Songa Container AS

Annual report 2019

CONTENTS

BOARD OF DIRECTORS’ REPORT

Songa Container AS owns and operates container feeder vessels. The Company’s headquarter is in Oslo, Norway. The Group consist of Songa Container AS and eleven subsidiaries. The company was founded 17 October 2016. The Company’s strategy is to create shareholder value by providing high quality service to its customers and focus on efficient operations and high utilisation of the fleet.

The fleet

By the end of 2019, the fleet consisted of 15 container feeder vessels:

Vessel Name	TEU	DWT	Built	Yard	Gear
Anne Sibum	1 036	13 172	2007	SSW Schicau Seebeck, Germany	Gearless
Grete Sibum	1 036	13 172	2008	SSW Schicau Seebeck, Germany	Gearless
Stefan Sibum	1 036	13 172	2008	SSW Schicau Seebeck, Germany	Gearless
FS Ipanema	1 794	25 860	2009	Taizhou Kouan, China	Geared
Songa Bonn	1 970	28 632	2010	Hyundai Mipo, South Korea	Gearless
Songa Nuernberg	1 970	28 630	2010	Hyundai Mipo, South Korea	Gearless
Songa Iridium	2 015	27 247	2008	Zhejiang Shipyard, China	Geared
City of Beijing	2 564	34 333	2009	Xiamen Shipbuilding,China	Geared
City of Hongkong	2 564	34 295	2009	Xiamen Shipbuilding, China	Geared
City of Shanghai	2 564	34 269	2009	Xiamen Shipbuilding, China	Geared
Songa Antofagasta	2 851	35 534	2008	Zheijang Yangfan, China	Gearless
Nordic Stralsund	3 421	46 000	2014	Rongcheng Shenfei, China	Geared
Songa Haydn	3 534	41 989	2010	Shanghai & Chengxi, China	Gearless
Songa Calabria	4 256	50 353	2010	Jiangsu New Yanzijang, China	Gearless
Songa Toscana	4 957	62 272	2013	Jiangsu New Yanzijiang, China	Gearless

Scrubber contracts and CAPEX program

Songa Container has decided to install exhaust cleaning systems on most of its vessels. The commercial attractiveness of investing into scrubbers is predominantly determined by the overall adoption of the scrubber technology. As per previous quarterly reports, the Company continues to see favourable adoption rates supporting the comparative advantage to the selective few owners having decided to invest in scrubbers on its feeder fleet. Less than 10% of all feeder vessels are expected to be equipped with scrubbers. Songa Container is confident it will be able to offer all stakeholders a commercially strong, environmentally friendly, technically proven and high quality fleet of scrubber fitted vessels to its clients.

The Company and its CAPEX program has been set back by the increase in off-hire experienced, predominantly coming from delays at the shipyards and increased waiting/positioning time needed prior to entering into the shipyard. This being said, the Company and its Board of Directors is determined to conclude its CAPEX program as long as they remain commercially and practically viable. The positive interest from the charter market remains supportive of this strategy.

Financials – The Group

Financial performance

- Operating income in 2019 was $32.1 million compared to $33.2 million in 2018.
- Operating expenses in 2019 was $34.8 million compared to $28.2 million in 2018. The increase is related to upgrading of the vessels, management change of three vessels and insurance cases.
- Operating loss in 2019 was $2.8 million compared to a profit of $5.0 million in 2018.
- Net financial loss in 2019 was $13.8 million (net financial profit of $0.1 million in 2018) and consist mainly of net interest expenses and currency loss.
- Loss for the year 2019 was $16.8 million compared to a profit of the year with $5.1 million in 2018.

Financial position

The Group's total assets was $204.1 million at 31 December 2019, down from $213.0 million at 31 December 2018. Non-current assets, which comprise of vessels delivered, scrubber investments and acquired loans, increased from $155.3 million at 31 December 2018 to $165.3 million at 31 December 2019. The change is mainly due to the development in the CAPEX program and the change in the measured fair value of the long-term loan. Please see note 2.7, 4 and 11 and 16 in the Financial Report for additional information.

Total equity was $66.4 million at 31 December 2019, down from $79.4 million at 31 December 2018, with non-controlling interest of $1.7 million at 31 December 2019. The change in equity is mainly due to the net loss for the year and the capital injection of in total $4.3 million.

The interest-bearing bond loan of $130.0 million remains unchanged per 31 December 2019 compared to 31 December 2018.

Cash flow

The Group generated a positive cash flow from operating activities with $0.9 million in 2019 (positive with $10.0 million in 2018). Net cash flow from investment activities were negative with $20.8 million in 2019 (negative with $64.9 million in 2018) and is mainly due to the CAPEX program. Net cash flow from financing activities were negative with $6.2 million in 2019 (positive with $93.3 million in 2018) and is mainly due to bond interest.

Net change in cash and cash equivalents from during 2019 was negative with $26.1 million. Cash and cash equivalents at 31.12.2019 were $28.3 million, down from $54.4 million at 31.12.2018.

Financials – Parent Company

The result for Songa Container AS in 2019 was negative with $3.6 million (negative with $0.4 million in 2018). Operating result was negative with $1.0 million (negative with $0.7 million in 2018). Net financial loss of $2.6 million (net profit $0.3 million in 2018) is mainly a result of external interest expenses of $11.1 million ($3.7 million in 2018) and dividend payments from subsidiaries of $7.3 million ($4.7 million in 2018).

The Company's assets are mainly related to the value of shares in subsidiaries, as well as loans to Group Companies. Booked equity at year end was $72.8 million ($72.4 million in 2018). The debt at the same date was $154.7 million ($138.3 million in 2018), of which $130.0 million in bond loan.

Going Concern

In accordance with the going concern assumption, the company's board of directors and management refer to the ongoing Covid-19 outbreak. The company is, like almost all businesses, affected by the outbreak. The Group will, in the opinion of the Board, be affected by an uncertain market, delays in shipyards with regards to scrubber retrofit and potentially charterers coming into financial distress as well as challenges if crew members are hit by the Covid-19, and Covid-19 will also result in a potential uncertainty with regards to repayment of outstanding receivables. Refer to note 21 subsequent events for further information.

The Group is in compliance with the financial bond covenants per December 31 2019 and per April 29 2020, meaning that the Group's vessel LTV is below 75 % and that the Group is in compliance with the minimum cash requirement of 5 % of the outstanding bond, equal to $6.5 million. The management do consider the sensitivity of the vessel LTV going forward on a running basis and they continuously follow the development of the cash positions for the Group. The management has a close dialogue with Nordic Trustee, which represent the bond holders, and the shareholders with regards to both the financial bond covenants and the capital requirement for the Group.

On 10 March 2020, Songa Container AS completed an equity private placement supported by the existing shareholders. The Company issued new shares at a subscription price equal to a total of $5 million. The management continuously considering the need of capital from the existing shareholders to ensure sufficient liquidity reserves for the operation of Group.

How the outbreak will affect the assumption of going concern will depend on how long this situation will last, what measures the authorities will take, and how the aforementioned risks will actually affect the company. However, based on the situation and the information available at the present time, the Board of Director's confirm that the going concern assumption has been assessed and confirm that the assumption is valid.

Allocation of results

The parent company, Songa Container AS, reports a net loss of $3.6 million in 2019. The Board proposes that Songa Container AS allocates the loss for the year to retained earnings.

Health, safety and environment (HSE)

The Company's objective is to ensure safe and secure operations. The business operates in compliance with national and international requirements and regulations. There have been no work-related accidents resulting in sick leave to personnel on board during 2019. Neither has there been any pollution incidents related to the Company's vessels in 2019.

Personnel on board are hired through the provider of crew management services to Songa Container AS. Songa Container AS has one employee. The board consist of five men. The company aims to be a workplace free from discrimination on the basis of gender, race or religion.

Corporate social responsibility (CSR)

The Company has adopted a code of conduct for business, ethics and corporate social responsibility to facilitate that the Group shall maintain an invaluable reputation for corporate trustworthiness around the world. The CSR approach is based on consistently conducting business with integrity and in compliance with the laws and regulations governing its activities. Board members and employees of the Group must practice fair dealing, honesty and integrity in every aspect in dealing with other employees, business relations and customers, the public, the business community, shareholders, suppliers, competitors and government authorities. The Group's corporate values and commitment to act responsibly, ethically and trustworthy in all activities they do, whether it be towards colleagues, customers, suppliers, the society or the environment, shall be reflected, promoted and implemented in policies, decisions and actions.

Risk factors

The Group is exposed to market risks, risks related to operation of the vessels, financial risks and strategic risks. The Board of Directors performs quarterly review of the Group's most significant risk areas. Implemented internal control and risk management systems are appropriate to the size and nature of the Group's activities. The Company has no articles of associations that regulates the appointment and replacement of directors or authorisations that allow the board to decide that the company is to issue the enterprise's own shares or equity certificates. Market risks include risks associated with the demand and supply for the Company’s services as well as political risks. An important factor to evaluate the market risk is the future expected shipping rates. If these rates show a significant decline, this can lead to reduced cash flow for the vessels’ services, affecting the future profitability and financial stability of the Company. Following the installation of scrubbers on its fleet, the Group will be exposed to risks on the bunker price spreads for the repayment of the CAPEX program.

The Company’s operational risks include perils particular to marine operations, including cargo contamination, capsizing, grounding, collision and loss and damage to the vessels from harsh weather conditions. Such circumstances may result in severe damages to the vessels and/or damage to other property, the environment or persons. In the course of its activities, the Company may become part in legal proceedings and disputes. All of these factors could have a significant impact on the Company’s financial position.

The Company is exposed to financial risks such as interest rate changes and currency exchange rate fluctuations, as well as credit risk related to customers and other financial counterparties being unable to honour their obligations, or liquidity risk if the Company is unable to honour its obligations. The Company has only floating interest rates on its interest bearing debt, and as such is exposed to interest changes. As the functional currency in the subsidiaries is USD or EUR; the Company has some exposure to fluctuations in currency rates, however these are limited mainly to administrative expenses. The credit risk related to customers is reduced through the contract structure and the fact that the cargo is controlled by the Company until discharging.

Outlook and strategy

Songa Container Group is an investment vehicle established to invest in container vessels, with the strategy to acquire, own and operate small to midsize container feeder vessels. The Group’s chartering strategy remains unchanged with its fleet employed in a mix of revenue sharing pools and on direct TC contracts with durations depending on the prevailing market at any given time.

The Board of Songa Container AS is satisfied with the size of the fleet of the Group, and currently has no plans to increase the fleet further.

The Group remains firm in its belief that the strategy of installing scrubbers will enable the Group to provide the Liner Operators a fleet of commercially attractive vessels for their future business. Following the Covid-19 pandemic in Q1 2020, expectations on world GDP and container rates have fallen significantly. Preliminary estimates by Clarksons point to a significant correction of 2020 demand growth as a result. Clarksons estimate a TEU-miles correction of -11.6% for the full year 2020.

The overall orderbook remains at a historically low level (~10%). The average age of the feeder fleet continues to increase with close to 20% of all vessels below 3,000 TEU being 20 years and older. During 2019, a year in which the average TC-rate for a 2 750 TEU container ship increased by more than 20%, containership demolition increased by 50% compared to FY2018. Ships smaller than 3,000 TEU accounted for close to 60% of all demolition, a sign that the market is efficient of removing obsolete vessels from the trading space. Scrapping will continue to play an important role in rebalancing the market in 2020, however due to the Covid-19 effectively shutting down much of the scrapyard capacity, uncertainty prevails as to how much tonnage will be scrapped.

The feeder fleet grew by 1.4% during 2019. Average containership speeds have been reduced by some 25% since 2008. During 2019, y-o-y average speeds decreased by 2.1%, according to Clarksons.

Negative economic near term consequences following the Covid-19 virus spread has developed as a threat to above estimates and must be factored into the Group’s risk assessment going forward. However, impacts such as reduced vessel speeds and ships out of service for retrofitting, coupled with a historically low orderbook and stronger demand growth in the feeder segments than the container market as whole, suggests a step-by-step recovery of the markets in which we operate.

Forward-looking statements

Forward-looking statements presented in this report are based on various assumptions. The assumptions were reasonable when made but are subject to uncertainties and contingencies that are difficult or impossible to predict. The Group cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

Oslo 29 April 2020

The Board of Directors of Songa Container AS

Arne Blystad Chairman	Magnus Leonard Roth Director	Jon Christian Syvertsen Director
Fredrik Platou Director	Rowil Ponta Director	

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the set of financial statements for the period 1 January 2019 to 31 December 2019 have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's assets, liabilities, financial position and profit.

We also confirm, to the best of our knowledge, that the Board of Director`s report includes a fair review of important events that have occurred during the financial year and their impact on the consolidated financial statements of Songa Container AS, and a description of the main risks and uncertainties going forward.

Oslo 29 April 2020
The Board of Directors of Songa Container AS

Arne Blystad Chairman	Magnus Leonard Roth Director	Jon Christian Syvertsen Director
Fredrik Platou Director	Rowil Ponta Director	

SONGA CONTAINER GROUP

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

in $ thousands	Notes	2019	2018
Operating income			
Time charter revenue	6	32 052	33 208
Total operating income		**32 052**	**33 208**
Operating expenses			
Ship operating expenses	7	24 124	19 232
General and administrative expenses	8, 9	4 143	3 382
Depreciation	10	6 559	5 614
Total operating expenses		34 826	28 228
Operating profit (-loss)		**-2 774**	**4 980**
Financial items			
Interest income		825	48
Interest expenses		-11 153	-4 490
Net income (-loss) on long-term loan measured at fair value	11	-2 666	6 302
Other financial income (-expenses)		-799	-1 721
Net financial profit (-loss)		**-13 793**	**139**
Profit (-loss) before taxes		**-16 567**	**5 119**
Tax expense	9	242	5
Profit (-loss) for the year		**-16 809**	**5 114**
Other comprehensive income			
Items that are or may be reclassified to profit and loss			
Exchange differences		-432	-535
Other comprehensive income (-loss) for the year		-432	-535
Total comprehensive income (-loss) for the year		**-17 241**	**4 579**
Profit (-loss) is attributable to			
Equity holders of the parent Group		-16 369	4 796
Non-controlling interests		-440	318
Total comprehensive income (-loss) is attributable to			
Equity holders of the parent Group		-16 766	4 322
Non-controlling interests		-476	257

Consolidated Statement of Financial Position

in $ thousands	Note	31 Dec 2019	31 Dec 2018	01.jan.18
ASSETS				
Non-current assets				
Vessels	10,15	117 668	110 298	86 565
Docking	10,15	3 685	4 315	2 956
Constructions in progress	10	12 121	3 518	-
Long-term loans	11	31 800	37 200	-
Total non-current assets		**165 274**	**155 330**	**89 521**
Current assets				
Inventories		1 474	842	560
Trade receivables		1 994	794	1 258
Other receivables	12	7 131	1 640	2 068
Cash and cash equivalents	13,15	28 250	54 376	15 914
Total current assets		**38 849**	**57 653**	**19 800**
TOTAL ASSETS		**204 123**	**212 984**	**109 321**
EQUITY AND LIABILITIES				
Equity				
Share capital	14	7 725	7 325	5 925
Share premium		69 525	65 925	53 320
Reserves		-440	4 533	-
Uncovered losses		-12 157	-365	-147
Non-controlling interests		1 731	1 957	2 442
Total equity		**66 384**	**79 375**	**61 539**
Non-current liabilities				
Bond loan	15,17	128 750	128 286	-
Mortgage loan	17	-	-	42 366
Total non-current liabilities		**128 750**	**128 286**	**128 286**
Current liabilities				
Mortgage loan			-	1 981
Trade payables		3 236	3 038	1 164
Tax payable	9	327	81	109
Other liabilities	18	5 425	2 204	2 161
Total current liabilities		**8 989**	**5 323**	**5 414**
Total liabilities		**137 739**	**133 609**	**47 782**
TOTAL EQUITY AND LIABILITIES		**204 123**	**212 984**	**109 321**

Oslo 29 April 2020

The Board of Directors of Songa Container AS

Arne Blystad Chairman	Magnus Leonard Roth Director	Jon Christian Syvertsen Director
Fredrik Platou Director	Rowil Ponta Director	

Consolidated Statement of Changes in Equity

in $ thousands	Share capital	Share premium	Translation reserve	Fair value reserve	Uncovered losses	Non-controlling interest	Total equity
Equity 1 January 2018	**5 925**	**53 320**	**0**	**0**	**-147**	**2 442**	**61 539**
Incorporation/other expenses		5			-6		-1
Share issuance	1 400	12 600					14 000
Dividends						-743	-743
Profit for the period				5 007	-211	318	5 114
Other comprehensive income			-474			-60	-534
Equity 31 Dec 2018	**7 325**	**65 925**	**-474**	**5 007**	**-365**	**1 957**	**79 375**
Equity 31 Dec 2018	**7 325**	**65 925**	**-474**	**5 007**	**-365**	**1 957**	**79 375**
Share issuance	400	3 600				250	4 250
Profit for the period				-4 577	-11 792	-440	-16 809
Other comprehensive income			-396			-36	-432
Equity 31 Dec 2019	**7 725**	**69 525**	**-870**	**430**	**-12 157**	**1 731**	**66 384**

Consolidated Statement of Cash Flow

in $ thousands	Note	2019	2018
Profit before taxes		-16 567	5 119
Income taxes paid		4	-110
Change in fair value of long-term loans		4 577	-5 007
Impairment loss short-term		0	0
Gain on non-current assets			15
Depreciation	10	6 559	5 614
Net interest expenses		10 328	4 442
Net change in inventories, trade receivables/payables		-1 633	2 055
Net change in other current items		-2 364	-2 065
Net cash flow from operating activities		**904**	**10 062**
Investment in vessels and constructions in progress		-21 902	-34 233
Payments for long-term loan at fair value		0	-31 500
Repayments of long-term loan at fair value		379	271
Interest received long-term loan		2 355	1 148
Fees long-term receivables loan		0	-564
Payment short-term loan		-1 676	0
Net cash flow used in investment activities		**-20 845**	**-64 878**
Proceeds from borrowings		0	172 959
Repayment of borrowings		0	-87 728
Fees borrowings		0	-1 293
Interest paid		-11 236	-3 951
Interest received, not. Included interest long term loan		802	48
Proceeds from issuance of shares		4 250	14 000
Agio items		0	-13
Incorporation costs		-1	-1
Dividends paid to non-controlling interests			-743
Net cash flow from financing activities		**-6 185**	**93 279**
Net change in cash and cash equivalents		**-26 126**	**38 462**
Cash and bank deposits at beginning of period		54 376	15 914
Cash and bank deposits at end of period		**28 250**	**54 376**

NOTES - SONGA CONTAINER GROUP

Note 1 General

Note 1.1 Corporate information and history

Songa Container AS (the Group) is a public limited Group incorporated and domiciled in Norway. The Group was incorporated on 17 October 2016. The address of the main office is Haakon VIIs gate 1, 0161 Oslo. The Norwegian Enterprise no. is 918 003 762.

Songa Container AS and its subsidiaries (the Group) owns and operates container feeder vessels.
On 6 June 2019 the Group's bond were registered with Oslo Stock Exchange under the ticker ISIN NO0010837248.

Note 1.2 Basis for preparation

These consolidated financial statements are prepared in accordance with IFRS as adopted by the EU and are the Groups first IFRS financial statements. Accordingly, the Group presents an opening IFRS statement of financial position at the date of transition to IFRS, which is 1 January 2018. The Group presents the same accounting policies in the opening IFRS statement of financial position as throughout all periods presented in the first IFRS financial statement. Details of the accounting policies are included in note 2. Reconciliations of equity and total comprehensive income reported in accordance with previous GAAP (NGAAP) to equity and total comprehensive income in accordance with IFRS are included in note 4.
The consolidated financial statements have been prepared on a historical basis except for long term loans measured at fair value through profit or loss. The consolidated financial statements are prepared under the going concern assumption.

Note 2 Accounting policies

Note 2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of Songa Container AS and all subsidiaries over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

InterGroup transactions, balances and unrealised gains on transactions between group companies are eliminated.

Note 2.2 Functional and presentation currency

The consolidated financial statements are presented in USD, which also is the functional currency for the Group as well as for all other entities in the Group, except for one.

Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss and presented within finance income or finance cost.

The assets and liabilities of foreign operations are translated into USD at the exchange rate at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions. These translation differences are recognised in OCI and accumulated in the translation reserve within equity, except to the extent that the translation difference in allocated to non-controlling interests. When adopting IFRS for the first time, the

Group choose, according to IFRS 1, that the cumulative translation differences of all foreign operations are deemed to be zero at the date of transition to IFRS (1 January 2018).

Note 2.3 Income

Revenues are generated for time charter (TC) agreements. The TC contracts contains both a lease component that is in the scope of IFRS 16 and a service component that is in the scope of IFRS 15.

The TC contract gives the charterer the right to control the use of an identified vessel for a period in exchange for consideration. The lease contracts are mainly for less than a year and are classified as operational leases. Income is recognised in profit and loss on a straight-line basis over the lease period.

The service component cover crew costs and other operating costs for the vessel and is recognised as income in profit and loss on a straight-line basis over the contract period. Both the lease and service component are recognized together as time charter revenue in statement of profit and loss.

Note 2.4 Vessels

Vessels are measured at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the useful life of the asset, taking residual values into consideration, and adjusted for impairment charges, if any.If significant parts of a vessel have different useful lives, then they are accounted for as separate items (major components) of vessels. Any gain or loss on disposal is recognised in profit and loss.

Vessels and related equipment acquired have expected useful lives of 3-15 years. Future depreciations are based on depreciation schedules including residual values. Expected useful lives, and residual values, are reviewed at each reporting date and adjusted if appropriate. Residual values for the vessels are based on steel price time lightweight tonnage.

Ordinary repairs and maintenance expenses are charged to profit and loss when incurred. Costs related to major inspections/classification (docking) are recognised as a separate item and depreciated based on estimated time to next inspection, normally 5-7 years.

The vessels are reviewed for indication of impairment at each reporting date, and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of a vessel exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the highest of the vessels fair value less cost of disposal and its value in use.

Note 2.5 Inventories

Inventories, which comprise principally of bunker fuel, luboil and stores, are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle.

Note 2.6 Cash and cash equivalents

For presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 2.7 Financial assets

Financial assets are measured at fair value at initial recognition.

The Group classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss based on both:

(a) the entity's business model for managing the financial assets and

(b) the contractual cash flow characteristics of the financial asset.

When assessing the business model, the information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. ‘
- how the performance of the portfolio is evaluated and reported to the Group’s management
- the risks that affect the performance of the business model and how those risks are managed
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity
- In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument and this includes,
- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual coupon rate
- prepayment and extension features, and
- terms that limit the Group’s claim to cash flows from specified assets

Accounts receivables

Accounts receivables are measured at fair value upon initial recognition. The Groups accounts receivables are kept in a business model where the purpose is to collect contractual cash flows. Consequently, accounts receivables are subsequently measured at amortized cost less provision for expected lifetime losses.

Long term loans

The Group has acquired three mortgage loans from Commerzbank Aktiengesellschaft 30 April 2018 where three container vessels are pledged as security. The loans are not considered to meet the criteria to be measured at amortized cost or fair value through other comprehensive income. The loans are therefore subsequently measured at fair value through profit and loss. Net gain and losses, including any interest income, are recognised in profit and loss. Transaction costs are recognised in profit and loss when incurred.

Note 2.8 Taxes

The vessel owning companies are subject to taxation under the Norwegian tonnage tax regime. Under the tonnage tax regime, profit from operations are exempt from taxes. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion is calculated as financial assets in percent of total assets. Tonnage tax is payable based on the net tonnage of vessels. Tonnage tax is presented as an operating expense.

The parent Group and Songa Sibum AS are subject to ordinary Norwegian taxation.

Income tax expense comprises taxes payable and deferred tax and is recognised in profit and loss. Tax payable is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Note 2.9 Interest-bearing debt

Interest-bearing debt is initially recognized at its fair value less transaction costs. After initial recognition, interest-bearing debt is measured at amortized cost using the effective interest method. First year installment on long term debt are presented as current liabilities.

Note 2.10 Accounts payable

Accounts payable are measured at fair value upon initial recognition. Subsequently, accounts payable are measured at amortized cost.

Note 2.11 Equity

Ordinary shares are classified as equity.
Share issuance costs related to a share issuance transaction are recognized directly in equity. If share issuance costs, for tax purposes, can be deducted from other taxable income in the same period as they are incurred, the costs are recognized net after tax.

Note 2.12 Dividends
Dividend payments are recognised as a liability in the Groups financial statements from the date when the dividend is approved by the general meeting.

Note 2.13 Classification of items in the statement of financial position
Current assets and short-term liabilities include items due less than one year from the reporting date, as well as items due more one year from the reporting date, that are related to the reporting cycle.

Liabilities with maturity less than one year from the reporting date are presented as current liabilities. All other debt is presented as long-term debt. First year installment on long term debt are presented as current liabilities.

Note 2.14 Standards issued but not yet effective
Amended standards or interpretations which are issued but not yet effective are not expected to have a significant impact on the Group's Consolidated financial statements.

Note 3 Significant accounting estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Groups accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Information about determining the fair value of the long-term loans are included in note 16.

Note 4 Transition to IFRS

At the date of transition to IFRS, 1 January 2018, there were no adjustments to equity.
Reconciliation of equity reported in accordance with NGAAP to equity in accordance with IFRS:

in $ thousands	31.12.2018
Equity according to NGAAP	**74 367**
Fair value of long-term loans	5 007
Equity according to IFRS	**79 375**

Reconciliation of profit reported in accordance with NGAAP to total comprehensive income in accordance with IFRS:

in $ thousands	2018
Profit according to NGAAP	**115**
Items reclassified to other operationg expenses	-9
Exchange differences	-535
Fair value of long-term loans	5 007
Total comprehensive income according to IFRS	**4 579**

In the consolidated statement of cash flows are interest received and interest paid presented separately in net cash flow from operating activities. This is the only adjustment to the statement of cash flows that where presented in accordance with NGAAP.

Note 5 Segment information

The Group operates within one single segment, which is the shipping container segment. All revenues are generated from time charter contracts. All vessels are considered to have similar characteristics and will be operated to optimize the fleet as a whole.

The Groups revenues are generated in multiple jurisdictions since the Group derives income from operating a fleet of container vessels that typically load cargo in one geographical jurisdiction and unload in another and the earnings derived are not split between jurisdictions. As a result, the Groups chief operating decision maker does not evaluate performance by geographical regions.

Note 6 Time charter revenue

in $ thousands	2019	2018
Time charter revenue	32 052	33 208
Total time charter revenue	**32 052**	**33 208**

No information is provided about remaining performance obligations at 31 December 2019 that have an original expected duration of one year or less, or where Songa Group recognises revenues in the amount to which Songa Group has a right to invoice the customer, as allowed by IFRS 15.

Note 7 Ship operating expenses

in $ thousands	2019	2018
Operating expenses*/**	21 359	19 232
Non-recurring items	2 765	-
Total ship operating expenses	**24 124**	**19 232**

** Technical management fee is presented as general and administration expenses.*

*** Extraordinary operating expenses is presented on a separate line in the notes in 2019*.

Note 8 General and administrative expenses

in $ thousands	2019	2018
Management fee	682	536
Corporate management fee	528	436
Technical management fee	1 843	1 497
Commercial management fee	237	325
Audit fee	91	29
Legal fee	195	16
Payroll expenses	10	11
Tonnage tax	87	78
Other administrative fees	470	454
Total general and administrative expenses	**4 143**	**3 382**

No remuneration was paid to the Board of Directors for 2019 or 2018.

The Group had 1 employee in 2019 and 2018 .

in $ thousands	2019	2018
Salary	9	10
Payroll tax	1	1
Total payroll expenses	**10**	**11**

Remuneration to the auditor:

in $ thousands	2019	2018
Audit	56	25
Audit, other services	35	4
Total payroll expenses	**91**	**29**

Note 9 Taxes

Tonnage tax:

Except from Songa Container AS and Songa Sibum AS, all other companies in the Group are subject to tonnage taxation under the Norwegian Tonnage Tax regime. Tonnage tax is recognized as an operating expense.

Ordinary taxation:

The parent Group Songa Container AS and the subsidiary Songa Sibum AS is regulated by ordinary taxation rules in Norway. The ordinary rate of corporation tax is 22% for 2019 (2018:23%).

Deferred tax assets are only recognized to the extent that future utilization within the Group can be justified is not probable as per 31 December 2019 (and 31 December 2018).

Tax expense:

in $ thousands	2019	2018
Basis for tax expense and tax payable:		
Profit (-loss) before taxes	-16 567	5 119
Effects of different reporting currency annual accounts and tax statements	244	-2 805
Effects of Norwegian tonnage tax legislation	4 465	-5 353
Effects of dividend under the tax exemption method	224	0
Effects of net income (loss) on long-term loan measured at fair value	4 577	-4 921
Effects adjustment gain sale subsidiaries	-39	-10
Other permanent differences between accounting and tax	2	0
Non deductible interest expenses	6 935	0
Basis for tax expense*	**-160**	**-7 970**
**Basis for tax expense:*		
Basis for tax expense within the Norwegian tonnage tax legislation	1 028	15
Basis for tax expense within ordinary Norwegian tax legislation	-1 189	-7 985
Basis for tax expense	**-160**	**-7 970**
Tax expense:		
Tax payable Norwegain tonnage tax legislation	226	4
Tax payable foreign ownership	16	0
Tax payable adjustment	0	1
Change deferred tax	-1 766	-1 746
Change deferred tax not recognized	1 766	1 746
Tax expense	**242**	**5**
Taxable income:		
Basis for tax payable in tax expense	1 028	15
Basis for deferred tax in tax expense	-1 189	-7 985
Change in temporary differences incl. effect change exchange rates	-356	-1 385
Taxable income	**-516**	**-9 355**
Reconciliation of tax expense for the year:		
Profit (-loss) before taxes	-16 567	5 119
Tax expense calculated on the relevant tax rate (22%/22%)	**-3 645**	**1 177**
Tax expense (Norwegain)	226	4
Difference	**3 871**	**-1 174**
Difference comprise of:		
Tax effect of foreign exchange gains and losses on current items	54	-645
Tax effect of Norwegian tonnage tax legislation	982	-1 231
Effects of dividend under the tax exemption method	49	0
Tax effect of net income (loss) on long-term loan measured at fair value	1 007	-1 132
Tac effect adjustment gain sale subsidiaries	-9	-2
Tax effect of other permanent differences	0	0
Tax effect of deferred tax asset not recognized	1 766	1 746
Tax effect of changes in agio deffered tax asset not recognized / change tax rate	21	91
Total difference	**3 871**	**-1 174**
Tax payable in statement of financial position:		
Tax payable in tax expense	226	4
Tonnage tax payable	87	78
Tax payable in tax expense foreign ownership	16	0
Tax receivable previous year	-1	0
Tax payable in statement of financial position	**327**	**81**

Deferred tax per 31 December	2019	2018
Temporary differences:		
Tangible assets	759	0
Debt issuance costs	981	1 385
Total temporary differences	**1 741**	**1 385**
Tax loss carried forward	-11 954	-10 505
Non-deductible interest carried forward	-6 935	0
Net temporary differences	**-17 148**	**-9 120**
Deferred tax:		
Nominal tax rate on deferred tax	0	0
Deferred tax (-asset)	**-3 773**	**-2 006**
Deferred tax asset not recognized	3 773	2 006
Deferred tax in statement of financial position	**0**	**0**

Note 10 Vessels, docking and construction in progress

in $ thousands	Vessels	Scrubber	Docking	Construction in progress	Total
Cost at 1 Jan 2019	116 344	0	5 611	3 518	125 472
Additions	0	12 606	598	9 061	22 265
Difference due to change of principle	0	0	-15	0	-15
Exchange differences	-400	0	52	0	-348
Cost at 31 Dec 2019	**115 944**	**12 606**	**6 246**	**12 579**	**147 374**
Acc. depreciation at 1 Jan 2019	-6 046	0	-1 296	0	-7 342
Depreciation	-5 216	-77	-1 265	0	-6 559
Accumulated depreciation 31 Dec 2019	**-11 262**	**-77**	**-2 561**	**0**	**-13 900**
Balance at 31 Dec 2019	**104 682**	**12 529**	**3 685**	**12 579**	**133 474**

in $ thousands	Vessels	Scrubber	Docking	Construction in progress	Total
Cost at 1 Jan 2018	88 022	0	3 262	0	91 283
Additions	29 221	0	2 349	3 518	35 088
Exchange differences	-900	0	0	0	-900
Cost 31 Dec 2018	**116 344**	**0**	**5 611**	**3 518**	**125 472**
Acc. depreciation at 1 Jan 2018	-6 046	0	-1 296	0	-7 342
Depreciation					
Accumulated depr. 31 Dec 2018	**-6 046**		**-1 296**	**0**	**-7 342**
Balance at 31 Dec 2018	**110 298**	**0**	**4 315**	**3 518**	**118 130**

As at 31 December 2019, the management identified impairment indicators on some of the vessels in the fleet. As all of the vessels in the fleet are considered as one cash generating unit (CGU) on Group level, no impairment has been made in the consolidated financial statement.

On 22 October 2018 the Group entered into purchase agreements for scrubber installations on all 15 vessels in the fleet. On 17 January 2019 the scrubber contract for installation of the Songa Antofagasta was cancelled.

The scrubber installations for four vessels have been finalized in 2019 and the remaining installations are due to take place within 2020. Project cost related to not finalized installations are classified as construction in progress.

All owned vessels are pledged to secure the bond loan.

Note 11 Financial risk management

Financial market risk

The Songa Container Group owns and operates container vessels. Through its operations the Group is exposed to financial risks such as market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

To reduce and manage these risks, management periodically assesses the Group's financial market risk in general, as well as evaluating hedging strategies for specific exposures as they arise. For 2019, the Group did not have any hedging contracts or other derivative instruments.

Market risk

The Group`s operations involve financial risks related to changes in freight rates, exchange rates and interest rates. The Group has not entered into hedging agreements to reduce these risks.

Foreign currency risk

The Group`s revenues, expenses, assets and liabilities are mainly denominated in USD which is the functional currency of all significant entities in the Group. Fluctuations in USD against NOK may affect the Group's tax payable and some general and administrative expenses, which will be calculated and paid in NOK. This effect is considered to be limited.

Interest rate risk

The Group's issued bond has a floating interest rate (3 monhts LIBOR) pluss a fixed margin of 6% which means a change in LIBOR will have a direct effect on the Group's cash flows. If LIBOR increases by 1%, the interest expense would increase by $1.30 million per year.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group`s receivables from customers and long term loans.

Trade receivables

The credit risk related to customers is reduced through the contract structure and the fact that the cargo is controlled by the Group until discharging. The Group aims to trade with creditworthy counterparties only. In most charter parties the payments are due in advance, which substantially reduces the credit exposure. The Group had no significant loss on receivable in 2019 and 2018.

Long term loans

On 30 April 2018, Songa City acquired three mortgage loans on three container vessels from Commerzbank Aktiengesellschaft for $10.5 million per loan, total $ 31.5 million. The price represented a discount compared to the outstanding loan due which according to the loan agreement was $18.25 million per loan (principle amount). Interest rate has been calculated with LIBOR + 1,75%. The interest is calculated based on the principle amount less installments. The maturity date in the Loan Agreements are set to 30 June 2020.

The credit risk of these loans are limited. Songa City has entered into an option agreement with each of the borrowing companies. Songa City has the option to purchase each of the container vessels with takeover due to the Option Agreement to be between April 1 2020 and June 30 2020.

The Group’s legal advisers, in corporation with Nordic Trustee which represent the bond holders, are in a dialogue concerning amendments for both Loan Agreements and Option Agreements, i.e. postponement of the maturity date in the Loan Agreements, adjustment of the interest rate in the Loan Agreements and a postponement of the option take over period in the Option Agreements.

The purchase price is $10.5 million per vessel, but if the outstanding loan amount is above $10.5 million per loan, the Group will receive title to the vessels and the remaining outstanding amount of the loans shall be written off.

Outstanding loan:

in $ thousands	Shanghai	Pacific Ocean	Atlantic Ocean	Total
Principal amount at 30 April	18 250	18 250	18 250	54 750
Installments in 2018	-32	-78	-160	-271
Outstanding loan 31 Dec 2018	**18 218**	**18 172**	**18 090**	**54 479**
Installments in 2019	-80	-184	-114	-378
Outstanding loan 31 Dec 2019	**18 138**	**17 988**	**17 976**	**54 101**

Liquidity risk

Liquidity risk is the risk that the Group encounter difficulty in meeting the obligations associated with its financial liabilities that should be settled by delivering cash. The Groups approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Groups reputation.

See Note 21 Subsequent events for further description with respect to liquidity risk and COVID-19 virus.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

31. Dec 2019		Contractual cash flows				
In $ thousands	Carrying amount	3 months or less	3-12 months	2021	More than 2 years	Total
Non-derivative financial liabilities						
Bond loan	130 000			130 000		130 000
Loan interest	456					0
Trade payables	3 236	3 236				3 236
Tax and tonnage tax	327	164	164			327
Other current liabilities	4 969	4 969				4 969

31. Dec 2018		Contractual cash flows				
In $ thousands	Carrying amount	3 months or less	3-12 months	2020	More than 2 years	Total
Non-derivative financial liabilities						
Bond loan	130 000				130 000	130 000
Loan interest	539					0
Trade payables	3 038	3 038				3 038
Tax and tonnage tax	81	41	41			81
Other current liabilities	1 665	1 665				1 665

Note 12 Other receivables

in $ thousands	31 December 2019	31 December 2018
Short term loan	1 676	0
Prepaid expenses, project under construction	1 331	
Other receivables*	4 124	1 640
Total other receivables	**7 131**	**1 640**

The value of the short-term loan is based on events which occurred on 31 December 2019, but combined with information in note 11.

**Cash held with technical managers are presented as other receivables in 2019 ($2.6 million)*

Note 13 Cash and cash equivalents

in $ thousands	31 Dec 2019	31 Dec 2018
Bank deposits denominated in USD	5 736	12 307
Bank deposits denominated in NOK	222	79
Bank deposits denominated in EUR	117	0
Restricted bank deposit (escrow account)	22 175	41 990
Total cash and cash equivalents	**28 250**	**54 376**

Note 14 Share capital and shareholders

The share capital is $7.725 million. All issued shares are fully paid at 31 December 2019. For a list of the shareholders, see Note 6 at the Parent Financial Statement.

Note 15 Bond loan

In December 2018, Songa Container AS issued a $130.0 million secured bond loan. The bond has floating interest rate, of 3M LIBOR plus a margin of 6%. The bond shall be repaid in full on the maturity date which is 14 December 2021. The bond was listed at Oslo Stock Exchange 6 June 2019.

The following main financial covenants are defined in the terms for the bond loan:

- the Vessel loan-to-value measures shall not exceed 75 %; and
- the Group shall maintain a minimum liquidity of 5 % calculated on the outstanding bond of $130 million.

The Group is in compliance with all bond covenants as of 31 December 2019.

As security Nordic Trustee AS, the trust for the Bond owners, has, in addition to the guarantees described above, security with first priority by (i) mortgages over the vessels owned by the subsidiaries, (ii) pledge of shares in the subsidiaries, (iii) assignment in all intra group loans, (iv) assignment of insurances in respect of the vessels owned by the subsidiaries, (v) factoring agreements over all earnings of the subsidiaries, (vi) assignment in the escrow account, and (vii) assignment in all securities held by Songa City as security for loans granted by Songa City AS.

Carrying amount of assets pledged as security:

in $ thousands	31 December 2019	31 December 2018
Vessels in subsidiaries	120 895	114 612
Long-term loans	31 800	37 200
Escrow account	22 175	41 990
Total carrying amount of assets pledged as security	174 870	193 802

Note 16 Fair value of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount		Fair value	
In $ thousands	31 Dec 19	31 Dec 18	31 Dec 19	31 Dec 18
Financial assets at fair value through profit and loss				
Long term loans***	31 800	37 200	31 800	37 200
Financial assets at amortised cost				
Trade receivables	1 994	794	1 994	794
Other receivables*	7 131	1 640	5 414	736
Cash and cash equivalents	28 250	54 376	28 250	54 376
Total financial assets	**69 175**	**94 010**	**67 458**	**93 106**
Financial liabilities at amortised cost				
Bond loan**	128 750	128 286	130 000	130 000
Trade payables	3 236	3 038	3 236	3 038
Other current liabilities*	5 753	2 285	5 753	2 285
Total financial liabilities	**137 739**	**133 609**	**138 989**	**135 323**

*The difference between the balance sheet item other receivables and other receivables in the table above is prepaid expenses which are not considered a financial instrument. The difference between the balance sheet item other current liabilities and other current liabilities in the table above is prepaid revenues which are not considered a financial instrument.
**The difference between carrying amount and fair value of bond loan and mortgage loan is borrowing costs.
*** Classified as fair value level 3

Fair value estimation

The different levels for fair value estimation have been defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable input for the asset or liability. Fair values of long-term loans in level 3 are based on the average of valuations from two independent shipbrokers for three vessels pledged as security for the loans. The fair value of the pledged vessels are considered to be the best estimate of the fair value of the loans. Broker's estimates assume the vessels are without charter contracts, immediately available for sale in the market and that a willing seller and a willing buyer exists. The value is calculated by discounting future cash flows to present value at the reporting date. Due to reduced liquidity in the market for vessels, there is an increased uncertainty about the estimated ship values in todays market.

Note 17 Changes in liabilities arising from financing activities

Reconciliation of movements of liabilities to cash flows arising from financing activities:

in $ thousands	Bond loan	Mortgage loan	Total
Carrying amount 1 January 2018	**0**	**44 347**	**44 347**
Changes from financing cash flows			
Repayment of mortgage loan non-current		-42 366	-42 366
Repayment of mortgage loan current		-1 981	-1 981
Proceeds from issuance of bond loan	130 000		130 000
Transaction costs			0
Total changes from financing cash flows	*130 000*	*-44 347*	*85 653*
Other changes			0
Capitalised borrowing costs	-1 714		-1 714
Total other changes	*-1 714*	*0*	*-1 714*
Carrying amount 31 December 2018	**128 286**	**0**	**128 286**

in $ thousands	Bond loan	Mortgage loan	Total
Carrying amount 1 January 2019	**128 286**	**0**	**128 286**
Changes from financing cash flows			0
Repayment of mortgage loan non-current			0
Repayment of mortgage loan current			0
Proceeds from issuance of bond loan			0
Transaction costs			0
Total changes from financing cash flows	0	0	0
Other changes			0
Capitalised borrowing costs	464		464
Total other changes	464	0	464
Carrying amount 31 December 2019	**128 750**	**0**	**128 750**

Note 18 Other current liabilities

in $ thousands	31 December 2019	31 December 2018
Interests bond loan	456	539
Accrued expenses, project under construction	2 505	0
Other liabilities	2 464	1 665
Total other current liabilities	**5 425**	**2 204**

Note 19 Subsidiaries

Songa Container Group comprises several subsidiaries. Below is a list of all subsidiaries. Unless otherwise stated, the companies are in Oslo, Norway.

Group	Ownership/voting rights in %
FS Ipanema AS	75,00 %
Songa Antofagasta AS	100,00 %
Songa Calabria AS*	100,00 %
Songa Haydn AS	100,00 %
Songa Iridium AS	100,00 %
Songa Stralsund AS	100,00 %
Songa Sibum AS	100,00 %
Songa Sibum II AS	89,79 %
Songa Toscana AS	100,00 %
Songa City AS	100,00 %
Songa Mipo AS	100,00 %

Songa City AS has 3% ownership and Songa Container AS has 97% ownership in Songa Calabria AS.

Note 20 Related party transactions

The Group has entered into a corporate service agreement with Arne Blystad AS for the rendering of management- and administrative services. Arne Blystad AS is a Group owned and controlled by the Chairman Arne Blystad and his immediate family. Total expenses under the agreement in 2019 was $680 thousand. In 2018 the fee was $536 thousand.

The Group has entered into technical management agreements with Songa Shipmanagement Ltd. for the rendering of technical services related to the scrubber contracts and the CAPEX program for all of the vessels in the fleet except Songa Antofagasta. Songa Shipmanagement Ltd. is a Group owned and controlled by the Chairman Arne Blystad and his immediate family. Agreed fees under this agreement is $25 thousand per vessel payable on signing of the agreement and $25 thousand on issuance of the certificate of completion. In addition, a separate agreement is entered into with Songa Shipmanagement Ltd. for the rendering of technical supervision of thevessels. Total expenses under the technical supervision agreement in 2019 was $138 thousand. In 2018 the fee was $42 thousand.

Note 21 Subsequent events

In accordance with the rules in IAS 10 on events after the balance sheet date, as well as the rules in the Accounting Act on continuing operations, the Company's board of directors and management refer to the ongoing Covid-19 outbreak. The Group is, like almost all businesses, affected by the outbreak. The Group will, in the opinion of the Board, be affected by an uncertain market, delays in shipyards with regards to scrubber retrofit and potentially charterers coming into financial distress as well as challenges if crew members are hit by the Covid-19, and Covid-19 will also result in a potential uncertainty with regards to repayment of outstanding receivables. As a consequence of this there is a risk of a potentially breach of the Group’s financial covenants in the Loan Agreement. At the time of preparation of the annual accounts, assuming a continued market scenario of weak container charter rates and low spreads obtainable on the fuel spreads, it is the opinion of the Company that it will go in breach with the minimum cash covenant under the Bond Terms unless additional equity is raised or other adaptions are made.

The Group is in compliance with the financial bond covenants per 31 December 2019 and per 29 April 2020, meaning that the Group’s vessel LTV is below 75 % and that the Group is in compliance with the minimum cash requirement of 5 % of the outstanding bond, equal to $6.5 million. The management do consider the sensitivity of the vessel LTV going forward on a running basis and they continuously follow the development of the cash positions for the Group. The management has a close dialogue with Nordic Trustee, which represent the bond holders, and the shareholders with regards to both the financial bond covenants and the capital requirement for the Group.

On 10 March 2020, Songa Container AS completed an equity private placement supported by the existing shareholders. The Group issued new shares at a subscription price equal to a total of $5 million. The management continuously considering the need of capital from the existing shareholders to ensure sufficient liquidity reserves for the operation of Group.

How the outbreak will affect the assumption of going concern will depend on how long this situation will last, what measures the authorities will take, and how the aforementioned risks will actually affect the Group. However, based on the situation and the information available at the present time, the Board of Directors considers it reasonable to use the assumption of going concern in the preparation of the annual accounts.

SONGA CONTAINER AS

FINANCIAL STATEMENTS PARENT GROUP

Profit and loss

	Notes	2019	2018
Operating income and expenses			
Administrative expenses	2, 3	1 035	742
Depreciation of operating and intangible assets	10	11	0
Total operating expenses		**1 046**	**742**
Net operating profit / loss		**-1 046**	**-742**
Financial items			
Income from subsidiaries		7 280	4 689
Gain sale subsidiaries		0	83
Interest income from group companies		3 536	617
Other interest income		781	0
Financial income		**11 597**	**5 389**
Impairment shares in subsidiares		2 380	0
Interest expense to group companies		0	5
Other interest expenses		11 153	3 704
Currency loss		29	3
Other financial expenses		589	1 351
Financial expenses		**14 151**	**5 063**
Net financial income / expenses		**-2 554**	**326**
Operating result before tax		**-3 600**	**-415**
Tax	8	0	
Ordinary result after tax		**-3 600**	**-415**
Net Income / loss		**-3 600**	**-415**
Result disposal			
Allocated to loss brought forward	7	-3 600	-415

Balance sheet

in $ thousands	Notes	2019	2018
ASSETS			
Fixed assets			
Tangible assets			
Contructions in progress		3 441	0
Machinery and equipment		3 815	0
Total tangible assets	10	**7 256**	**0**
Financial fixed assets			
Investments in subsidiaries	4	130 990	90 166
Loans to group companies	4	35 019	36 114
Total financial fixed assets		**166 010**	**126 279**
Total fixed assets		**173 266**	**126 279**
Current assets			
Debtors			
Other receivables group companies	4	24 496	39 837
Other current receivables		2 725	168
Total receivables		**27 220**	**40 004**
Bank deposit			
Bank deposit	5	27 002	44 350
Total bank deposits		**27 002**	**44 350**
Total current assets		**54 222**	**84 354**
TOTAL ASSETS		**227 488**	**210 633**

in $ thousands	Notes	2019	2018
EQUITY AND LIABILITIES			
Equity			
Paid-up equity			
Share capital	6, 7	7 725	7 325
Share premium reserve	7	69 525	65 925
Other paid-up equity	7	0	0
Total paid-up equity		**77 250**	**73 250**
Retained earnings			
Uncovered loss		-4 485	-885
Total retained earnings		**-4 485**	**-885**
Total equity	7	**72 765**	**72 365**
Liabilities			
Other long-term liabilities			
Bonds	9	129 000	128 605
Long-term liabilities group companies		0	8 055
Total of other long term liabilities		**129 000**	**136 660**
Current debt			
Liability group companies		23 735	0
Accounts payable		264	907
Public duties payable		0	0
Other current debt		1 723	702
Total current debt		**25 722**	**1 609**
Total liabilities		**154 723**	**138 269**
TOTAL EQUITY AND LIABILITIES		**227 488**	**210 633**

Oslo 29 April 2020

The Board of Directors of Songa Container AS

Arne Blystad Chairman	Magnus Leonard Roth Director	Jon Christian Syvertsen Director
Fredrik Platou Director	Rowil Ponta Director	

Cash flow statement

in $ thousands	2019	2018
Proft before tax	-3 600	-415
Income tax paid	0	0
Gain non-current asset	0	-68
Depreciations	11	0
Net interest expenses	10 372	0
Net income from subsidiaries	-7 280	0
Impairment shares in subsidiaries	2 380	0
Currency items	0	3
Change inventories, other receivables and accounts payables	-642	-36 961
Change in other short-term items	29 987	577
Net cash flow from operational activities	**31 228**	**-36 864**
Investment in subsidiaries	-53 290	-56 544
Income from subsidiaries	17 366	51 180
Investment in tangible assets	-7 267	0
Sale of shares	0	374
Net cash flow from investment activities	**-43 191**	**-4 990**
Draw down bond / mortgage loan	0	160 959
Repayment of mortgage loan	0	-65 607
Interest paid bond	-11 236	0
Interest received bank	758	0
Up-front fee bank	0	-974
Payments and repayments long-term loan group companies	1 094	-24 758
Proceeds from issues of shares	4 000	14 000
Agio items financing activities	0	0
Net cash flow from financing activities	**-5 384**	**83 620**
Net change in cash and cash equivalents	**-17 348**	**41 766**
Cash and bank deposits at beginning of period	44 350	2 583
Cash and bank deposits at end of period	**27 002**	**44 350**

NOTES – SONGA CONTAINER AS

Note 1 Accounting principles

The Financial Statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles for Medium Sized Companies. The accounting principles are described below. The Group was established the 17 October 2016.

Balance sheet classification
Fixed assets are comprised of assets intended for long term ownership and use. Fixed assets are valued at cost. Fixed assets are recorded in the balance sheet and depreciated over the estimated useful economic life. Fixed assets are written down to the recoverable amount when a decrease in value is expected to be permanent. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.Impairment loss recognized is reversed when the basis for the impairment loss is no longer evident.

Current assets and liabilities are comprised of items receivable/due within one year.
Current assets are valued at the lower of cost and market value.
Long-term debt will not be adjusted to market value due to changes in interest rate.

Investments in subsidiaries
Subsidiaries are entities 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. InterGroup transactions, balances and unrealized gains on transactions between group companies are eliminated. Investments in subsidiaries are valued in accordance with the equity method in the Group accounts.

Investments in subsidiaries are valued in accordance with the cost method in the Group accounts. The investment is valued as cost of the shares in the investee, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions received from subsidiaries are recognised as financial income in the same year as it is accounted for in the subsidiary. If dividends / group contributions exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent Group.

Receivables
Accounts receivable and other receivables are recorded in the balance sheet at nominal value less a provision for doubtful accounts. Provision for doubtful accounts is determined on the basis of an assessment of individual receivables.

Income
Sales revenues are recognized upon delivery. Revenues from services are recognized upon performance.

Taxes
The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22 % of temporary differences and the tax effect of tax losses carried forward.

Deferred tax assets are not recorded in the balance sheet.

Cash and bank deposit and currency
Cash, bank deposits and cash equivalents in foreign currency, are valued at year-end exchange rate of NOK/USD 8,7803.

Note 2 Number of Employees, remunerations, audit fee etc

	2019	2018
Salary	9	10
Payroll tax	1	1
Total payrol expenses (presented as admin.expenses)	**10**	**11**

Audit

The audit fee expense for 2019 amounts to $ 11.1 thousand excl. VAT. Additional fees for other services rendered amounts to $ 26.5 thousand excl. VAT.

Note 3 Administrative expenses

	2019	2018
Payroll expenses	10	11
Corporate management fee	43	64
Audit fee	38	0
Legal fee	34	8
Other administrative fees	228	124
Management fee	682	536
Total administrative fees	**1 035**	**742**

Note 4 Subsidiaries

Group	Office	Ownership/voting shares	Book value per 31.12.19	Net result (100%)	Equity (100%)
Songa Antogafasta AS	Oslo	100,00 %	9 289	-425	8 498
FS Ipanema AS	Oslo	75,00 %	2 825	-1 167	2 774
Songa Haydn AS	Oslo	100,00 %	9 450	-8	9 038
Songa Calabria AS	Oslo	97,00 %	9 090	178	9 331
Songa Toscana AS	Oslo	100,00 %	19 668	1 708	21 416
Songa Stralsund AS	Oslo	100,00 %	12 412	-489	11 963
Songa Iridium AS	Oslo	100,00 %	7 940	-1 946	7 217
Songa Sibum AS	Oslo	100,00 %	1 212	7 364	1 214
Songa City AS	Oslo	100,00 %	21 637	426	22 072
Songa Mipo AS	Oslo	100,00 %	20 691	-1 059	20 692
Songa Sibum II	Oslo	89,79 %	16 776	-150	18 533
Total			**130 990**	**4 432**	**132 749**

** Songa City AS has 3% ownership in Songa Calabria AS*

Long term loans to group companies	2019	2018
FS Ipanema AS (75 % owned)	8 716	8 152
Sibum SSW 1000 GmbH & Co. KG (89,79 % owned)	0	14 473
Songa Stralsund AS	0	143
Songa Toscana AS	0	169
Songa Iridium AS	0	157
Songa Haydn AS	0	178
Songa Antofagasta AS	0	25
Songa Calabria AS	0	216
Songa City AS	11 790	12 302
Songa Mipo AS	0	299
Songa Sibum AS	0	0
Songa Sibum II AS	14 514	0
Total net balance	**35 019**	**36 114**

Interest p.a.

2018:3mnd LIBOR+ 4,90%, 2019: 3 months LIBOR + 6,00%

Other receivables group companies	2019	2018
Songa Stralsund AS	1 426	4 298
Songa Toscana AS	686	12 195
FS Ipanema AS (75 % owned)	66	243
Songa Sibum AS	15 837	12
Songa Iridium AS	683	3 973
Songa Haydn AS	884	2 741
Songa Antofagasta AS	30	4 827
Songa Calabria AS	33	4 700
Songa City AS	0	54
Songa Mipo AS	4 686	6 538
Songa Sibum II AS	164	0
Sibum SSW 1000 GmbH & Co. KG (89,79 % owned)	0	256
Total	**24 496**	**39 837**

Long-term liabilities group companies	2019	2018
FS Ipanema AS (75 % owned)	0	2 563
Sibum SSW 1000 GmbH & Co. KG (89,79 % owned)	0	5 492
Total net balance	**0**	**8 055**

Liability group companies	2019	2018
Songa Sibum AS	16 776	0
Songa City AS	1 491	0
Songa Sibum II AS	1 371	0
Cash Pool 31.12.19	4 098	0
Total	**23 735**	**0**

Note 5 Cash and cash equivalents

	2019	2018
Cash	4 945	2 359
Restricted bank deposit (escrow account)	22 056	41 990
Total cash and bank deposit	**27 002**	**44 350**

Note 6 Shareholders

	Total	Face value	Entered
Ordinary shares	63 654 201	0,115	7 725
Total	**63 654 201**		**7 725**

Ownership structure (Sharholders in % at year end)	Ordinary	Owner interest	Share of votes
Songa Investments	23 907 682	37,6	37,6
Canomaro Shipping AS	23 907 682	37,6	37,6
Klaveness Invest AS	12 372 224	19,4	19,4
NHS Beteiligungsgesellschaft mbh	733 868	1,2	1,2
Albatross Investment AS	597 692	0,9	0,9
Hio XII AS	597 692	0,9	0,9
Nordic Shipping and Services Ltd	461 517	0,7	0,7
Adrian & Co AS	418 383	0,7	0,7
Syneco AS	358 615	0,6	0,6
Granhaug Industrier AS	298 846	0,5	0,5
Total number of shares	**63 654 201**	**100,0**	**100,0**

Shares owned / controlled by the members of the board*:

Name	Position	Ownership share
Arne Blystad	Chairman of the board	37,56 %
Magnus Roth	Board member	37,56 %
Fredrik Platou	Board member	0,00 %
Jon Chr. Syvertsen	Board member	1,22 %
Rowil Ponta	Board member	1,88 %

** Share ownership is disclosed when shares are directly and indirectly owned (owns or controls more then 50%).*

Note 7 Equity

	Share capital	Share premium	Other paid-in	Uncovered loss	Total equity
Equity as of 01.01.2019	7 325	65 925	0	-885	72 365
Capital contribution 23.09.19	400	3 600	0	0	4 000
Result of the year	0	0	0	- 3 600	-3 600
Equity as of 31.12.2019	**7 725**	**69 525**	**0**	**-4 485**	**72 765**

Note 8 Taxes

in $ thousands	2019	2018
Basis for tax expense and tax payable:		
Profit (-loss) before taxes	-3 600	-415
Effects of different reporting currency annual accounts and tax statements	745	-2 810
Dividends under the tax exemption method	-7 280	-4 689
Gain sale subsidiaries under the tax exemption method	-39	-10
Impairment shares in subsidiaries	2 380	0
Other permanent differences between accounting and tax	2	0
Non-deductible interest expenses	6 934	0
Basis for tax expense	**-858**	**-7 924**
Tax expense:		
Tax payable	0	0
Change deferred tax	-1 694	-1 733
Change deferred tax not recognized	1 694	1 733
Tax expense	**0**	**0**
Taxable income:		
Basis for tax payable in tax expense	-	0
Basis for deferred tax in tax expense	-858	-7 924
Change in temporary differences incl. effect change exchange rates	-356	-1 385
Taxable income	**-1 214**	**-9 309**
Reconciliation of tax expense for the year:		
Profit (-loss) before taxes	-3 600	-415
Tax expense calculated on the relevant tax rate (22%/22%)	**-792**	**-96**
Tax expense	0	0
Difference	**792**	**96**
Difference comprise of:		
Tax effects of different reporting currency annual accounts and tax statements	164	-646
Tax effect of dividends under the tax exemption method	-1 602	-1 079
Tax effect gain sale subsidiaries under the tax exemption method	-9	-2
Tax effect impairment shares in subsidiaries	524	0
Tax effect of other permanent differences	0	0
Tax effect of deferred tax asset not recognized	1 694	1 733
Tax effect of changes in agio deffered tax asset not recognized / change tax rate	21	90
Total difference	**791**	**96**
Tax payable in statement of financial position:		
Tax payable in tax expense	0	0
Tax payable in statement of financial position	**0**	**0**

The tax effect of temporary differences that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences:

Deferred tax per 31 December	2019	2018
Temporary differences:		
Tangible assets	759	0
Foreign exchange gain on long-term debt	0	0
Debt issuance costs	981	1 385
Total temporary differences	**1 741**	**1 385**
Tax loss carried forward	-11 492	-10 371
Non-deductible interest carried forward	-6 934	0
Net temporary differences	**-16 685**	**-8 986**
Deferred tax:		
Nominal tax rate on deferred tax	22 %	22 %
Deferred tax (-asset)	**-3 671**	**-1 977**
Deferred tax asset not recognized	3 671	1 977
Deferred tax in statement of financial position	**0**	**0**

Deferred tax is not booked to the balance sheet

Note 9 Mortage loan

In December 2018, Songa Container AS issued a $130 million secured bond loan. The bond has floating interest rate, of 3M LIBOR plus a margin of 6%. The bond shall be repaid in full on the maturity date which is 14 December 2021. The bond was listed at Oslo Stock Exchange 6 June 2019.

Lender	Principal amount	Margin	Instalments/Repayments in 2019	Balance per 31.12.2019
Bond financing	130 000 000	6,00 %	0	130 000

The following main financial covenants for the Group are defined in the terms for the bond loan:

- the Vessel loan-to-value measures shall not exceed 75 %; and
- the Group shall maintain a minimum liquidity of 5 % calculated on the outstanding bond of $130 million.

The Group is in compliance with all bond covenants as of 31 December 2019

Security Bond financing

Each subsidiary of Songa Container AS irrevocably and unconditionally jointly and severally guarantees (Nw. "selvskyldnerkausjon") for the obligations.

As security Nordic Trustee AS, the trust for the Bond owners, has, in addition to the guarantees described above, security with first priority by (i) mortgages over the vessels owned by the subsidiaries, (ii) pledge of shares in the subsidiaries, (iii) assignment in all intra group loans, (iv) assignment of insurances in respect of the vessels owned by the subsidiaries, (v) factoring agreements over all earnings of the subsidiaries, (vi) assignment in the escrow account, and (vii) assignment in all securities held by Songa City as security for loans granted by Songa City AS.

	2019	2018
Shares in subsidiaries	130 990	90 166
Escrow account	22 175	41 990
Intra group loans (net)	35 780	68 195
Total book value of pledged assets	**188 945**	**200 351**

Note 10 Tanglible assets

	Machinery and equipment	Constr. in progress	Total
Acquisition cost 01.01.2019	0	0	0
Acquisitions	3 826	3 441	7 267
Disposals	0	0	0
Acquisition cost 31.12.2019	**3 826**	**3 441**	**7 267**
Acc. depreciation 31.12.2019	-11	0	0
Acc. impairment 31.12.2019	0	0	0
Net value 31.12.2019	**3 815**	**3 441**	**7 256**

		Constr. in progress	Total
Impairment for the period	0	0	0
Depreciations for the period	11	0	0
Depreciation rate	7%	Not finalized per 31.12.19	

Note 11 Subsequent events

In accordance with the rules in NRS 3 on events after the balance sheet date, as well as the rules in the Accounting Act on continuing operations, the Group's board of directors and management refer to the ongoing Covid-19 outbreak. The Group is, like almost all businesses, affected by the outbreak. Songa Container AS will, in the opinion of the Board, be affected by an uncertain market, delays in shipyards with regards to scrubber retrofit and potentially charterers coming into financial distress as well as challenges if crew members are hit by the Covid-19, and Covid-19 will also result in a potential uncertainty with regards to repayment of outstanding receivables. As a consequence of this there is a risk of a potentially breach of the company’s financial covenants in the Loan Agreement. At the time of preparation of the annual accounts, assuming a continued market scenario of weak container charter rates and low spreads obtainable on the fuel spreads, it is the opinion of the Company that it will go in breach with the minimum cash covenant under the Bond Terms unless additional equity is raised or other adaptions are made.

The Group is in compliance with the financial bond covenants per 31 December 2019 and per 29 April 2020, meaning that the Group’s vessel LTV is below 75 % and that the Group is in compliance with the minimum cash requirement of 5 % of the outstanding bond, equal to $6.5 million, The management do consider the sensitivity of the vessel LTV going forward on a running basis and they continuously follow the development of the cash positions for the Group. The management has a close dialogue with Nordic Trustee, which represent the bond holders, and the shareholders with regards to both the financial bond covenants and the capital requirement for the Group.

On 10 March 2020, Songa Container AS completed an equity private placement supported by the existing shareholders. The Group issued new shares at a subscription price equal to a total of $5.0 million. The management continuously considering the need of capital from the existing shareholders to ensure sufficient liquidity reserves for the operation of Group.

How the outbreak will affect the assumption of going concern will depend on how long this situation will last, what measures the authorities will take, and how the aforementioned risks will actually affect the Group. However, based on the situation and the information available at the present time, the Board of Directors considers it reasonable to use the assumption of going concern in the preparation of the annual accounts