484,374	0.28
10.	YAO HSIAO TUNG	1,205,000	0.23
11.	DB NOMINEES (SINGAPORE) PTE LTD	815,000	0.16
12.	TAN AH LYE	815,000	0.16
13.	TAL CAPITAL PTE LTD	785,000	0.15
14.	TAN BAN SER	785,000	0.15
15.	YAP HOON HONG	784,000	0.15
16.	CHONG SER PHENG	780,000	0.15
17.	ANG HOCK CHWEI	758,000	0.14
18.	CHAI HWEE HOON DOREEN	734,000	0.14
19.	NEO KOK CHING	634,000	0.12
20.	OCBC SECURITIES PRIVATE LIMITED	534,700	0.10
	TOTAL	**512,229,468**	**97.84**

RULE 723 OF THE CATALIST RULES – FREE FLOAT

Based on information available and to the best knowledge of the Company, as at 26 March 2019, approximately 8.43% of the ordinary shares (excluding treasury shares and subsidiary holdings) of the Company are held by the public. The Company is therefore currently not in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**").

As announced on 21 December 2018, the trading of the Company's shares was suspended due to the free-float of shares (i.e. shares held by public shareholders) being below the compliance level of 10%. The Company is currently evaluating on measures to rectify this technical breach shortly in due course.

The Company had on 12 February 2019, through its Sponsor, sought the approval of the SGX-ST for an extension of time of one (1) month until 10 April 2019 (the "**Extension**") pursuant to Rule 724(2) of the Catalist Rules, to raise the public float to at least 10%, in order to meet the requirements of Rule 723 of the Catalist Rules. The SGX-ST had since on 26 February 2019 informed that, based on the information provided, the SGX-ST has no objection to granting the Extension for the Company to restore its public float as required under Rules 723 and 724(2) of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Atlantic Navigation Holdings (Singapore) Limited (the "**Company**") will be held at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 on Friday, 26 April 2019 at 10:30 a.m. for the following purposes:-

ORDINARY BUSINESSES

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Kum Soh Har, Michael as a Director of the Company, who is retiring in accordance with Regulation 88 of the Company's Constitution.
[See Explanatory Note (i)] **(Resolution 2)**

3. To re-elect Mr Sam Chee Leong as a Director of the Company, who is retiring in accordance with Regulation 88 of the Company's Constitution.
[See Explanatory Note (ii)] **(Resolution 3)**

4. To re-elect Mr Gwee Lian Kheng as a Director of the Company, who is retiring in accordance with Regulation 88 of the Company's Constitution.
[See Explanatory Note (iii)] **(Resolution 4)**

5. To re-elect Mr Wong Siew Cheong as a Director of the Company, who is retiring pursuant to Rule 720(4) of the Catalist Rules.
[See Explanatory Note (iv)] **(Resolution 5)**

6. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESSES

To consider and, if thought fit, to pass the following resolutions, with or without amendments as ordinary resolutions:-

8. To approve the payment of Directors' fees of S$144,000 for the year ended 31 December 2018. (2017: S$138,900)
[See Explanatory Note (v)] **(Resolution 7)**

9. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Act") and Rule 806 of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual - Section B: Rules of Catalist (the "Catalist Rules")**

"THAT pursuant to Section 161 of the Act and Rule 806 of the Catalist Rules, the Directors of the Company be authorised and empowered to:-

I (i) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that may or would require shares to be issued, including but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures, convertible securities or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

II (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided always that:-

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution), shall not exceed 100% of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of the total issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) (where applicable) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Constitution for the time being of the Company;

(d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (vi)] **(Resolution 8)**

10. **Authority to issue shares under the Atlantic 2015 Employees Share Option Scheme**

"THAT pursuant to Section 161 of the Act, the Directors of the Company be authorised and empowered to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Atlantic 2015 Employees Share Option Scheme (the "**Atlantic 2015 ESOS**"), whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Atlantic 2015 ESOS, Atlantic 2015 PSP (as defined herein) and Atlantic 2015 RSP (as defined herein) shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (vii)] **(Resolution 9)**

NOTICE OF ANNUAL GENERAL MEETING

11. **Authority to issue shares under the Atlantic 2015 Performance Share Plan**

"THAT pursuant to Section 161 of the Act, the Directors of the Company be authorised and empowered to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Atlantic 2015 Performance Share Plan (the "**Atlantic 2015 PSP**"), whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Atlantic 2015 PSP, Atlantic 2015 ESOS and Atlantic 2015 RSP (as defined herein) shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."
[See Explanatory Note (viii)] **(Resolution 10)**

12. **Authority to issue shares under the Atlantic 2015 Restricted Share Plan**

"THAT pursuant to Section 161 of the Act, the Directors of the Company be authorised and empowered to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Atlantic 2015 Restricted Share Plan (the "**Atlantic 2015 RSP**"), whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Atlantic 2015 RSP, Atlantic 2015 ESOS and Atlantic 2015 PSP shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."
[See Explanatory Note (ix)] **(Resolution 11)**

BY ORDER OF THE BOARD

CHEW KOK LIANG
Company Secretary

Singapore, 11 April 2019

Explanatory Notes:-

(i) Mr Kum Soh Har, Michael, if re-elected as a Director of the Company, will remain as the Non-Executive Non-Independent Chairman of the Company, a member of the Audit Committee and the Remuneration Committee, and will be considered non-independent. Please refer to Corporate Governance Report on page 27 to page 33 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

(ii) Mr Sam Chee Leong, if re-elected as a Director of the Company, will remain as an Independent Director of the Company, a member of the Audit Committee and the Nominating Committee, and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules. Please refer to Corporate Governance Report on page 27 to page 33 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

(iii) Mr Gwee Lian Kheng, if re-elected as a Director of the Company, will remain as the Lead Independent Director of the Company, the Chairman of the Audit Committee and the Nominating Committee, and a member of the Remuneration Committee, and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules. Please refer to Corporate Governance Report on page 27 to page 33 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

(iv) Mr Wong Siew Cheong, if re-elected as a Director of the Company, will remain as an Executive Director and Chief Executive Officer of the Company. Please refer to Corporate Governance Report on page 27 to page 33 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

(v) Pursuant to the Constitution of the Company, Directors' fees have to be approved by shareholders in a general meeting under Special Business.

NOTICE OF ANNUAL GENERAL MEETING

(vi) The ordinary resolution 8 set out in item 9 above, if passed, will empower the Directors of the Company from the date this resolution is passed until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company.

(vii) The ordinary resolution 9 set out in item 10 above, if passed, will empower the Directors of the Company, from the date this resolution is passed until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Atlantic 2015 ESOS provided that the aggregate additional shares to be issued pursuant to the Atlantic 2015 ESOS, Atlantic 2015 PSP and Atlantic 2015 RSP do not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(viii) The ordinary resolution 10 set out in item 11 above, if passed, will empower the Directors of the Company, from the date this resolution is passed until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Atlantic 2015 PSP provided that the aggregate additional shares to be issued pursuant to the Atlantic 2015 ESOS, Atlantic 2015 PSP and Atlantic 2015 RSP do not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(ix) The ordinary resolution 11 set out in item 12 above, if passed, will empower the Directors of the Company, from the date this resolution is passed until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Atlantic 2015 RSP provided that the aggregate additional shares to be issued pursuant to the Atlantic 2015 ESOS, Atlantic 2015 PSP and Atlantic 2015 RSP do not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:-

1. A member (other than a Relevant Intermediary*) entitled to attend and vote at meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies, failing which the nomination shall be alternative.

2. A member, who is a Relevant Intermediary entitled to attend the meeting and vote, is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

3. If a proxy is to be appointed, the instrument appointing the proxy must be deposited at Atlantic Navigation Holdings (Singapore) Limited, c/o RHT Corporate Advisory Pte. Ltd., 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

4. In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

5. If the member is a corporation, the instrument appointing the proxy must be under its common seal or under the hand of an officer or attorney duly authorised in writing.

6. In the case of joint shareholders, all holders must sign the form of proxy.

PERSONAL DATA PRIVACY

"**Personal data**" in this Notice of Annual General Meeting has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("**PDPA**"), which includes a member's name and his/her proxy's and/or representative's name, address and NRIC/Passport number. Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. A member's personal data and his/her proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this notice.*

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice.

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

ATLANTIC NAVIGATION HOLDINGS (SINGAPORE) LIMITED
(Company Registration No. 200411055E)
(Incorporated In the Republic of Singapore)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

I/We, ______________________ (Name) ______________ (NRIC/Passport No./Company Registration No.)

of ____ (Address)

being a member/members of Atlantic Navigation Holdings (Singapore) Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them*, the Chairman of the meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting of the Company (the "**Meeting**") to be held at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 on Friday, 26 April 2019 at 10:30 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her discretion.

(If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against
	Ordinary Businesses		
1	Adoption of the Directors' Statement and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 together with the Auditors' Report thereon		
2	Re-election of Mr Kum Soh Har, Michael as a Director of the Company		
3	Re-election of Mr Sam Chee Leong as a Director of the Company		
4	Re-election of Mr Gwee Lian Kheng as a Director of the Company		
5	Re-election of Mr Wong Siew Cheong as a Director of the Company		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company		
	Special Businesses		
7	Approval of Directors' fees amounting to S$144,000 for the financial year ended 31 December 2018 (2017: S$138,900)		
8	Authority to issue and allot new shares		
9	Authority to issue shares under the Atlantic 2015 Employees Share Option Scheme		
10	Authority to issue shares under the Atlantic 2015 Performance Share Plan		
11	Authority to issue shares under the Atlantic 2015 Restricted Share Plan		

Dated this ________ day of ____________ 2019

Total number of shares held

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

1. A member should insert the total number of ordinary shares held by him/her. If the member has ordinary shares entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he/she should insert that number. If the member has ordinary shares registered in his/her name in the Register of Members, he/she should insert that number. If the member has ordinary shares entered against his/her name in the Depository Register and ordinary shares registered in his/her name in the Register of Members, he/she should insert the aggregate number. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the ordinary shares held by the member.

2. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary) appoints two (2) proxies, the member shall specify the proportion of his/her shares to be represented by each proxy, failing which the nomination shall be alternative.

4. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at Atlantic Navigation Holdings (Singapore) Limited, c/o RHT Corporate Advisory Pte. Ltd., 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2019.

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* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kum Soh Har, Michael
Non-Executive Non-Independent Chairman

Wong Siew Cheong, Bill
Executive Director and CEO

Gwee Lian Kheng
Lead Independent Director

Wong Chee Meng, Lawrence
Independent Director

Sam Chee Leong
Independent Director

COMPANY SECRETARY

Chew Kok Liang

REGISTERED OFFICE

6 Battery Road #10-01
Singapore 049909
Tel: +65 6381 6868
Fax +65 6381 6869

BUSINESS OFFICE AND PRINCIPAL PLACE OF BUSINESS

Atlantic Maritime Group FZE
Plot No. HD-02
P.O. Box 50246
Hamriyah Free Zone
Sharjah
United Arab Emirates
Tel: +971 6 5263577
Fax: +971 6 5260292

Atlantic Ship Management LLC
P.O. Box 37288 Abu Dhabi
Unit 205, Al Salam Street
Al Salam HQ Building
Abu Dhabi
United Arab Emirates
Tel: +971 2 4453838
Fax: +971 2 4453837

AUDIT COMMITTEE

Gwee Lian Kheng *(Chairman)*
Wong Chee Meng, Lawrence
Sam Chee Leong
Kum Soh Har, Michael

NOMINATING COMMITTEE

Gwee Lian Kheng (*Chairman)*
Wong Chee Meng, Lawrence
Sam Chee Leong

RENUMERATION COMMITTEE

Wong Chee Meng, Lawrence *(Chairman)*
Gwee Lian Kheng
Kum Soh Har, Michael

ATLANTIC EMPLOYEE NEW SHARE SCHEME COMMITTEE

Wong Chee Meng, Lawrence *(Chairman)*
Gwee Lian Kheng
Kum Soh Har, Michael

KEY EXECUTIVES

Stoyan Radev Ialamov
Chief Operating Officer

Hsu Chong Pin
Chief Financial Officer

Mohammad Reza Sadeghi
Project Director

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-Charge: Wong Yew Chung
(Date of Appointment: Since financial year ended 31 December 2018)

PRINCIPAL BANKERS

Malayan Banking Berhad
National Bank Of Fujairah PJSC
United Overseas Bank Limited

SPONSOR

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

Atlantic Navigation
Holdings (Singapore) Limited

Atlantic Navigation
Holdings (Singapore) Limited

Unique Entity Number (UEN): 200411055E

6 Battery Road #10-01
Singapore 049909
Tel: +65 6381 6868
Fax +65 6381 6869