BOREALIS FINANCE LLC AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019

BOREALIS FINANCE LLC AND SUBSIDIARIES

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BOREALIS FINANCE LLC AND SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

BUSINESS OVERVIEW AND CORPORATE DEVELOPMENT

Borealis Finance LLC ("the Company") was incorporated on 2 November 2017 in the Republic of the Marshall Islands as a limited liability company under the provisions of the Limited Liability Company Act 1996. The registered office is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960.

The Company, through its subsidiaries ("the Group"), is engaged in ship owning and operating activities. The Group's fleet consists of:

Vessel type	*~3,500 TEUs and above*	*~2,800 TEUs*	*~2,500 TEUs*	*~2,000 TEUs and below*	*~75,000 dwt*	***Total***
Containers	10	8	6	1	-	**25**
Bulkers	-	-	-	-	3	**3**

[~ Approximate]

At 30 June 2019, the Group had a fleet of 25 container (30 June 2018: 23) and 3 bulker vessels (30 June 2018: 4).

The Group's vessels are employed on a time charter basis, or traded in a pool arrangement, with well-known charterers; crew and technical management are performed by reputable managers.

FLEET DEVELOPMENT

During the current period, the Group disposed of 1 vessel and acquired 1 vessel on 26 June 2019.

The Group has entered into a Memorandum of Agreement to dispose 1 container vessel, MV Strauss, which was delivered to the buyers on 2 August 2019.

In addition, the Group has entered into a Memorandum of Agreement to acquire 1 container vessel, with delivery expected in September 2019.

The Group has entered into a Memorandum of Agreement to dispose 1 container vessel, MV Verdi, which was delivered to the buyers on 7 August 2019.

The fleet list is disclosed in note 1 of the interim condensed consolidated financial statements.

BOREALIS FINANCE LLC AND SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW (CONTINUED)
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

FINANCIAL PERFORMANCE

Gross revenues during Q2 2019 consisted of time charter and pool income which amounted to US$22.1m (Q1 2019: US$20.0m and H1 2018: US$39.2m). The profit from vessel operations in the same period was US$2.3m (Q1 2019: US$0.7m loss and H1 2018: US$5.2m).

The off-hire and idle days are shown in the table below:

	Q2 2019	H1 2019	Q2 2018	H1 2018
Available days in the period[1]	**2,548**	5,068	2,370	4,450
Offhire days due to DD[2] and SS[3]	**33**	46	12	28
Offhire days - technical	**17**	33	13	16
Pre-trading offhire days	**4**	4	22	32
Idle days	**99**	545	16	67

The Group's loss before tax is US$2.9m (Q1 2019: US$5.3m and H1 2018: US$3.7m) and is attributable to the number of vessel idle days in the quarter and the loss incurred on the disposal of the container vessel in the reporting period.

FINANCIAL POSITION

The Group's total assets amounted to US$329.6m at the reporting date (31 December 2018: US$335.3m); consisting mainly of non-current assets of US$289.3m (31 December 2018: US$300.9m) being the vessels owned and operated by the Group.

At the period end, the total equity of the Group was US$121.6m (31 December 2018: US$129.7m) and it had interest-bearing debt liabilities, net of borrowing costs, in the amount of US$196.0m (31 December 2018: US$195.5m).

CASH FLOW

For the current three month period, the Group generated positive net cash flows from its operating activities of US$6.0m (Q1 2019: US$3.5m and H1 2018: US$9.3m). The cash flow used in investing activities was US$2.9m (Q1 2019: US$1.2m and H1 2018: US$55.7m). The net cash flow used in financing activities was US$7.5m (Q1 2019: US$nil and H1 2018: US$50.2m from financing activities).

The cash and cash equivalents as at 30 June 2019 were US$21.2m (31 December 2018: US$23.3m).

[1] Available days in the quarter consist of total days in employment, offhire days and idle days.
[2] DD stands for dry-docking.
[3] SS means special survey.

BOREALIS FINANCE LLC AND SUBSIDIARIES

MARKET OVERVIEW
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

CONTAINERSHIP MARKET

The recovery in vessel utilisation materialised across the second quarter of 2019 with almost all vessels inside the Borealis Finance fleet employed on charter at all times. The key driver lay in robust pent-up demand from liner companies on the back of a very subdued Chinese New Year trading activity. Second quarter charter rates, although staying firmly above operating expenses, remained muted though improving chartering activity occurred towards the back-end of the quarter, in particular in the classic Panamax segments (4-5000 TEU). Neo-Panamax container vessels, defined as vessels with a TEU capacity in excess of 8,000 TEU, benefited from a more buoyant charter rate environment across the large and ultra large containerships due to constructive volumes simultaneously with increasing scrubber installations on large vessels. Clarksons Research remains constructive on industry fundamentals and estimates full year 2019 global container seaborne trade growth at 2.7% year-on-year in billion TEU miles (3.1% in TEU million) while capacity growth is expected at 1.9% for the same period (figure includes containership capacity currently estimated by Clarksons Research to be absorbed by scrubber retrofitting). As Transpacific volume growth remains limited due to the ongoing trade war between the U.S. and China, the main catalysts underpinning increased box volumes for the year continue to be the intra-regional routes and, albeit decelerating, non-mainline East West and North South trade, most relevant for our feeder containerships, with an estimated growth of 4.6% and 3.8% respectively in 2019, according to Clarksons Research.

Total containership deliveries for H1 2019 were reported at 507,800 TEU of which only 92,000 TEU were below 6,000 TEU. Containership demolition in H1 2019 reached c.119,000 TEU and almost totalled the capacity recycled in the full year 2018. Reasons for an increased scrapping in 2019 were mainly driven by higher realised scrap prices, low utilization and a disappointing charter market. As of June 2019, the orderbook for the <6,000 TEU fleet was equivalent to 6% of the total fleet on the water with just over 50% of this orderbook being on the account of liner operators, who are mostly replacing older owned tonnage. The deliveries in the <6,000 TEU sector are expected to slow in the coming months, resulting in an expected fleet growth of only 1.5% in 2019, according to Clarksons Research.

In June 2019, the guideline 6-12-month timecharter rate for a 2,750 TEU gearless containership reported at US$9,150/day, 6% up versus the previous quarter and a decrease of 24% compared to June 2018, according to Clarksons Research. Activity in Q2 2019 overall improved quarter on quarter and according to Alphaliner, the idle ratio of the global containership fleet stood at 1.6% as of end June 2019 (vs 2.1% March 2019, 2.5% in December 2018 and 1.8% in September 2018). Remaining tonnage in spot positions in the 4,000-5,099 TEU sizes reduced from 40 vessels in mid-March 2019 to under 16 vessels at the end of June 2019, according to Alphaliner. The current high utilisation of the larger vessels above 6,000 TEU should lead to further improvements in the supply and demand balance for the classic Panamax segment and below with higher charter rates normally expected to materialise in the coming weeks.

Clarksons Research reported vessel sales in H1 2019 of 254,099 TEU of which the <6,000 TEU segment accounted for 51% of total. By the end of June 2019, the guideline price for a 10-year old 2,750 TEU vessel stood at US$11.5m, down from US$13.5m at end of 2018, according to Clarksons Research.

In summary, the second quarter provided a recovery in utilisation levels accompanied by strengthening charter rates in particular across the larger feeder segments. That said, asset valuations took a step down from comparable levels in 2018. We believe that the segment will continue to present attractive investment segment arbitrage opportunities over the next few months, and the recent pull-back in asset prices represents attractive discounts to age-adjusted replacement costs. As an illustration, we believe current 10-year old 4,250 TEU vessel prices are implying approximately a 50-60% discount[4] to age-adjusted replacement cost ("AARC"), while the equivalent discount for 10-year old 2,500 TEU is 35-45%. At the same time, at current steel prices of $400/t, the scrap value of a 4,250 TEU vessel is 52% higher than that of a 2,500 TEU vessel. Therefore, the current market conditions support Borealis Finance' recent fleet optimisation strategy of selling older, smaller feeder containership tonnage while purchasing younger, larger Panamax containership tonnage.

[4] Asset values as at end Q2 2019, Clarksons SIN

BOREALIS FINANCE LLC AND SUBSIDIARIES

MARKET OVERVIEW (CONTINUED)
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

DRYBULK MARKET

Following weak conditions in Q1 2019 due to iron ore trade growth revisions on the back of the Vale dam disaster and further exacerbated by unfavourable seasonality patterns, the dry bulk market recovered strongly in the second quarter of the year. The key drivers identified were a return of iron ore shipments coming out of Brazil, vessel shortages in the Atlantic basin and temporary supply tightness due to increasing scrubber retrofitting activity. The larger dry bulker segments, amongst them Panamaxes, were the main beneficiaries of these factors.

Demand for seaborne dry bulk trade is expected to grow steadily in 2019 by around 1.1% in million tonnes, according to Clarksons Research, split between major bulk (0.9%) and minor bulk (3.5%) trades. In terms of tonne-miles, annual growth is projected to expand by 1.1% in 2019 and 3.4% in 2020 as of July 2019.

On the supply side, according to Clarksons Research, bulkcarrier fleet growth has maintained a moderate pace in 2018 at around 2.8% in deadweight terms and is projected to continue at muted growth levels of 2.7% in 2019, thus pointing to stable conditions in this segment over the medium term. Active supply growth for 2019 however could be limited even more at 2.0% from the impact of the forthcoming IMO 2020 regulations. As of June 2019, Clarksons Research estimates the Panamax dry bulk orderbook to stand at 11% of the fleet on water in deadweight terms, while the Panamax fleet above 20 years-old accounted for 7% of the Panamax[5] fleet on the water. The >100,000 DWT segment continues to form the majority of bulkcarrier newbuild orders, according to Clarksons Research.

Despite iron ore supply disruptions, the dry bulk charter market remained profitable during the first half of the year 2019. The 1-year time charter rate for a 75,000 dwt Panamax bulker in June 2019 stood comfortably above operating cost levels at US$11,669/day, 9% up quarter on quarter, 9% below December 2018 levels, according to Clarksons Research.

The level of sales and purchase activity during H1 2019 reached c.18.8m DWT, with a reported value of over US$2.0bn, according to Clarksons Research. By the end of June 2019, the guideline price for a 10-year old Panamax vessel was reported at US$14.0m, down from US$15.0m in December 2018, according to Clarksons Research.

Looking ahead into 2020, dry bulk trade is projected to grow by 3.4% on tonne mile terms. With the bulker fleet projected to grow by c.2.6%, there is potential for some further gradual rebalancing next year, according to Clarksons Research. The technical off-hire driven by IMO 2020 regulations is likely to provide additional temporary tightness in vessel availability. Consequently, we expect another overall positive year for drybulk carriers despite a sharp decline in the early part of 2019.

[5] Fleet range: 70,000 to 85,000 DWT, Clarksons SIN

Statement of Officers' Responsibilities

The Officers are responsible for preparing these unaudited interim condensed consolidated financial statements.

The Officers have elected to prepare the unaudited interim condensed consolidated financial statements in accordance with IAS 34, Interim Financial Reporting.

IAS 34 requires that interim condensed consolidated financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires faithful representation of the effect of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all situations, a fair presentation will be achieved by complying with all applicable IFRS. In preparing these financial statements, the Officers are also required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS; and
- prepare the interim condensed consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Officers are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the interim condensed consolidated financial statements comply with IAS 34. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BOREALIS FINANCE LLC AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

	Note	Q2 2019 (unaudited) US$	H1 2019 (unaudited) US$	Q2 2018 (unaudited) US$	H1 2018 (unaudited) US$
Revenues	2(g),4	**22,114,444**	42,122,862	21,755,669	39,242,008
Voyage costs	4	**(1,487,272)**	(3,784,315)	(1,076,410)	(2,020,794)
Vessel operating costs	4	**(14,946,496)**	(29,894,525)	(13,910,725)	(25,772,387)
Depreciation	6	**(3,351,111)**	(6,770,008)	(3,306,299)	(6,273,564)
Profit from vessel operations		**2,329,565**	1,674,014	3,462,235	5,175,263
Administrative expenses	5	**(612,826)**	(1,225,157)	(646,144)	(1,322,921)
Operating profit for the period/year		**1,716,739**	448,857	2,816,091	3,852,342
Finance costs	8	**(4,041,785)**	(8,080,364)	(4,025,533)	(7,643,782)
Interest income		**1,202**	52,502	-	82,561
(Loss)/Gain on disposal of vessel		**(536,287)**	(536,287)	-	-
Foreign exchange (losses)/gains		**(265)**	(307)	3,041	(20,960)
(Loss)/Profit before tax		**(2,860,396)**	(8,115,599)	(1,206,401)	(3,729,839)
Income tax	9	**-**	**-**	-	-
(Loss)/Profit for the period/year		**(2,860,396)**	(8,115,599)	(1,206,401)	(3,729,839)
(Loss)/Profit attributable to:					
Owner of the parent		**(2,889,495)**	(8,176,730)	(1,211,158)	(3,741,935)
Non-controlling interest		**29,099**	61,131	4,757	12,096
		(2,860,396)	(8,115,599)	(1,206,401)	(3,729,839)
(Loss)/Profit and total comprehensive income for the period/year		**(2,860,396)**	(8,115,599)	(1,206,401)	(3,729,839)
Total comprehensive income attributable to:					
Owner of the parent		**(2,889,495)**	(8,176,730)	(1,211,158)	(3,741,935)
Non-controlling interest		**29,099**	61,131	4,757	12,096
		(2,860,396)	(8,115,599)	(1,206,401)	(3,729,839)

The notes on pages 10 to 25 form an integral part of the unaudited interim condensed consolidated financial statements.

BOREALIS FINANCE LLC AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019
(Expressed in US$)

	Note	**At 30 June 2019 (unaudited) US$**	At 31 March 2019 (unaudited) US$	At 31 December 2018 (audited) US$
Non-current assets				
Vessels in operation	6(a)	**289,251,669**	298,790,065	300,918,957
		289,251,669	298,790,065	300,918,957
Current assets				
Inventories		**2,912,967**	2,717,786	2,545,196
Trade and other receivables		**8,417,617**	8,114,912	8,484,257
Cash and cash equivalents	7	**21,207,839**	25,568,512	23,308,617
		32,538,423	36,401,210	34,338,070
Non-current asset held for sale	6(b)	**7,795,310**	-	-
		40,333,733	36,401,210	34,338,070
TOTAL ASSETS		**329,585,402**	335,191,275	335,257,027
Non-current liabilities				
Interest bearing debt	8	**196,034,931**	195,743,146	195,454,567
		196,034,931	195,743,146	195,454,567
Current liabilities				
Trade and other payables[6]		**11,964,412**	15,001,674	10,100,802
		11,964,412	15,001,674	10,100,802
TOTAL LIABILITIES		**207,999,343**	210,744,820	205,555,369
SHAREHOLDER'S EQUITY				
Contributed capital	10	**109,294,463**	109,294,463	109,294,463
Merger reserve		**20,519,466**	20,519,466	20,519,466
Accumulated losses		**(8,380,181)**	(5,490,686)	(203,451)
EQUITY ATTRIBUTABLE TO THE OWNER OF THE PARENT		**121,433,748**	124,323,243	129,610,478
Non-controlling interest		**152,311**	123,212	91,180
TOTAL EQUITY		**121,586,059**	124,446,455	129,701,658
TOTAL EQUITY AND LIABILITIES		**329,585,402**	335,191,275	335,257,027

The notes on pages 10 to 25 form an integral part of the interim unaudited condensed consolidated financial statements.

[6] Trade and other payables as at 30 June 2019 include accrued bond interests amounting to US$1.9m (31 December 2018: US$1.9m).

BOREALIS FINANCE LLC AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

	Note	**Contributed capital**	**Merger reserve**	**Accumulated losses**	**Attributable to owners of the parent**	**Non-controlling interest**	**Total**
		US$	US$	US$	US$	US$	US$
At 1 January 2018	10	108,294,463	20,519,466	(920,161)	127,893,768	62,805	127,956,573
Contributed capital	10	1,000,000	-	-	1,000,000	-	1,000,000
Profit for the period		-	-	(3,741,935)	(3,741,935)	12,096	(3,729,839)
Total comprehensive income for the period		-	-	(3,741,935)	(3,741,935)	12,096	(3,729,839)
Balance at 30 June 2018		109,294,463	20,519,466	(4,662,096)	125,151,833	74,901	125,226,734
Profit for the period		-	-	4,458,645	4,458,645	16,279	4,474,924
Total comprehensive income for the period		-	-	4,458,645	4,458,645	16,279	4,474,924
Balance at 31 December 2018		109,294,463	20,519,466	(203,451)	129,610,478	91,180	129,701,658
Loss for the period		-	-	(5,287,235)	(5,287,235)	32,032	(5,255,203)
Total comprehensive income for the period		-	-	(5,287,235)	(5,287,235)	32,032	(5,255,203)
Balance at 31 March 2019		109,294,463	20,519,466	(5,490,686)	124,323,243	123,212	124,446,455
Loss for the period		-	-	(2,889,495)	(2,889,495)	29,099	(2,860,396)
Total comprehensive income for the period		-	-	(2,889,495)	(2,889,495)	29,099	(2,860,396)
Balance at 30 June 2019		**109,294,463**	**20,519,466**	**(8,380,181)**	**121,433,748**	**152,311**	**121,586,059**

The notes on pages 10 to 25 form an integral part of the interim unaudited condensed consolidated financial statements.

BOREALIS FINANCE LLC AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

	Note	Q2 2019 (unaudited) US$	H1 2019 (unaudited) US$	Q2 2018 (unaudited) US$	H2 2018 (unaudited) US$
Operating activities					
(Loss)/Profit for the period		**(2,860,396)**	(8,115,599)	(1,206,401)	(3,729,839)
Adjustments for:					
Depreciation	6	**3,351,111**	6,770,008	3,306,299	6,273,564
Loss/(Gain) on disposal of vessel		**536,287**	536,287	-	-
Movement on foreign exchange		**265**	307	(3,041)	20,960
		1,027,267	(808,997)	2,096,857	2,564,685
Increase in inventories		**(195,181)**	(367,771)	(154,639)	(578,271)
Decrease/(Increase) in trade and other receivables		**501,282**	870,627	(1,929,071)	(2,807,193)
Increase in trade and other payables		**645,620**	1,716,798	328,391	2,535,214
Cash flow from operations		**1,978,988**	1,410,657	341,538	1,714,435
Finance costs		**4,041,785**	8,080,364	4,025,533	7,643,782
Movement on foreign exchange		**(265)**	(307)	3,041	(20,960)
Net cash flow from operating activities		**6,020,508**	9,490,714	4,370,112	9,337,257
Investing activities					
Acquisition and upgrading of vessels	6	**(9,041,524)**	(9,141,524)	(31,776,890)	(42,780,686)
Deposits paid for vessels to be acquired		**-**	-	(487,597)	(11,400,000)
Disposal of vessel, net		**6,967,853**	6,967,853	-	0
Payments for drydocking costs		**(628,474)**	(1,129,968)	(141,183)	(1,339,063)
Payments for regulatory expenditure[7]		**(179,036)**	(787,853)	(9,280,000)	(141,183)
Net cash used in investing activities		**(2,881,181)**	(4,091,492)	(41,685,670)	(55,660,932)
Financing activities					
Bond interest paid		**(7,500,000)**	(7,500,000)	(7,500,000)	(7,500,000)
Bond issue costs		**-**	-	(145,171)	(349,140)
Proceeds from interest bearing debt, net	8	**-**	-	-	49,000,000
Member's paid in capital		**-**	-	1,000,000	9,000,000
Net cash (used in)/from financing activities		**(7,500,000)**	(7,500,000)	(6,645,171)	50,150,860
Net (decrease)/increase in cash and cash equivalents		**(4,360,673)**	(2,100,778)	(43,960,729)	3,827,185
Cash and cash equivalents at the beginning of the period		**25,568,512**	23,308,617	62,284,404	14,496,490
Cash and cash equivalents at the end of the period	7	**21,207,839**	21,207,839	18,323,675	18,323,675

The notes on pages 10 to 25 form an integral part of the interim unaudited condensed consolidated financial statements.

[7] Relates to amounts paid for ballast water treatment system.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

1 GENERAL

ORGANISATION

Borealis Finance LLC ("the Company") was incorporated on 2 November 2017 in the Republic of the Marshall Islands as a limited liability company under the provisions of the Limited Liability Company Act 1996. The registered office is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960.

The Company is the issuer of Senior Secured Callable Bonds which effective from 12 October 2018 is listed on the Oslo Børs as per Bond Terms dated 10 November 2017 and its Officers are required to prepare interim consolidated financial statements for this purpose.

The Company, through its subsidiaries ("the Group") is engaged in ship owning and operating activities. The Company is wholly owned by Borealis Holding I LLC and is ultimately wholly owned by Embarcadero Maritime III LLC, its ultimate parent company, and both entities are incorporated in the Republic of the Marshall Islands. Its ultimate controlling party is Powell II Investors L.P., incorporated in the Cayman Islands. It was established as a result of a bond issue to refinance a bank facility contracted by a subsidiary of its ultimate parent company. This refinancing also included a group reorganisation (see note 5 for the costs) whereby seventeen vessels previously owned by the subsidiaries, incorporated in Germany, of the ultimate parent company were sold to the Company's newly formed subsidiaries (completed on 4 December 2017) and the shares of four vessel-owning subsidiaries, registered in the Marshall Islands, of the ultimate parent company, were transferred to the Company on 29 November 2017. For the vessels owned by the German subsidiaries, the Group settled the bank debt as part of the acquisition proceeds in cash in return for their respective vessels.

Two additional vessels were acquired by the Group on 20 December 2017, with subsequent vessels acquired by the Group on 22 March 2018, 19 April 2018, 3 May 2018, 8 May 2018 and 2 July 2018, after the reorganisation, following which the Group's capital has been fully deployed.

One vessel was disposed by the Group on 30 October 2018 and the proceeds were subsequently redeployed by the Group by acquiring one additional vessel on 19 December 2018.

On 28 June 2019, the Group disposed one vessel and acquired another.

The Group and Company are administered by a Board which comprises Officers appointed by Class A members of its ultimate parent company. The Board may delegate to any person (known as "Officer") or committee such rights, powers and authority to act on behalf of the Company or to control the business and affairs of the Company, as the Board shall possess and is therefore, considered as key management. At the Reporting Date, the Board consisted four appointed Officers.

The Group has engaged a Ship Manager/Agent, Borealis Maritime Limited ("BML"), a company registered in England and Wales; a ship management agreement to that effect was signed between the Group and BML. BML manages the Group's fleet directly or indirectly via sub-contractors, Hanseatic Unity Chartering (HU) Pte. Ltd and M2M Panamax Pool Limited for commercial management whilst crew and technical management, excluding insurance, of the Group's fleet is contracted out to various third party crew and technical ship managers. Borealis Maritime Limited has two directors who are also Officers of the Company and its subsidiaries.

BOREALIS FINANCE LLC AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

1 GENERAL (Continued)

FINANCING

The Group's investment projects are funded by a combination of equity (note 10) and external interest bearing debt in the form of bonds (note 8).

FLEET AND INTERESTS

The Group's fleet, at the Reporting Date, is made up of 25 container and 3 dry cargo vessels held through ownership and interests (wholly or partial) in the following entities:

Name	*Country of incorporation*	*% held*	*Principal activity*
Subsidiaries:			
Bomar Beethoven LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Beethoven
Bomar Bellini LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Santa Bettina
Bomar Bizet LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Bomar Caen (ex- E.R. Caen)
Bomar Brahms LLC	Republic of Marshall Islands	100%	Owning and operating 1 dry cargo vessel, MV Brahms
Bomar Chopin LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Chopin
Bomar Hamburg LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Bomar Hamburg
Bomar Haydn LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Haydn
Bomar Mozart LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Mozart (ex- CMA CGM Pointe Des Salines)
Bomar Paganini LLC	Republic of Marshall Islands	100%	Owning and operating 1 dry cargo vessel, MV Paganini
Bomar Puccini LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Bomar Milione
Bomar Rossini LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Rossini
Bomar Satie LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Satie (ex- CMA CGM Pointe Du Diamant
Bomar Schubert LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Schubert

(Expressed in US$)

1 GENERAL (Continued)

FLEET AND INTERESTS (continued)

Name	*Country of incorporation*	*% held*	*Principal activity*
Subsidiaries (continued):			
Bomar Schumann LLC	Republic of Marshall Islands	100%	Owning and operating 1 dry cargo vessel, MV Berlin
Bomar Strauss LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Strauss
Bomar Tschaikowsky LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Argos
Bomar Wagner LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Bomar Calais (ex- E.R. Calais)
Bomar Alpha LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Bomar Renaissance
Bomar Bravo LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Nordic Beijing
Bomar Charlie LLC	Republic of Marshall Islands	90%	Owning and operating 1 container vessel, MV Nordic Hong Kong
Bomar Delta LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Bomar Rebecca
Bomar Echo LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Bomar Aurora (ex- Louds Island)
Bomar Foxtrot LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Verdi (ex- Chiloe Island)
Bomar Golf LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Bomar Rossi (ex- HS Rossini)
Bomar Hotel LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Bomar Praia (ex- TRF Praia)
Bomar India LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Telemann (ex- Star River)
Bomar Juliet LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Bomar Hermes (ex- Hermes)
Bomar Kilo LLC	Republic of Marshall Islands	100%	Owning and operating 1 container vessel, MV Circular Quay

1 GENERAL (Continued)

GOING CONCERN

The interim condensed consolidated financial statements, prepared on the going concern basis, assume that the Group will generate sufficient working capital to continue operational existence for the foreseeable future.

The Officers have, at the time of issuing the interim condensed consolidated financial statements, an expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, it continues to adopt the going concern basis of accounting in preparing the interim condensed consolidated financial statements.

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three month period from 1 April 2019 to 30 June 2019, which are presented in US Dollar (or "US$"), have been prepared in accordance with IAS 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2018.

The measurement basis used in the preparation of the financial statements is the historical cost basis, unless otherwise stated in the accounting policies below.

The preparation of the financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The figures in the financial statements are rounded to the nearest US$.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(Expressed in US$)

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The interim condensed consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries, see note 1) for the period from 1 April 2019 to 30 June 2019. Control is achieved where the Company has the power to govern the financial and operational policies of an entity so as to obtain benefit from its activities.

Income and expenses of the subsidiaries, formed, acquired or disposed during the period are included in the interim condensed consolidated statement of comprehensive income and other comprehensive income from the effective date, upon incorporation or acquisition date up to the effective date of disposal, as appropriate. Total comprehensive income of the subsidiaries is attributable to the owners of the Company and to any non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The results of the subsidiaries are included in the interim condensed consolidated statement of comprehensive income from their respective dates of incorporation or acquisition date to 30 June 2019. The accounting policies of the Company and that of its subsidiaries are aligned and their period ends are coterminous. All intragroup balances, transactions, unrealised gains and losses resulting from intragroup transactions are eliminated in full.

(b) Vessels

The Group's vessels are stated in the interim condensed consolidated financial statements at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition. Depreciation is calculated to write off the cost of the vessels, less their estimated residual values, using the straight-line method over their estimated useful life of 25 years since date of delivery from the shipyard. The remaining useful life of the Group's vessels has been assessed to be between 9 and 20 years from their respective delivery dates to the Group.

The residual value for each vessel is calculated by reference to its lightweight tonnage and the estimated prices of steel per lightweight tonne as of the end of each reporting period or upon delivery dates of new acquisitions. The average residual values applied for each type of ship, are as follows:

	2019 **US$ PER LWT**	2018 US$ PER LWT
Container vessels[8]	**407-415**	415-448
Dry cargo vessels[9]	**415**	423

The residual value and useful life of each asset is reviewed at the financial period end, if expectations differ from previous estimates the changes are accounted for prospectively in profit or loss in the period of the change and future periods. An increase in the residual value of an asset will decrease the depreciation charge for the period and future periods and vice versa until the residual value is reassessed. At the period end, there was no change to the vessels' useful lives.

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[8] Based on reported prices in Bangladesh, India and Pakistan.
[9] Based on reported prices in Bangladesh, India and Pakistan.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Drydocking and special survey costs

Drydocking costs are capitalised as they are incurred and depreciated on a straight line basis over the period to the next dry-docks. Upon initial purchase, an element of the cost of the vessel is allocated to a dry-dock component which is amortised on a straight line basis to the anticipated next dry-dock date. Such costs are based on the previous dry-docking expenditures or on experience and past history of similar vessels.

(d) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell. Depreciation ceases from the date that the non–current asset is classified as held for sale.

(e) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments

Financial assets and liabilities are recognized in the Group's interim condensed consolidated statement of financial position when the Group has become a party to the contractual provisions of the instrument.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, where appropriate, a shorter period.

Trade receivables
The Group recognised its trade receivables initially at fair value and subsequently measures amounts at amortised cost, using the effective interest rate method, less an allowance for doubtful accounts. On a periodic basis, the Group evaluates its trade receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current credit conditions. The Group does not generally charge interest on past-due accounts unless the accounts are subject to legal action, and accounts are written off as uncollectible when all reasonable collection efforts have failed. Accounts are deemed as past-due based on contractual terms.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and on deposit with banks that are readily convertible to known amounts of cash and which are subject to insignificant penalties on early termination with an original maturity of less than three months. Where there are minimum cash requirements as part of loan covenants which are maintained in separate bank accounts, they have been classified as restricted cash. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Interest bearing debt
Interest-bearing debt is recognised at fair value, being proceeds received less any attributable transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss in the interim condensed consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Reporting Date.

Trade payables
Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

IFRS 9

(a) Classification and measurement of financial assets (continued)

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

(c) Classification and measurement of financial liabilities

IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss but are instead transferred to retained earnings when the financial liability is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Revenue recognition

Revenue from time charters is accounted for as operating leases and recognised on a straight line basis over the rental periods of such charters, as performance obligations are fulfilled, to the end of the financial reporting period. Due to the nature of revenue from time charters, no contract assets or liabilities are generated. In discharging its obligations under such charters, revenue is disaggregated into a lease component (bareboat charter), the charterer is provided with an identified asset, specified in the respective charter party with little or no right of substitution, and a non-lease component (contract fulfilment costs) since the charterer obtains substantially all of the economic benefits from using the vessel and has the right to direct how and for what purpose the vessel will be used during the contract term but the crew and technical management of the vessel are borne by the Group. For the purposes of the interim financial statements, the revenue attributable to each component is not disclosed separately in the revenue note.

Vessels operating under a pooling arrangement undertake either voyage or time charters and managed by a pool manager (“Manager”). Where such revenues originate from time charters, the Manager recognises in the same way as the Group’s revenue policy above.

Revenue from voyage charters is summarised over time in the accounting period when services are rendered. The Manager identifies the performance obligation as the transport of goods from load port to discharge port, thus revenue is evenly accrued from first load port to last discharge port. The Manager receives payments from charterers based on sales invoices, as per the signed charter party agreements. Contract assets (unbilled receivables) relates to the Manager’s conditional right to consideration for the completed performance obligation of the transportation of goods between the first load port and last discharge port stipulated under the contract. Accounts receivable are summarised when the right to consideration becomes unconditional.

Contract liabilities (customer advances and deposits) are summarised as revenue as or when the performance obligation is completed. Freight income is billed in accordance with the charter party agreement and will differ between charter parties with various customers. Freight invoices are usually generated in advance of arrival at the last discharge port.

(h) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation, and are discounted to present value where the effect of discounting is material.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements unless recovery is virtually certain but are disclosed when an inflow of economic benefits is only probable.

(Expressed in US$)

3 CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim condensed consolidated financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies on a consistent basis.

The following are the critical accounting judgements concerning the future and the key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the financial statements:

(a) the assessment of the carrying amount of the vessels to determine whether there is an indication that these assets have suffered an impairment loss, including the assumptions used in assessing the carrying amounts of vessels in operation where value in use computations have been used to review for the existence of any impairment loss (note 6); and

(b) the estimate of the anticipated useful economic life of the vessels and their residual values for the purpose of establishing the Group's depreciation policy.

4 PROFIT ON VESSEL OPERATIONS

Profit on vessel operations includes:

Revenues	**Q2 2019 (unaudited) US$**	H1 2019 (unaudited) US$	Q2 2018 (unaudited) US$	H1 2018 (unaudited) US$
Hire receivables	**20,591,867**	39,497,371	20,985,203	37,959,684
Pool income	**1,522,577**	2,625,491	770,446	1,282,324
	22,114,444	42,122,862	21,755,669	39,242,008

Voyage costs	**Q2 2019 (unaudited) US$**	H1 2019 (unaudited) US$	Q2 2018 (unaudited) US$	H1 2018 (unaudited) US$
Bunker consumption[10]	**672,661**	2,029,074	242,293	486,202
Commissions	**811,865**	1,568,576	834,117	1,534,592
Other voyage costs[11]	**2,746**	186,665	-	-
	1,487,272	3,784,315	1,076,410	2,020,794

[10] Bunker consumption consists of fuel used during idle and offhire days which are incidental and non-recurring in nature. Occasionally there is a price differential when switching charters between vessel delivery and redelivery which creates a charge/(gain) to the profit or loss.

[11] Other voyage costs consist of commercial costs incurred during ballast voyages which are incidental and non-recurring in nature.

BOREALIS FINANCE LLC AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

4 PROFIT ON VESSEL OPERATIONS (Continued)

Vessel operating costs	**Q2 2019 (unaudited)**	H1 2019 (unaudited)	Q2 2018 (unaudited)	H1 2018 (unaudited)
Crew costs	**7,745,410**	15,327,524	7,197,567	13,350,710
Stores & luboil	**1,817,970**	3,527,885	1,775,570	3,255,722
Repairs and maintenance	**2,018,225**	4,354,817	1,852,832	3,557,810
Crew & technical management fees	**1,078,492**	2,184,542	938,993	1,760,010
Insurance	**788,999**	1,561,396	676,142	1,322,879
Other costs[12]	**1,497,400**	2,938,361	1,469,621	2,525,256
	14,946,496	29,894,525	13,910,725	25,772,387

5 ADMINISTRATIVE EXPENSES

	Q2 2019 (unaudited) US$	H1 2019 (unaudited) US$	Q2 2018 (unaudited) US$	H1 2018 (unaudited) US$
General & administration costs	**-**	540	-	-
Legal & corporate administrative fees	**2,974**	5,124	8,270	19,837
Travel costs	**2,554**	16,490	5,832	9,719
Bank charges	**8,352**	19,210	9,832	21,057
Auditors' remuneration	**56,250**	112,500	62,500	125,000
Professional fees	**15,936**	63,951	43,404	202,154
Corporate & ship management fees	**457,060**	868,642	428,305	776,645
Commercial management fees	**69,700**	138,700	88,001	168,509
	612,826	1,225,157	646,144	1,322,921

Professional fees prior to Q2 2019 include costs associated with the group reorganisation mentioned in note 1 and the subsequent fees for the further vessel acquisitions during the relevant periods.

[12] Other costs for Q2 2019 include non-recurring items amounting to US$353,635. Such costs do not accrue evenly throughout the period and consist of expenses incurred for class, survey, communication, transport, vetting, etc, such that any extrapolation from the comparative figures is not appropriate.

BOREALIS FINANCE LLC AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

6(a) VESSELS IN OPERATION

	Vessels US$	**Dry-docking** US$	**Total** US$
Cost:			
At 1 January 2018	248,587,802	7,431,981	256,019,783
Additions	67,653,108	4,872,097	72,525,205
Disposals	(14,123,150)	(623,566)	(14,746,716)
At 31 December 2018	302,117,760	11,680,512	313,798,272
Additions	869,236	420,769	1,290,005
At 31 March 2019	302,986,996	12,101,281	315,088,277
Additions	8,558,940	553,225	9,112,165
Disposals	(7,062,948)	(1,103,860)	(8,166,808)
Transfers to non-current assets held for sale (note 6(b))	(8,213,528)	(286,472)	(8,500,000)
At 30 June 2019	**296,269,460**	**11,264,174**	**307,533,634**
Accumulated depreciation:			
At 1 January 2018	630,400	271,231	901,631
Charge for the period	8,952,069	3,976,562	12,928,631
Disposals	(358,517)	(592,430)	(950,947)
At 31 December 2018	9,223,952	3,655,363	12,879,315
Charge for the period	2,437,950	980,947	3,418,897
At 31 March 2019	11,661,902	4,636,310	16,298,212
Charge for the period	2,427,379	923,732	3,351,111
Disposals	(282,550)	(380,118)	(662,668)
Transfers to non-current assets held for sale (note 6(b))	(478,283)	(226,407)	(704,690)
At 30 June 2019	**13,328,448**	**4,953,517**	**18,281,965**
Net book value:			
At 30 June 2019	**282,941,012**	**6,310,657**	**289,251,669**
At 31 March 2019	291,325,094	7,464,971	298,790,065
At 31 December 2018	292,893,808	8,025,149	300,918,957

BOREALIS FINANCE LLC AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

6(a) VESSELS IN OPERATION (CONTINUED)

The Officers carried out an impairment assessment at the reporting date of the carrying amount of the fleet, in accordance with the Group's policy (note 2(e)), assessing the recoverable amount of the vessels, which is the higher of their fair value less costs to sell as supported by independent professional valuations, and their value in use. In this assessment, the recoverable amount of each vessel was either based on its fair value less costs to sell or value in use.

On comparing the recoverable amounts with the carrying values for each vessel, no impairment provision was recognised.

The Group's vessels are pledged as collateral for the interest bearing debt disclosed in note 8.

On the 25 July 2019, the Group agreed to dispose of 1 container vessel and in accordance with the Group's policy (note 2(d)), the Group continued to classify the vessel within vessels in operation as management had not comitted to a sale before the end of the reporting period.

6(b) NON-CURRENT ASSETS HELD FOR SALE

	US$
Cost:	
Transfer from vessels in operation at net book value (note 6(a))	7,795,310
At 30 June 2019	**7,795,310**

During the three month period ended 30 June 2019, the Group classified as held for sale one container vessel. The vessel was actively marketed for sale at a price which approximates to its market value and as a result the Group has entered into Memorandum of Agreement to dispose the vessel, at a price (net of selling costs) higher than the carrying amount. The vessel was subsequently delivered to the buyers on 2 August 2019.

7 CASH AND CASH EQUIVALENTS

	At 30 June 2019 (unaudited) US$	At 31 March 2019 (unaudited) US$	At 31 December 2018 (audited) US$
Group's balances:			
- Other cash and cash equivalents	**18,369,458**	23,552,830	21,022,358
Balances held by crew and technical managers	**2,838,381**	2,015,682	2,286,259
	21,207,839	25,568,512	23,308,617

The balances held by the crew and technical managers on the Group's behalf are maintained in separate bank accounts.

Other cash and cash equivalents comprise of US$10.0m (31 December 2018: US$10.0m), being minimum liquidity under the terms of the interest bearing debt in note 8, and US$nil (31 December 2018: US$0.6m) of remaining designated funds to be utilised exclusively for upgrading of newly acquired vessels and for no other purpose.

BOREALIS FINANCE LLC AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 APRIL 2019 TO 30 JUNE 2019
(Expressed in US$)

8 INTEREST BEARING DEBT

On 16 November 2017, the Company issued a five year US$150m senior secured bond with a total borrowing limit of US$200m. The debt bears interest at a fixed rate of 7.5% payable semi-annually and is redeemable on 16 November 2022. Early redemption is permissible under certain conditions.

On 16 February 2018, the Company tapped into the additional senior secured bond borrowing of US$50m, thereafter increasing its total borrowing to US$200m.

The debt facility is secured by, inter alia, first priority mortgages of the vessels as well as share pledges of the Company and all its subsidiaries, negative pledge, parent company guarantee, floating charge over the Company's assets and assignments of earnings and escrow accounts, insurances, Group loans and all management and commercial agreements. The bond agreement, on an aggregate basis, imposes at all times minimum liquidity and Loan to Value test as covenants.

The balance of the debt at the period end, net of direct issue costs, are summarised as follows:

	Total	**Bond issue**	**Arrangement fees**
	US$	US$	US$
Non-current portion			
At 1 January 2018	145,678,133	150,000,000	(4,321,867)
Movements arising from financing cash flows			
Proceeds from issue of bonds	49,000,000	50,000,000	(1,000,000)
Bond issue costs	(950,991)	-	(950,991)
Non-cash and other movements			
Amortisation of arrangement fees	1,230,805	-	1,230,805
Bond issue costs accruals	496,620	-	496,620
At 31 December 2018	195,454,567	200,000,000	(4,545,433)
Non-cash and other movements			
Amortisation of loan arrangement fees	288,579	-	288,579
At 31 March 2019	195,743,146	200,000,000	(4,256,854)
Non-cash and other movements			
Amortisation of loan arrangement fees	291,785	-	291,785
At 30 June 2019	**196,034,931**	**200,000,000**	**(3,965,069)**
Carrying amounts at:			
At 30 June 2019	**196,034,931**	**200,000,000**	**(3,965,069)**
At 31 March 2019	195,743,146	200,000,000	(4,256,854)
At 31 December 2018	195,454,567	200,000,000	(4,545,433)

(Expressed in US$)

9 INCOME TAX

The Group's vessels are registered in the respective tonnage tax regime where each respective vessel is flagged. Under this regime, its ship owning and operating activities are taxed based on the net tonnage of vessels operated. Tonnage tax is charged separately as an expense in vessel operating costs. The Group had no other activities other than shipping during the period and therefore, is not liable to any taxation in the Republic of Marshall Islands.

10 CONTRIBUTED CAPITAL

	At 30 June 2019 (unaudited) US$	At 31 March 2019 (unaudited) US$	At 31 December 2018 (audited) US$
At 1 January 2019 and 1 January 2018	**109,294,463**	109,294,463	108,294,463
Paid in capital	**-**	-	1,000,000
At the end of each reporting period	**109,294,463**	109,294,463	109,294,463

11 RELATED PARTY TRANSACTION AND KEY MANAGEMENT REMUNERATION

The Group has not entered into any related party transaction during the reporting period which is considered to be material.

None of the Officers considered as key management, received remuneration from the Group. The Officers however incur incidental expenses which are recharged to the Group at cost and are not considered material.

12 CONTINGENCIES

The Group's fleet may from time to time, be involved in vessel incidents and claims arising from suits and complaints, in the ordinary course of our business. Although matters are defended vigorously, it is not possible to predict with certainty the outcome or timing of any matter. The Group has suitable insurance policies in place that the Board believes are reasonable and prudent. It is expected that these claims would be covered by insurances, subject to customary deductible amounts. However, there may be instances where insurance policies in place may not be applicable, sufficient or insurers may not remain solvent, which may have a material adverse effect on the financial position, results or liquidity of the Group.

13 SEGMENTAL REPORTING

IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Officers to assess performance and determine the allocation of resources. The Officers are of the opinion that under IFRS 8 the Group has only one operating segment and no separable geographic markets due to the international nature of shipping trade. Performance is assessed using financial information which is measured and presented in a manner consistent with that in the financial statements. Segmental reporting is kept under review by the Officers and considered in light of the development of the Group's business.

The Group's revenue for Q2 2019 included 52.03% (H1 2018: 49.03%) received from two charterers only, being 32.91% (H1 2018: 19.84%) from one charterer and 19.12% (H1 2018: 29.19%) from the second.

14 EVENTS AFTER THE REPORTING PERIOD

On 26 June 2019, the Group entered into a Memorandum of Agreement to purchase one 4,250 TEU, Jiangsu New Yiangzijiang Shipyard, China container vessel. The vessel is expected to be delivered in September 2019.

On 25 July 2019, the Group entered into a Memorandum of Agreement to sell one container vessel, MV Verdi, which was delivered to the buyers on 7 August 2019.

Further to note 6(b), the Group completed the sale of one container vessel, MV Strauss, which was delivered to the buyers on 2 August 2019.