

Tufton Oceanic Assets Limited

Annual Report and Audited Financial Statements

For the year ended 30 June 2021

Contents

	Page
Highlights	2
Chairman's Statement	3
Investment Manager's Report	8
Principal Risks and Uncertainties	23
Corporate Summary	27
Corporate Governance Statement	28
Statement of Directors' Responsibilities	32
Report of Directors	34
Audit Committee Report	50
Independent Auditor's Report	53
Statement of Comprehensive Income	63
Statement of Financial Position	64
Statement of Changes in Equity	65
Statement of Cash Flows	66
Notes to the Financial Statements	67
Corporate Information	90
Definitions	92
Notice of AGM	97
Form of Proxy	106

Highlights

- Tuffon Oceanic Assets Limited (the "Company") had a profit for the year of US\$79.5m, or US\$0.307 per Share.
- Encouraged by the resilient performance in 2020 and the increased charter coverage, in January 2021 the Company raised its target annual dividend to US\$0.075 per Share from US\$0.070 per Share. The Company paid a dividend of US\$0.0175 per Share for 3Q20 and a quarterly dividend of US\$0.01875 per Share for the following three quarters.
- With continued strong performance, the Company has further raised its target annual dividend from US\$0.075 to US\$0.08 per share, commencing 3Q21. After the increase, the Investment Manager's forecasted dividend cover¹ over the next 12-18 months will average c.1.7x despite not being fully invested following the divestment of the containership Kale.
- The NAV per Share increased from US\$0.931 as at 30 June 2020 to US\$1.158 as at 30 June 2021. The NAV total return for the financial year was 33.3%.
- As at 24 August 2021, the Company's Shares traded at a premium of c.13% to the ex-dividend 30 June 2021 NAV.
- During the financial year, the Company agreed to divest four vessels and to acquire nine vessels. The overall return from the agreed divestments greatly exceed the Company's targets. Of the nine agreed acquisitions, seven vessels were delivered during the financial year and two after the end of the year.
- After the financial year end, in July 2021 the Company agreed to divest the containership Citra with a realised net IRR of 47% and agreed to acquire the bulker Idaho at below depreciated replacement cost ("DRC").
- As at 30 June 2021, all delivered vessels except Candy and Golding were employed on fixed rate charters. Candy is on a floating rate time charter, subject to a floor and a ceiling. Golding is employed in a chemical tanker pool.
- As at 30 June 2021, the average expected charter length (EBITDA weighted) was c.2.3 years.
- The Company's fleet had no unplanned commercial idle time (voids) during the financial year.
- The Investment Manager took active measures to expedite crew relief on the Company's vessels. As a result, only c.16% of the crew on board the Company's vessels were overdue for rotation at the end of July 2021 compared to c.40% in July 2020. The International Maritime Organisation ("IMO") estimates that globally 250,000 seafarers (c.25%) were overdue for rotation as at July 2021.
- The average energy efficiency of the Company's fleet in 2020, as measured by the Energy Efficiency Operational Indicator ("EEOI"), improved by c.2% compared to 2019. Based on 2020 EU Monitoring, Reporting and Verification ("MRV") data, the Company's fleet EEOI is c.6% better than its peer group.
- On 5 January 2021, the Company announced that the long-planned ownership change at the Investment Manager, where senior management took a larger stake and a family office bought out most other shareholders, was completed.

¹ EBITDA less capex less debt service, divided by dividends for the period

Chairman's Statement

Introduction

On behalf of the Board, I present the Company's Annual Report and Audited Financial Statements for the year ended 30 June 2021.

Since I last communicated with you in March 2021 there has been a great deal of change in the global economic markets which have largely had a positive impact on shipping, although this has varied between individual sectors which is discussed in the Investment Manager's Report on pages 8 to 22.

The Investment Manager continues to manage the Company in order to produce superior risk adjusted returns. During the financial year, the Company agreed to acquire nine vessels of which seven were delivered during the year and two were delivered after the year end. The Company also agreed to divest four vessels. The overall return from the divested vessels greatly exceeded the Company's targets. The fleet as at the end of the financial year consisted of four handysize bulkers, nine containerships and eight tankers, with one handysize bulker and one chemical tanker pending delivery to the Company. There is a further breakdown of the portfolio in the Investment Manager's Report on page 14. After the financial year, in July 2021, the Company also agreed to acquire a bulker and divest a containership, which will complete in 2H21, bringing the total number of vessels to twenty-one.

The NAV per Share increased from US\$0.931 as at 30 June 2020 to US\$1.158 as at 30 June 2021. The NAV total return for the financial year was 33.3%.

Covid-19

The global economy started recovering from the impacts of Covid-19 from the end of 1H20. The market for containerships and bulkers has recovered but an ongoing recovery in oil demand growth and capacity in floating storage returning to the market remains an overhang for tankers.

The Company benefited from diversification between the different segments of shipping. The tanker market was strong in the first half of 2020 while the containership market was weak. The roles were reversed over the second half of 2020 and first half of 2021.

As noted previously, the Investment Manager has, where possible, mitigated the impact of the global humanitarian crisis of crew members stranded on board commercial vessels due to Covid-19 related travel restrictions. The Investment Manager took active measures to expedite crew relief on the Company's vessels. As a result, only c.16% of the crew on board the Company's fleet were overdue for rotation at the end of July 2021 compared to c.40% in July 2020. The IMO estimates that globally 250,000 seafarers (c.25%) were overdue for rotation as at July 2021.

Performance

As at 30 June 2021, the Company's NAV was US\$312.6m being US\$1.158 per Share (US\$0.931 per Share as at 30 June 2020). The Company declared a profit of US\$79.5m or US\$0.307 per Share for the year with the NAV total return over the year of 33.3%.

Chairman's Statement (continued)

Performance (continued)

Encouraged by the Company's performance in 2020 and increased charter coverage, we approved that the Company raise its target annual dividend to US\$0.075 per Share from US\$0.07 per Share in January 2021. In 1H21, the Company fixed several vessels on charters at higher rates compared to their previous charters, agreed to divest vessels on low rate charters with returns exceeding targets and also agreed to acquire several vessels with charters at higher rates compared to the previous year. After the financial year, following the continued strong performance and increased portfolio cash flow, we approved that the Company further raise its target annual dividend from US\$0.075 to US\$0.080 per Share, commencing from 3Q21. After the increase, the Investment Manager's forecasted dividend cover over the next 12-18 months will average c.1.7x despite not being fully invested following the divestment of the containership Kale.

During the year, the Company's share price increased from US\$0.915 per Share as at the close of business 30 June 2020 to US\$1.150 per Share as at the close of business 30 June 2021.

In terms of performance drivers, containership values in particular rebounded strongly as the market benefited from pent-up demand and inventory re-stocking after the 1H20 lockdowns, as well as shifts in consumer activity towards goods. Along with strong portfolio operating profit and cash flows, the Company benefited from non-cash fair value gains as asset values recovered.

Tap Issues

On 25 March 2021, the Company announced the results of its tap issue of 15,000,000 Shares at US\$0.98 per tap issue share, which raised gross proceeds of US\$14.7m. 14,700,000 new Ordinary Shares were admitted to trading on the Specialist Funds Segment of the Main Market of the London Stock Exchange plc. The balance of 300,000 Ordinary Shares under the tap issue were issued out of Treasury and represent all of the Company's shares that were held in Treasury.

The total number of voting rights of the Company as at 30 June 2021 is 270,037,638.

After the end of the financial year, on 30 July 2021, the Board announced a tap issue of 10,533,763 new Ordinary Shares at a price of US\$1.18 per tap issue share. The tap issue shares will be eligible for the dividend to be paid in November 2021.

Discount Management

During the first half of the financial year, the Company's Shares traded at a discount to NAV. The discount to NAV, although initially narrow, widened to more than 10% at the end of August 2020. In August and September 2020, the Company (in accordance with the authority granted to it by Shareholders) repurchased 300,000 shares at a cost of US\$247,125. Refer to note 6 for more details.

The repurchased shares were held in Treasury and re-issued as part of the Company's tap issue in March 2021. As at the end of the financial year, no Shares were held in Treasury.

Chairman's Statement (continued)

Dividends

During the year the Company declared and paid dividends to Shareholders as follows:

Period end	Dividend per share (US\$)	Announcement date	Ex div date	Record date	Paid date
Ordinary Shareholders					
30.06.20	0.0175	30.07.20	06.08.20	07.08.20	21.08.20
30.09.20	0.0175	26.10.20	05.11.20	06.11.20	20.11.20
31.12.20	0.01875	21.01.21	28.01.21	29.01.21	12.02.21
31.03.21	0.01875	22.04.21	29.04.21	30.04.21	14.05.21

The dividend for the prior year (ending 30 June 2020) was paid during the financial year on 21 August 2020. A dividend was declared on 22 July 2021 for US\$0.01875 per Share for the quarter ending 30 June 2021. The dividend was paid on 13 August 2021 to holders of Shares on record date 30 July 2021 with an ex-dividend date of 29 July 2021.

Corporate Governance

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

Where the Company's stakeholders, including Shareholders and their appointed agents, have matters they wish to raise with the Board in respect to the Company, I would encourage them to contact us at SHIP@tuftonocanicasets.com.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held on 20 October 2021 at 9.30 am BST the details of which are set out in the AGM notice and Proxy form on pages 98 to 110. Due to continuing and evolving Covid-19 restrictions, whilst members may be permitted to physically attend the AGM in person, members are strongly encouraged to appoint a Guernsey-based proxy in order to vote on the resolutions on their behalf, in accordance with the instructions set out in the Notice and the accompanying form of proxy. The most up-to-date details of restrictions due to Covid-19 may be accessed via the States of Guernsey website, (<https://covid19.gov.gg/>).

At the last AGM held on 23 October 2020, the resolutions were all duly passed. There were significant votes (16.9% of the votes cast at the meeting) against the resolution to approve the authority to issue and allot Shares as if the pre-emption rights in the Articles of Association of the Company are disapplied. The Directors believe that it is in the best interest of the Company to have the ability to issue additional Shares as required and at the appropriate time.

Chairman's Statement (continued)

Annual General Meeting (continued)

Where Shareholders or their appointed agent have matters they wish to raise with the Board at the AGM in respect to the Company, I would encourage them to contact us at SHIP@tuftonoceanicassets.com ahead of the AGM date.

Environmental, Social, Governance ("ESG")

Our Investment Manager continues to integrate ESG factors into its investment decisions and asset ownership practices. As you will see in the Investment Manager's report on pages 18 to 22 there is significant focus given to the ESG aspects of the Company's operations. The Investment Manager has adopted a proactive approach to emissions reduction through a program to select Energy Saving Devices ("ESDs") for the Company's vessels in the medium term while considering investments in zero-emission capable vessels for the longer term.

Crew welfare continued to be a significant area of focus over the financial year with travel restrictions imposed during successive waves of the Covid-19 pandemic delaying crew rotations. Our Investment Manager engaged with each vessel's technical manager to address crew issues and facilitate rotations as necessary. As a result, the proportion of delayed crew members on the Company's vessels have been consistently lower than industry reported averages. The Investment Manager continues to promote best practices among its suppliers and has organised regular, independent inspections of the Company's vessels.

ESG initiatives represent an opportunity for a proactive Investment Manager with a well-capitalised fleet. Since December 2018, our Investment Manager is a signatory of the United Nations Principles of Responsible Investment ("UN PRI") which has become an industry standard and is a further step in embedding responsible investment in the Company. The Board has reviewed and approved the Investment Manager's Responsible Investment policy and implementation report for the Company. Shareholders can view the policy and the implementation report on its website, (<http://www.tuftonoceanicassets.com>).

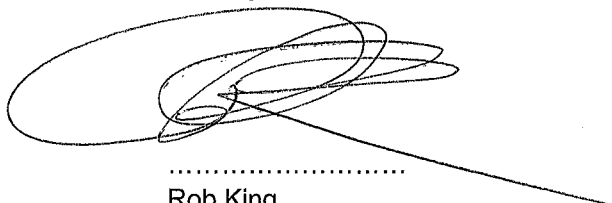
Outlook

At the end of the financial year, the Company had charter cover of c.2.3 years. After the Company raised its target annual dividend from US\$0.075 to US\$0.080 per share, commencing from 3Q21, the Investment Manager's forecasted dividend cover over the next 12-18 months will average c.1.7x despite not being fully invested following the divestment of the containership Kale. I am encouraged by the Company's performance over the financial year and believe the strategy of diversification, strong charter cover and low leverage will enable the Company to grow profitably in the coming years. The benefit of diversification between the three main segments of shipping have particularly been proven over the Covid-19 pandemic. The strong performance of tankers in 1H20 and containerships in 1H21 have helped the Company deliver strong risk adjusted performance. Investor confidence in the Company's strategy and the shipping market was apparent from the high levels of interest in the Company's Shares and oversubscription of the tap issue concluded on 6 August 2021.

Chairman's Statement (continued)

Outlook (continued)

I would like to thank my fellow Directors for their commitment and support during these difficult times, the Investment Manager and their team for their diligence in dealing with complex and challenging operational matters which were greatly increased due to the impact of Covid-19. I would also like to take this opportunity to thank our Shareholders for their support and continued belief in our strategy. Although it seems old news I should also welcome Christine who joined the board during the year!!

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

.....
Rob King

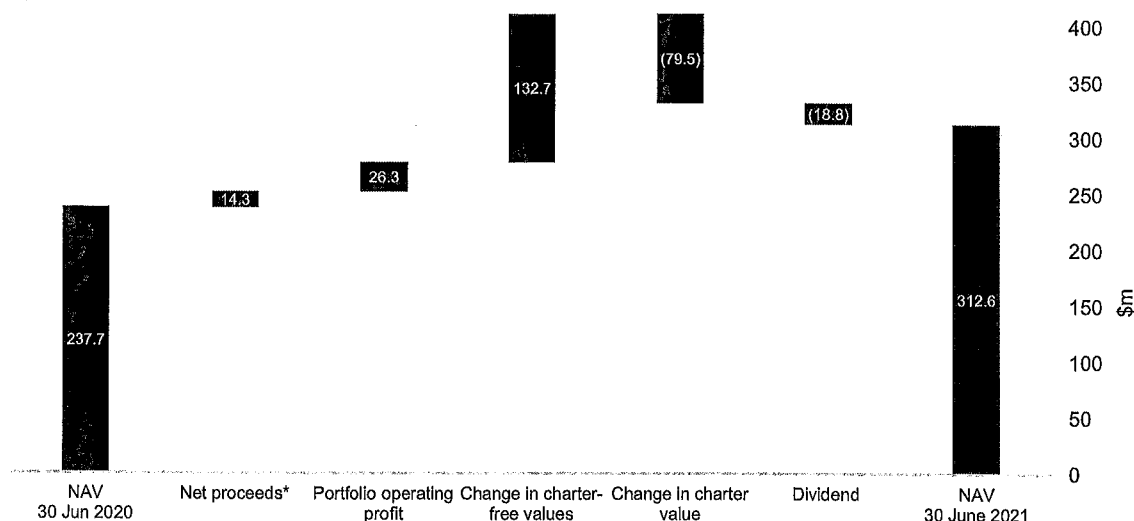
Non-executive Chairman

Investment Manager's Report

Highlights of the Financial Year

The portfolio operating profit² was strong at US\$26.3m. There was a fair value gain of US\$132.7m in charter-free values in the strong containership and bulker markets. The gain in charter-free values was partially offset by a US\$79.5m fall in charter value as benchmark time charter rates rose, i.e. an increase in "under-renting". The total negative charter value in the portfolio of US\$71.7m will trend to zero (i.e. increase NAV) in the medium term *ceteris paribus*.

NAV total return for the year was 33.3%.



* Net of c.US\$0.25m share buyback

Encouraged by the resilient performance in 2020 and increased charter coverage, in January 2021 the Company raised its target annual dividend to US\$0.075 per Share from US\$0.070 per Share. After the financial year, following the continued strong performance and increased portfolio cash flow, the Company further raised its target annual dividend from US\$0.075 to US\$0.080 per Share, commencing from 3Q21.

The Investment Manager believes the Company's strong portfolio operating profit and performance over the year, both on an absolute basis and relative to other asset classes, demonstrates its investment thesis and the effectiveness of its strategy. The Investment Manager's strategy of diversification across the major segments, conservative leverage and strong charter cover insulated the portfolio from market volatility even at the height of the Covid-19 pandemic as evidenced by the NAV development and growing dividend.

² Please see page 13

Investment Manager's Report (continued)

The financial year included the following highlights:

- As at 30 June 2021, the average expected charter length (EBITDA weighted) was c.2.3 years, insulating the portfolio from short-term volatility and offering strong cash flow visibility.
- The Company's fleet had no unplanned commercial idle time (voids) during the financial year.
- During the financial year, the Company agreed to divest four vessels and to acquire nine vessels. The overall return from the divested vessels greatly exceeded the Company's targets. Of the nine agreed acquisitions, seven vessels were delivered during the financial year and two after the end of the year.
- In parallel with the acquisitions of the product tankers, Cocoa and Daffodil, a subsidiary of the Company completed a non-recourse debt financing of US\$24.0m with an all-in cost below 5.0%. The loan is secured on four of the Company's product tankers: Cocoa, Daffodil, Pollock and Dachshund.
- The long-term charters on all of the Company's product tankers largely insulate the Company from a weak tanker market.
- As the containership and bulker markets strengthened, Swordfish, Kale, Riposte and Lavender were chartered at much higher rates compared to their previous charters.
- The dividend cover³ for the financial year was c.1.0x. The main reasons for cover being at c.1.0x during the year were capex and off-hire for scheduled special surveys on three vessels, and the Company not being fully invested throughout the year.
- After the financial year, following the continued strong performance and increased portfolio cash flow, the Company raised its target annual dividend from US\$0.075 to US\$0.080 per Share, commencing from 3Q21. After the increase, the Investment Manager's forecasted dividend cover over the next 12-18 months will average c.1.7x despite not being fully invested following the divestment of the containership Kale.
- In July 2021, after the financial year end, the Company agreed to divest the containership Citra with a realised net IRR of 47% and agreed to acquire the bulker Idaho at below DRC.
- The Investment Manager took active measures to expedite crew relief on the Company's vessels. As a result, only c.16% of the crew on board the Company's vessels were overdue for rotation at the end of July 2021 compared to c.40% in July 2020. The IMO estimates that globally 250,000 seafarers (c.25%) were overdue for rotation as at July 2021.
- The average energy efficiency of the Company's fleet in 2020, as measured by the EEOI, improved by c.2% compared to 2019. Based on 2020 EU MRV data, the Company's fleet EEOI is c.6% better than its peer group of more than 1,500 vessels.

³ EBITDA less capex less debt service, divided by dividends for the period

Investment Manager's Report (continued)

The Assets

As at 30 June 2021, the Company owned twenty-one vessels. Neon operates on a bareboat charter, under which the Company provides only the vessel to the charterer, who is responsible for crewing, maintaining, insuring and operating it. All other vessels operate on time charter contracts or in pools, under which the Company provides fully operational and insured vessels.

Containerships

- Kale, Patience, Riposte and Vicuna are chartered to a major investment grade container shipping group. During the year the Company agreed to divest Kale for US\$21.5m with a realised IRR of 31%. The divestment will complete shortly after the expiry of the current charter in October 2021.
- Parrot is chartered to another leading global container shipping group.
- Citra was chartered to a leading private operator of containerships specialising in fresh fruit transportation. Citra's charter was extended for 12-13 months from December 2020. After the end of the financial year, the Company agreed to divest Citra for US\$33m with a realised net IRR of 47%.
- Swordfish is on a time charter to the subsidiary of a listed company based in Asia for 15-17 months from May 2021 at a much higher rate compared to its previous charter.
- The Company acquired Echidna and Candy, which are chartered to a major investment grade container shipping group. Both vessels are fitted with exhaust gas scrubbers. Echidna has a fixed rate charter and Candy has a floating rate time charter, subject to a floor and a ceiling. Both charters will continue until November 2023 (earliest) – February 2025 (latest).

Tankers

- The Company divested Bear, a crude oil tanker, for US\$19.0m just before the vessel's next major capex event. The return greatly exceeded the Company's target. The crude oil tanker market was very strong in 1H20 as a result of high demand for floating storage but weakened in 2H20 following OPEC production cuts and the negative impact from Covid-19 on oil demand.
- Cocoa and Daffodil were acquired during the year for US\$23.0m. In parallel with the acquisitions, a subsidiary of the Company completed a non-recourse debt financing of US\$24.0m with an all-in cost below 5.0%. The loan is secured on Pollock, Dachshund, Cocoa and Daffodil.
- Octane and Sierra commenced new charters in 2Q21 to an investment grade oil major for at least 36 months.
- The Company agreed to acquire two chemical tankers. Golding was acquired in April 2021 for US\$15.2m. Towards the end of the financial year, the Company agreed to acquire Orson for US\$9.8m. The acquisition was completed in July 2021. Both Orson and Golding are employed in a leading chemical tanker pool. As described in the Company's Prospectus, a pool is a revenue sharing structure run by a specialist third party or another shipowner, together with other similar vessels.
- The gas carrier Neon operates on a bareboat charter, under which the Company provides only the vessel to the charterer, who is responsible for crewing, maintaining, insuring and operating it.

Investment Manager's Report (continued)

The Assets (continued)

Bulkers

- The Company acquired Lavender during the financial year for US\$10.6m and the vessel was delivered to the Company in January 2021. The vessel is on a time charter which was recently extended for 14-17 months from February 2022 at a much higher rate compared to its current charter.
- Mayflower was delivered to the Company in June 2021. Upon its delivery, the vessel commenced its 11-13 month time charter.
- The Company agreed towards the end of the financial year to divest Aglow and Antler, which were acquired for less than 70% of DRC in 2018 and early 2020, at 100% of DRC with returns materially exceeding targets. The Company agreed to acquire a more fuel-efficient bulker, Laurel, for US\$13.35m. Laurel is already fuel-efficient versus its peer group and will be retrofitted with Energy Saving Devices ("ESDs") in 3Q21. It is on a two-year charter from September 2021.

The vessels in the fleet are well maintained and have performed to expectations. Octane, Sierra and Aglow had their scheduled special surveys during the financial year.

After the end of the financial year:

In July 2021, the Company agreed to acquire an ultramax bulker, Idaho, which will be delivered to the Company in October 2021. Upon its delivery, the vessel will have its planned special survey and ESDs retrofit, after which it will be employed on a 15-19 month time charter. The vessel is being acquired with the proceeds of the sale of the containership Kale, as announced in early July 2021.

The Company agreed to divest the containership Citra for US\$33m. The realised net IRR will be 47%. Citra was acquired in December 2018 for US\$13.1m.

The Investment Manager continues to identify an attractive pipeline of opportunities across a range of the Company's target sectors. While the Investment Manager aims to hold investments over the longer term, it will continue to consider divestment opportunities that generate additional value for Shareholders.

As at 30 June 2021:

SPV ⁺	Vessel Type and Year of Build	Acquisition Date	Earliest end of charter period	Latest end of charter period	Expected end of charter period**
Swordfish	1700-TEU containership built 2008	February 2018	August 2022	October 2022	October 2022
Kale*	1700-TEU containership built 2008	February 2018	Vessel divested (pending closing)		
Patience	2500-TEU containership built 2006	March 2018	July 2021	October 2022	October 2022
Riposte	2500-TEU containership built 2009	March 2018	February 2023	July 2023	July 2023

Investment Manager's Report (continued)

The Assets (continued)

SPV*	Vessel Type and Year of Build	Acquisition Date	Earliest end of charter period	Latest end of charter period	Expected end of charter period**
Neon	Mid-sized LPG carrier built 2009	July 2018	August 2025	August 2025	August 2025
Dragon	Handysize bulker built 2010	September 2018	October 2021	February 2022	February 2022
Citra	2500-TEU containership built 2006	November 2018	December 2021	January 2022	January 2022
Sierra	Medium-range product tanker built 2010	December 2018	June 2024	August 2024	August 2024
Octane	Medium-range product tanker built 2010	December 2018	May 2024	July 2024	July 2024
Pollock	Handysize product tanker built 2008	December 2018	February 2023	February 2024	February 2023
Parrot	8200-TEU containership built 2006	July 2019	May 2025	May 2025	May 2025
Vicuna	2500-TEU containership built 2006	October 2019	October 2022	October 2024	October 2024
Dachshund	Handysize product tanker built 2008	February 2020	March 2023	March 2024	March 2023
Antler*	Handysize bulker built 2012	March 2020	Vessel divested (closed in July 2021)		
Cocoa	Handysize product tanker built 2008	October 2020	October 2023	October 2024	October 2023
Daffodil	Handysize product tanker built 2008	October 2020	October 2023	October 2024	October 2023
Lavender	Handysize bulker built 2010	October 2020	April 2023	July 2023	July 2023
Echidna	2500-TEU containership built 2003	December 2020	November 2023	February 2025	February 2025
Candy	2500-TEU containership built 2004	December 2020	November 2023	February 2025	February 2025
Golding	25,600 DWT stainless steel chemical tanker built 2008	April 2021	NA – vessel is employed in a pool		
Mayflower	Handysize bulker built 2011	June 2021	April 2022	July 2022	July 2022
Laurel++	Handysize bulker built 2011	July 2021	May 2023	September 2023	September 2023
Orson++	20,000 DWT stainless steel chemical tanker built 2007	July 2021	NA – vessel is employed in a pool		

Notes:

+ SPV that owns the vessel

** Based on assessment of the prevailing market conditions (as at 30 June 2021) by the Investment Manager

++ Pending delivery as at the end of the financial year

* Details excluded for vessels agreed to be divested during, but with closings after, the financial year

Investment Manager's Report (continued)

Investment Performance

NAV per Share was US\$1.158 at 30 June 2021. Portfolio operating profit contributed US\$0.101 per Share and there was a gain in fair value of US\$0.206 per Share. Containership and bulker values rebounded strongly as the market benefited from pent-up demand and inventory re-stocking after the 1H20 lockdowns, as well as shifts in consumer activity towards goods. The effect of strong demand was accentuated by ongoing regional port congestion caused by Covid-19 related restrictions. NAV total return over the financial year was 33.3%. The lower year-on-year portfolio operating profit (defined as gross operating profit and interest income less loan interest & fees less Company level fees & expenses) was impacted mainly by the smaller contribution of the divested crude tanker (Bear) in the current financial year after its very strong performance in the previous financial year, and charters for bulkers and containerships which were agreed when the market impact of Covid-19 was most significant. During the financial year, the Company secured charters for several of its vessels at significantly higher rates than their previous charters.

Key figures:

<i>Figures below are in US\$ millions unless otherwise stated</i>	From 1 Jul 2020 to 30 Jun 2021	From 1 Jul 2019 to 30 Jun 2020
<i>Total ship-days¹</i>	6,695	5,763
Revenue ²	73.4	63.0
Operating expense ³	(42.6)	(31.1)
Gross operating profit⁴	30.8	31.9
Gross operating profit / time-weighted capital employed⁵	11.9%	14.3%
Loan interest and fees	(1.5)	(0.1)
Gain/(loss) in capital values ⁶	53.2	(30.4)
Portfolio profit	82.5	1.4
Interest income	0.0	0.2
Company level fees and expenses ⁷	(3.0)	(2.8)
Profit for the period	79.5	(1.2)
Portfolio Operating Profit⁸	26.3	29.1

Notes

¹ Ship-days: Total number of days owned in the Company's fleet for all the ships over the financial year

² Revenue refers to charter income net of broker commissions and charter related costs

³ Operating expense refers to expenses incurred during vessel and subsidiary company operations

⁴ Gross operating profit measures operating income before gain/(loss) of capital values, loan interest, fees, and all other fund level expenses

⁵ Gross operating profit divided by the time weighted capital invested in vessels (incl. working capital and reserves)

⁶ Non-cash fair value gains and losses from marking assets to market in accordance with the valuation policy of the Company

⁷ Fund level fees include investment management fee and other professional fees and expense

⁸ Portfolio operating profit is gross operating profit and interest income less loan interest and fees, Company level fees and expenses

Investment Manager's Report (continued)

Investment Performance (continued)

Encouraged by the resilient performance in 2020 and increased charter coverage, the Company in January 2021 raised its target annual dividend to US\$0.075 per Share from US\$0.070 per Share. The Company therefore paid a 3Q20 dividend of US\$0.0175 and a quarterly dividend of US\$0.01875 per Share thereafter during the financial year.

The dividend cover for the financial year was c.1.0x. The main reasons for cover being at c.1.0x during the period were capex and off-hire for scheduled special surveys on three vessels and the Company not being fully invested throughout the year. After the financial year, following the continued strong performance and increased portfolio cash flow, the Company further raised its target annual dividend from US\$0.075 to US\$0.080 per Share, commencing from 3Q21. After the increase, the Investment Manager's forecasted dividend cover over the next 12-18 months will average c.1.7x despite not being fully invested following the divestment of the containership Kale.

Portfolio performance by segment

Containership time charter rates rose to their highest levels since 2009 and asset values followed resulting in a gain in capital value of US\$50.2m despite the adverse impact of a US\$67.6m fall in charter value. Product tankers had strong operating profit as the long-term charters on all of the Company's product tankers largely insulated the Company from a weak tanker market. The performance of the crude tanker (Bear) in the financial year was negative as asset values fell after its strong performance in the preceding financial year. Ongoing weakness in the tanker market since the divestment vindicates the timing of the divestment. The bulkers in the fleet completed their short-term charters at relatively low rates and commenced new charters during 2H20 at a higher average rate compared to their previous charters.

Segment Performance During the Financial Year	Crude tanker	Product & chemical tankers	Gas tanker	Containerships	Bulkers	Total
<i>\$m unless otherwise stated</i>						
Gross operating profit	2.2	8.7	4.2	13.9	1.8	30.8
Loan interest & fees	-	(0.9)	-	(0.6)	-	(1.5)
Gain/(loss) in charter-free values	(4.2)	(1.9)	(0.9)	117.8	21.9	132.7
Gain/(loss) in charter values	(0.2)	1.9	-	(67.6)	(13.6)	(79.5)
Portfolio profit	(2.2)	7.8	3.3	63.5	10.1	82.5

Segment Exposure and Forecast Yields*	Product & chemical tankers	Gas tanker	Containerships	Bulkers	Total
% of NAV	29.2%	8.7%	35.3%	15.9%	89.1%
Forecast Net Yields	11.3%	14.9%	15.2%	17.9%	14.2%

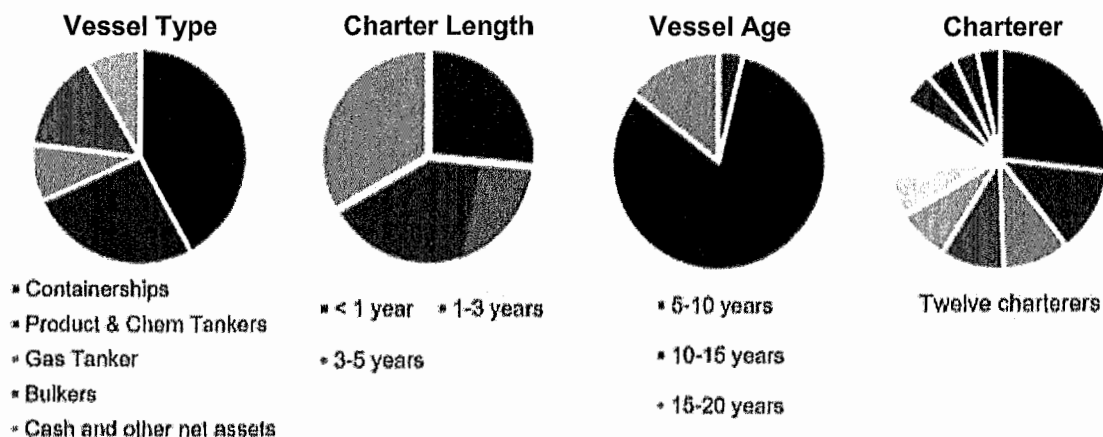
* Proforma fleet at the end of the financial year. Includes Laurel and Orson that the Company had agreed to acquire during the financial year with closings in 2H21. Also includes Antler and Kale, which the Company had agreed to divest during the financial year with closings in 2H21. Vessels that are being divested are included in the yield calculation through their expected closing dates.

As at 30 June 2021, vessels corresponding to more than 73%, by value, of the portfolio have charter coverage greater than one year. The vessels in the portfolio were chartered to twelve different counterparties. Exposure to tankers totalled c.35%, containerships represented c.42% and bulkers c.15% of NAV.

Investment Manager's Report (continued)

Portfolio performance by segment (continued)

Portfolio breakdowns as at 30 June 2021



The Shipping Market

The shipping market had a broad recovery from the impact of Covid-19 from the beginning of the financial year, with rates and asset values in many segments surprising positively towards the end of the year. The Clarksea Index, a broad indicator of weighted average earnings from Clarksons Research across the main commercial vessel types, ended the year at c.US\$28,484 per day (+145% from the end of June 2020), with large gains in the containership and bulkier segments.

Some notable highlights of the shipping market, based on Clarksons Research, include:

- Global seaborne trade is expected to grow by 4.6% (ton-miles) to a new record high in 2021 after contracting by 1.7% in 2020. Seaborne trade grew by c.3.3% CAGR in the two decades leading up to 2020.
- Fleet growth decelerated to 3.0% in 2020 and is expected to slow further to 2.4% in 2021 and 1.2% in 2022 as the global orderbook is close to its lowest levels in more than three decades, at only c.8.5% of the fleet compared to over 50% in 2008.
- Over the year ending 30 June 2021, compared to the previous 12 months:
 - Average 12-month time charter rates for handysize bulkiers rose c.26% YoY.
 - Average 12-month time charter rates for 2500-TEU containerships rose c.50% YoY.
 - Average 12-month time charter rates for handysize product tankers fell c.24% YoY.

Shipping markets benefited from a recovery in global GDP growth. For the full year 2020, the IMF estimated that world GDP contracted by c.3.2% compared to its previous forecast of a 4.9% contraction. World GDP growth recovered from the end of 1H20, supported by unprecedented fiscal and monetary stimulus measures. As of July 2021, the IMF forecasts global real GDP growth of 6% in 2021 and 4.9% in 2022.

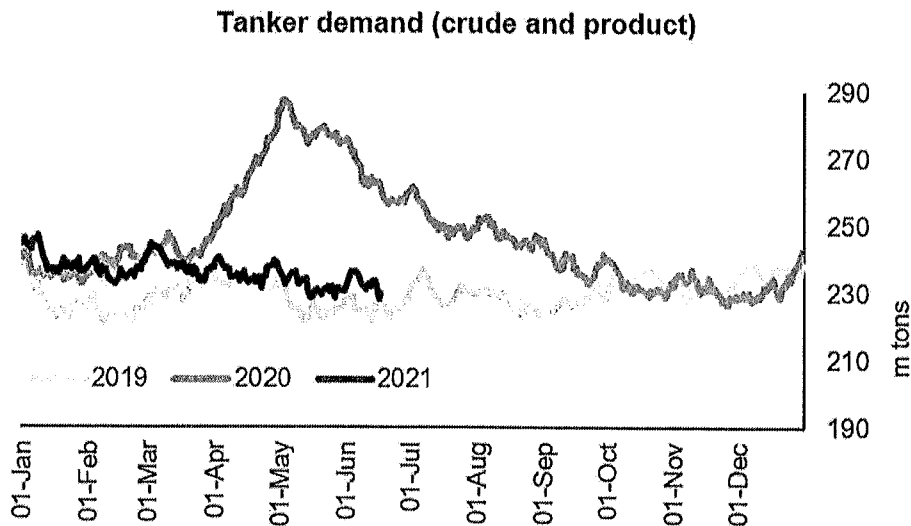
Investment Manager's Report (continued)

The Shipping Market (continued)

The Company targets acquisition candidates from the three main shipping segments of tankers, containerships and bulkers. This market review utilises data from the Investment Manager's Tufton Real Time Activity Capture System ("TRACS") which analyses satellite data to track the international shipping fleet by the major segments. TRACS data utilises the draught of each vessel as a proxy for its loading or utilisation and thereby enables the Investment Manager to have a close to real-time measure of shipping demand. Unless otherwise specified, research data used in the section is from Clarksons Research.

Tankers

According to the US EIA, global oil demand fell by c.8.5% in 2020 led by declines in OECD countries. Global oil demand is forecast to recover to pre-pandemic levels only in 2022. TRACS data shows that tanker demand peaked in early May 2020 and declined until end of 2020 and has remained lacklustre until the end of the financial year. OPEC production declined by c.4m barrels per day over the same period, and tanker capacity contracted for floating storage was slowly released back into the market. As of July 2021, the tanker market remains weak. However, our expectation of a tanker market recovery in 2022 is supported by the ongoing improvement in global oil demand growth following the Covid-19 vaccine rollout, as well as the recent decision from OPEC and allies to increase production from August 2021. Supply side dynamics for tankers also look very supportive with the total product tanker orderbook at only c.6% of fleet at the end of the financial year. The Investment Manager also noted a recent increase in tanker recycling globally. In 1H21, 43 product tankers of 1.9m dwt were sold for recycling, equal to the total capacity scrapped in 2019 and 2020 combined. The Investment Manager believes the combination of demand recovery and slowing supply growth bodes well for the tanker market in 2022. All the Company's product tankers are on fixed rate, long term charters with an average duration of c.2.3 years as at the end of the financial year. Therefore, the Company's product tankers have been insulated from the market weakness over the financial year and are well positioned to benefit from a market recovery in 2022.



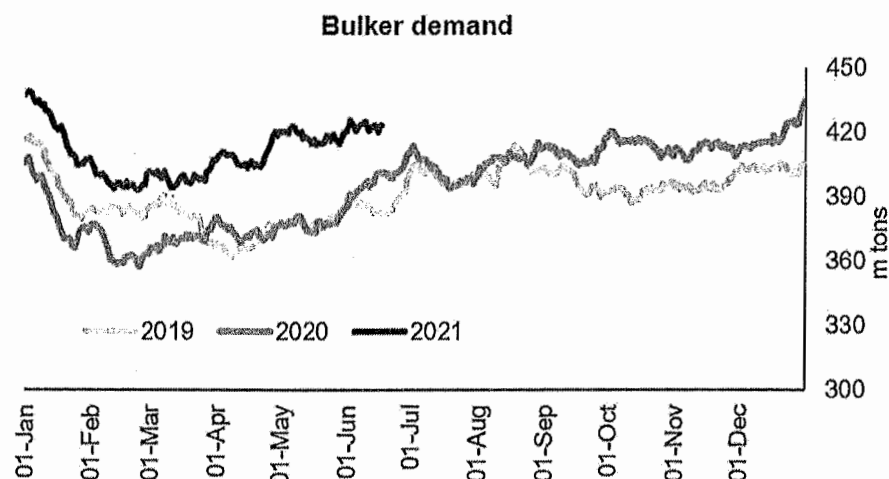
Source: TRACS

Investment Manager's Report (continued)

The Shipping Market (continued)

Bulkers

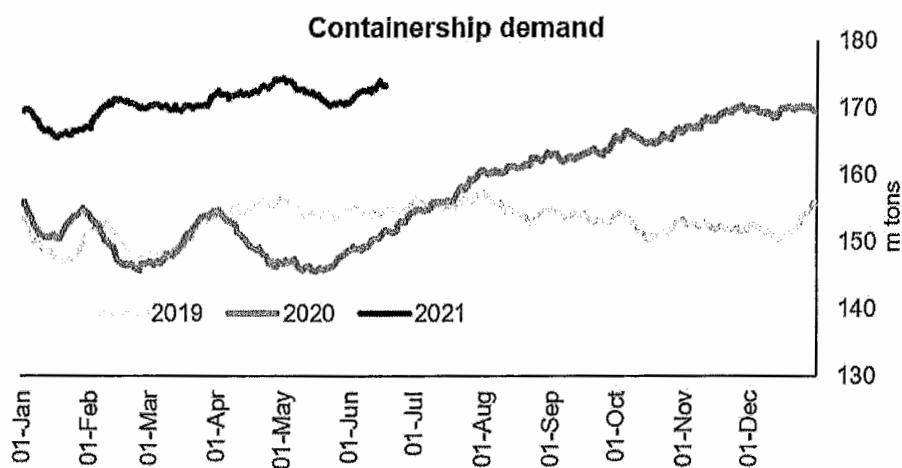
In contrast to tankers, the market for bulkers was weak in 1H20 but recovered in 2H20 as Covid-19 related restrictions were relaxed and demand for seaborne iron ore imports into China grew with the restart of the steel industry. The bulker market was also supported by strong demand for seaborne grain and, towards the end of the financial year the effect of strong demand was accentuated by ongoing regional port congestion in Asia caused by Covid-19 related restrictions. Towards the end of June 2021, the benchmark Baltic Dry Index (the index of average prices paid for the transport of dry bulk materials across more than 20 routes) rose to its highest levels since 2010.



Source: TRACS

Containerships

As expected, the containership market remained strong in 1H21. The effect of strong consumer demand and limited fleet growth was accentuated by regional port congestion. The Clarksons Research basket of average containership earnings rose to a record high at the end of June 2021.



Source: TRACS

Investment Manager's Report (continued)

The Shipping Market (continued)

The improvement in the shipping market has encouraged new orders from 4Q20. New ship orders over the year ending June 2021 were 58% higher than the previous twelve months. Growth has been driven by orders for large containerships and gas carriers. Despite the increase in new orders, the orderbook at c.8.5% of fleet remains close to 30-year lows. Uncertainty over future environmental regulations continues to play an important role in the limited ordering of newbuild vessels. According to Clarksons Research, an increasing array of technologies are being added to newbuild designs to meet new emissions reduction regulations from the IMO. The combination of rising commodity prices, tightening environmental regulations and lower shipyard capacity results in rising newbuild prices which in turn supports higher prices for second-hand vessels. The Clarksons Newbuilding Price Index rose c.9% over the year ending June 2021.

Asset values and time charter rates have started reflecting the Investment Manager's thesis of supply-side adjustment to varying degrees across the main segments. The increase in asset values and rates has been the highest in containerships. In a presentation dated 21 July 2021, the British International Freight Association noted that although current high rates may not be sustainable in the long term, "high levels will be maintained until the end of 2021 and possibly until Chinese New Year 2022". The Association supported the growing consensus that the "new normal" rates will be at a higher level than they were before the pandemic. Whilst the increase in bulker asset values and rates, supported by strong demand for commodities, has not been as dramatic as in containerships, the supply side looks supportive for bulkers with orderbook at only c.6% of fleet.

The tanker market remained weak over the year. Time charter rates remained close to multi-year lows as oil demand recovered slowly from the negative impact of Covid-19 and capacity tied up in floating storage from 1H20 re-entered the market. The Investment Manager expects that the tanker market will recover in 2022 as oil demand recovers to pre-pandemic levels. The recent decision from OPEC and allies to increase production from August 2021 will support the tanker market recovery.

The Investment Manager believes the shipping market is in the early stages of a multi-year upcycle because of the relative lack of investment in new capacity (supply) relative to strong demand growth. Investment in new capacity is discouraged by uncertainty over future environmental regulations. In addition, the combination of commodity price inflation and reduced shipyard capacity is increasing newbuild vessel prices and therefore supporting higher prices for second-hand vessels.

Environment, Social and Governance

The Investment Manager emphasises the principles of Responsible Investment in the management of clients' assets through awareness and integration of ESG factors into its investment process in the belief that these factors can have a positive impact on long term financial performance. The Investment Manager recognises that its first duty is to act in the best financial interests of the Company's Shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company. Since December 2018, the Investment Manager is a signatory of the United Nations Principles of Responsible Investment and has a Responsible Investment policy which is available on its website, (<http://www.tuftonoceanicassets.com>).

Investment Manager's Report (continued)

Environment, Social and Governance (continued)

Current areas of focus on ESG implementation include:

1. Assessment of the fuel efficiency and environmental impact of potential vessel acquisitions
2. Regular review of our fleet to identify opportunities for improving fuel efficiency and reducing environmental impact across the asset life cycle
3. Responsible vessel recycling
4. Health and safety of the crew on our vessels
5. Enhanced security to lower risk of contraband
6. Compliance with all international sanctions imposed by the US, UK, EU and the UN
7. Promoting acceptance and implementation of ESG principles (e.g. pollution prevention) with our business partners.

The Investment Manager devotes more than 4 Full Time Equivalent (FTE) to ESG integration related analysis and implementation across the firm in aggregate. Senior Management (i.e. the CEO and the CIO) of the Investment Manager are committed to Responsible Investment and oversee the implementation of the Company's Responsible Investment policy. The policy statement itself is reviewed at least annually and approved by the Company's Board of Directors. The Board also reviews implementation progress against the policy statement and issues an implementation review report which is also publicly available on the Company's website.

Environmental

Shipping is a relatively efficient form of transport, producing much lower emissions per ton-mile of cargo transported than most other forms of transport. The industry facilitates c.90% of global trade but is responsible for only c.3% of global greenhouse gas emissions. Despite being relatively efficient, the industry is making efforts to reduce greenhouse gas emissions further. International shipping is regulated by the IMO, a specialised agency of the United Nations. The IMO has declared an ambition to reduce, compared to 2008, total annual emissions from shipping by at least 50% by 2050 and to reduce greenhouse gas emissions per unit of transport work, compared to 2008, by at least 40% by 2030 and ultimately align the industry with the Paris Agreement. Recently, the European Commission announced a package of proposals to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030. The package proposes to include emissions from shipping in the EU Emissions Trading Scheme.

The Investment Manager is committed to reducing greenhouse gas emissions and aligning the Company to the Paris Agreement. In the medium term, the Investment Manager aims to reduce emissions from its existing fleet through investment in Energy Saving Devices ("ESDs") and promoting best operational practices such as regular hull and propeller cleaning and optimal use of auxiliary engines. While there is uncertainty as to the longer-term path to decarbonisation, the Investment Manager is exploring the usage of low-carbon and zero carbon fuels. Recently, the Investment Manager partnered with Stolt Tankers and GoodFuels on a testing program for sustainable biofuels. Sustainable biofuels are expected to be a part of the long-term fuel mix on the path to decarbonisation. The Investment Manager is a member of the Getting to Zero Coalition. The Coalition is committed to getting commercially viable zero emission vessels in operation by 2030 which is required to align the industry with the Paris Agreement.

Investment Manager's Report (continued)

Environment, Social and Governance (continued)

The Investment Manager has engaged a consulting firm of marine architects to conduct energy efficiency studies on the Company's vessels and select the appropriate ESDs for retrofit. The selection of ESDs, investment required, timing of retrofit and commercial arrangements around fuel savings will vary by each vessel depending upon results of the energy efficiency studies, prevailing market conditions and commercial considerations. On average, the Investment Manager expects to invest c.US\$1m per vessel for ESDs with an IRR of c.15% from fuel savings at current fuel prices, with further potential upside in future from carbon pricing. ESDs will be retrofitted on the Laurel when the vessel goes through its scheduled second special survey in 3Q21 and on Idaho in 4Q21.

The previously described initiatives from the IMO and the EU to reduce greenhouse gas emissions may include market based measures such as carbon taxes or mandatory fuel levies to reduce emissions, which could represent an opportunity for the Company. There is a cubic relationship between emissions from fuel consumption and speed, so small reductions in speed produce large reductions in greenhouse gas emissions. Operationally, the industry has employed speed adjustment or "slow steaming" to optimise voyage economics. The market based measures are likely to incentivise speed reduction to reduce emissions. Speed reduction will reduce available capacity of the global fleet and exacerbate the effect of slowing fleet growth to support shipping charter rates at higher levels. The Investment Manager expects that relatively energy efficient vessels will benefit from this trend.

Total emissions from the Company's fleet in 2020 was c.346,000 tons CO₂. With a growing portfolio of vessels, this measure is less relevant to the Company than the normalised measure of emissions: the Energy Efficiency Operational Indicator ("EEOI"), defined as the mass of CO₂ emitted per unit of transport work in a given time period. The EEOI provides useful information on a ship's performance regarding fuel efficiency and emissions. All else equal, a lower EEOI number is indicative of a more efficiently operated asset. The Investment Manager has utilised the EU MRV methodology for calculating the EEOI to report on total emissions from and total cargo transported by the Company's fleet for the calendar year. The Company's fleet average EEOI was c.2% better compared to 2019 due to higher utilisation of the bulkers as well as a full year's contribution from the larger vessels (Parrot and Bear) in the fleet. Larger vessels tend to have better EEOIs. Containership segment EEOI increased mainly as a result of higher speeds, established by our charterers rather than by the Company or Investment Manager, in a strong market over 2H20. Seven in-water hull and propeller cleanings were performed over 2020 in addition to scheduled dockings, also contributing to lower emissions. Compared to a peer group of more than 1,500 vessels from the 2020 EU MRV database, the Company's EEOI is c.6% better than its peer group. In general, the Investment Manager believes this is the result of higher quality assets being operated well.

Energy Efficiency Operational Indicator (EEOI) (gram CO₂/ton-nautical mile)

	SHIP Average for 2020	SHIP Average for 2019
Containerships	26.3	25.5
Bulkers	12.6	14.9
Tankers	17.8	15.0
Company	20.7	21.2

The Company's fleet average EEOI for 2020 was c.2% better than 2019

Investment Manager's Report (continued)

Environment, Social and Governance (continued)

The Investment Manager has implemented a program to reduce plastic consumption on the Company's vessels by replacing plastic bottles with complimentary, refillable metal bottles for drinking water. Where plastic bottles cannot be eliminated, they will be substituted with environmentally friendlier tetrapacks. Based on its investment horizon, current portfolio, and target segments, the Investment Manager does not expect the Company to have recycling candidates in its portfolio in the near future. When recycling situations do arise, the Company will follow best practices of industry leaders in adopting the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships.

Social

The Investment Manager considers crew health and safety to be a priority and works closely with the vessels' technical managers to promote best practices.

Commercial, ocean-going vessels crewed by more than a million seafarers transport goods around the globe. Ship crews have a challenging task in being responsible for high value, complex machinery on the high seas. The challenges faced by seafarers have been recognised internationally and their working conditions are governed by strict guidelines from the International Labour Organisation and the IMO. Covid-19 had a significant impact on crew health and safety in 2020. National regulations limiting travel and disembarkation of crew in order to contain Covid-19 had the effect of delaying crew changes (referred to in the industry as rotations). Typically, 150,000 seafarers around the world participate in crew rotations every month.

Responsibility for crewing lies primarily with each vessel's technical manager. The Investment Manager engaged with each vessel's technical manager to address crew issues and facilitate rotations, in some cases with additional costs. The following strategies are being employed to expedite crew relief:

- undertaking deviation voyages to safe ports that allow crew changes;
- approving delays to existing schedules to facilitate rotation; and
- organising chartered flights for crew members.

As a result, crew members overdue for rotation onboard the Company's vessels decreased from c.40% as at the end of July 2020 to only c.16% as at the end of July 2021. The latter figure compares favourably to the c.25% of crew members reported by the IMO to be overdue for rotation globally, as of July 2021. As at the end of July 2021, no crew members onboard any of the Company's vessels were overdue by more than three months. The additional measures to expedite crew relief will result in some additional costs as well as a one-time increase in operating expenses (c. 5% higher opex similar to an inflationary increase over 1-2 years). The Investment Manager became a signatory to the Neptune Declaration in January 2021, supporting measures to ensure timely relief of crew and putting measures in place to manage any pandemic related travel restrictions.

The Investment Manager also worked with technical managers to put in place the following measures during the pandemic to enhance crew welfare and is pleased to note that no infections were reported in the crew of any of the Company's vessels:

- webinars and counselling are offered to all crew members and families;
- all regulations including IMO protocols are followed, including the provision of additional personal protective equipment and disinfectants;

Investment Manager's Report (continued)

Environment, Social and Governance (continued)

- Covid-19 test protocols were enhanced to minimise chances of infected crew embarking;
- pre-employment medical tests were enhanced to a standard exceeding the minimum requirements. These tests allow seafarers to be able to monitor and improve their fitness levels;
- Covid-19 rapid test kits were supplied to all ships to improve testing;
- additional steroidal medication and equipment such as pulse oximeters were supplied to respond to any infection onboard;
- all crew have access to enhanced wi-fi on board to assist in mental well-being onboard;
- crew are provided access to free mental health hotlines; and
- extensions to crew contracts are obtained in cases where delays are unavoidable.

The Investment Manager has proactively rolled out a vaccination program for all the crew members on the Company's vessels. As at the time of publication of this report, all the crew members on three of the Company's vessels have been fully vaccinated. Over the remainder of 2021, the Company plans to provide personal gym equipment to promote fitness, where communal facilities may be restricted due to Covid-19 related protocols, and personal fitness trackers to promote crew welfare.

Governance

The Investment Manager aims to promote acceptance and implementation of ESG principles with business partners through an annual survey and feedback. The Investment Manager completed a survey of all the Company's technical managers which included Key Performance Indicators to assess their performance on numerous metrics including ESG. The results from the survey will be analysed and feedback given to the technical managers to ensure best practices are shared. The Investment Manager has a strict reporting policy for its technical managers and employs a third party to conduct independent inspections of the Company's vessels on a regular basis to check on the performance of the technical managers. Independent inspection includes assessment of key aspects of the vessel condition as well as regulatory compliance and crew health and safety. Thirteen of the Company's vessels were inspected over the financial year and all of them were confirmed to be in good condition. The Investment Manager updates the Board of Directors on the progress of the Company's investments every quarter with additional updates where significant events have occurred.

The Investment Manager continues to closely monitor adherence to sanctions regimes from the US, UK, EU and the UN. The employment contracts for the Company's vessels are typically structured to exclude sanctioned regions. Additionally, the Investment Manager monitors compliance through regular inspection of vessel logs and satellite data.

The Investment Manager has a zero-tolerance policy towards bribery and adheres to the UK Bribery Act with the following policies in place:

- payment controls requiring dual sign-off/authorisation of all payments;
- gifts and entertainment policies that restrict staff from giving and receiving gifts;
- recruitment policies and ongoing monitoring of the fitness and propriety of staff including their honesty, integrity, and financial soundness; and
- a Code of Ethics and FCA Conduct rules which require staff to conduct themselves appropriately.

Principal Risks and Uncertainties

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

The Board of Directors receive periodic updates on principal risks at their meetings and have adopted their own control review to ensure that, where possible, risks are monitored appropriately, mitigation plans are in place, and that emerging risks have been identified and assessed. The Directors also carry out a regular check on the completeness of risks identified, including a review of the risk register. The Board believes that the risk register is comprehensive and addresses all risks that are currently relevant to the Company. While the Investment Manager monitors and puts in place controls to mitigate risks, please note that risk or uncertainty cannot be completely eliminated.

The Board of the Company, together with the Investment Manager, have carefully considered the potential impact of the Covid-19 pandemic, considered to be both an emerging risk and an emerging cause of risk, on the activities of the Company and its subsidiaries. Covid-19 has impacted, and continues to do so, the ability of technical managers appointed by the Asset Manager to supply or change crew for the Company's vessels. The Investment Manager and Asset Manager have taken, and will continue to take, appropriate steps to ensure the Company's fleet is properly serviced. To date the fleet has not experienced any crewing difficulties and none are expected.

The negative impact of Covid-19 on GDP resulted in lower demand for shipping during 2020, although this recovered somewhat by the end of the year. Lower demand in 1H20 did result in some charters being renewed at lower rates and for shorter periods. A weaker shipping market caused by the pandemic could have caused charter counterparties to be unable to pay the Group when due as well as having a negative impact on vessel and charter values. It is the Board's opinion that all these potential consequences are already managed and monitored as part of the Group's ongoing approach to risk in respect of counterparties, values and service providers. Although vessel and charter values have been impacted, to date the Company has not suffered any other adverse consequences in its counterparties or service providers. The Board will of course continue to reassess the position as more information about the impact of Covid-19 becomes available.

The Company's activities are primarily dependent upon global seaborne trade flows and as seaborne trade activities between mainland Europe and the UK are not significant to the Company's fleet, Brexit was not expected to have a material impact on the Company or the Investment Manager. Six months after the United Kingdom having left the European Union, this view is unchanged.

The Board would like to highlight in the following table, the principal risks (not limited to Covid-19 causes only) to the business and efforts to mitigate the risks. The Board considers that no additional mitigation steps are required at this time.

Principal Risks and Uncertainties (continued)

Underlying cause of risk or uncertainty	Objective impacted (in what way)	Control or mitigation implemented
Demand for shipping may decline, either because of a reduction in international trade (e.g. "trade wars") or because of general GDP growth slowing (e.g. impact of Covid-19)	Capital growth Vessel values	This risk cannot be controlled, but is mitigated by: - diversification to reduce reliance on any particular sector or geography; - focus on fleet vessel quality and specifications to improve utilisation; - longer term employment strategy to reduce market exposure; and - ultimately, lower charter rates would be accepted in order to ensure employment of the vessels.
Failure of, or unwillingness of, a vessel charterer to meet charter payments	Liquidity Dividends	Charter counterparty creditworthiness is subjected to extensive checks prior to and throughout a charter. In the event of default, the generic nature of the ships in the portfolio should enable alternative employment to be found, though possibly at lower rates.
Vessel maintenance or capital expenditure may be more costly than expected due to delays or resource constraints arising from the impact of Covid-19 or other causes	Capital growth Dividends Liquidity Vessel values	The Company has engaged experienced technical managers to monitor maintenance and capital expenditure. Capex provisions are made prior to investing in a vessel. It is important to note that no significant issues have been experienced to date.
A vessel may be lost or significantly damaged	Capital growth Vessel values	Measures to mitigate operational risks include: - avoiding conflict areas; - daylight sailing, naval escort, route planning to avoid higher risk areas; and - detailed best practice operating procedures to be followed by crew and technical staff. Comprehensive Insurance protection is in place at all times to cover <i>inter alia</i> significant damages to or loss of vessels.
The Company may not have enforceable title to the vessels purchased	Liquidity Vessel values	The Company has engaged a very experienced Investment Manager who is responsible for establishing such title. This is then monitored by the Administrator on behalf of the Board using publicly available information.

Principal Risks and Uncertainties (continued)

Underlying cause of risk or uncertainty	Objective impacted (in what way)	Control or mitigation implemented
Failure of, or unwillingness of other non-charterer counterparties to meet their obligations	Capital Growth Loss of invested cash	The Investment Manager and Asset Manager rely on third party service providers for performance of services integral to the operation of the Company. The Asset Manager is constantly monitoring the performance of all its key operational service providers and especially the technical managers. SPV operating accounts are held with one or more unrated banks, because those banks' systems are better suited for shipping company operations. Exposures to such banks are limited to US\$10m per bank. Surplus funds are invested with banks of a single A- (or equivalent) or higher credit rating as determined by an internationally recognised rating agency. Credit ratings, monthly cash sweeps from SPVs and overall limits are monitored by the Administrator, who reports exceptions to the Board.
Failure of systems or controls in the operations of the Investment Manager, Asset Manager or the Administrator and thereby of the Company	Capital Growth Loss of assets, reputation or regulatory permissions and resulting fines	This risk cannot be directly controlled but the Board and its Audit Committee regularly review reports from its Service Providers on their internal controls.

Principal Risks and Uncertainties (continued)

Underlying cause of risk or uncertainty	Objective impacted (in what way)	Control or mitigation implemented
The Company may be exposed to substantial risk of loss from environmental claims arising in respect of vessels owned by its SPVs, in particular if a vessel owned by the Company's SPVs were to be involved in an incident with the potential risk of environmental damage, contamination or pollution.	Liquidity Vessel value Loss of income, reputation or regulatory permissions and resulting fines	The Investment Manager arranges for environmental due diligence in respect of all vessels considered for acquisition by the Company to identify potential sources of pollution, contamination or environmental hazard for which that vessel may be responsible and to assess the status of environmental regulatory compliance. The Asset Manager maintains a detailed manual that documents best practice operating procedures to be followed by crew and technical staff. The Asset Manager reviews environmental performance of key service providers on a quarterly basis. Protection and Indemnity Club mutual insurance provides cover of up to US\$1 billion for oil pollution damage compensation. The Investment Manager is committed to Responsible Investment and has identified ESG risk factors relevant to the industry in its Responsible Investment Policy. The Board reviews the policy and the implementation of the policy at least annually. Please see the ESG section of the Investment Manager's Report for details. The Company also follows its own Responsible Investment, Sustainability and ESG Policy which was implemented by the Board in July 2021 and is published on the Company's website, (http://www.tuftonoceanicassets.com). As part of their review of the Company's operational risks and controls, which takes place on at least an annual basis, the Board of Directors consider ESG and climate change specific risks and how these may be mitigated. This includes receiving regular reports and updates from the Investment Manager on the measures put in place by them to ensure the Company carries out its activities in an environmentally sustainable and responsible manner.

Corporate Summary

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

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

As at 30 June 2021, the Company has 270,037,638 Shares in issue, all of which are admitted to the Specialist Funds Segment of the Main Market of the London Stock Exchange under the ticker "SHIP", ISIN: GG00BDFC1649, and SEDOL: BDFC164. During the first half of the financial year, the Company bought 300,000 of its own Shares. During the second half of the financial year, the Company issued 15 million shares, which included the 300,000 shares previously bought back.

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

The Company controls the investment policy of each of LS Assets Limited and the wholly owned SPVs to ensure that each will act in a manner consistent with the investment policy of the Company. The Company refers to each vessel by the underlying SPV's 'name' rather than the actual name of the respective vessel for confidentiality purposes.

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

Corporate Governance Statement

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

The AIC Code was updated in February 2019 for accounting periods commencing on or after 1 January 2019. The AIC Code came into effect for the Company from 1 July 2019. The Directors are committed to high standards of corporate governance and for this reason they have considered and implemented all of the principles and provisions of the AIC Code. The Company has complied with the recommendations of the AIC Code (except as set out below) and with any associated disclosure requirements of the Listing Rules (to the extent applicable to the Company).

As disclosed in the Prospectus dated 17 September 2019, the Company, being an externally advised investment company with an entirely non-executive board of directors does not consider the following provisions of the AIC Code applicable:

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

Considering that the Board comprises of only four independent Directors, they have agreed not to appoint a Senior Independent Director. The Audit Committee Chairman fulfils the role of the Senior Independent Director, which includes the following:

- the support of the Chairman in his role;
- acting as an intermediary for other directors where necessary;
- being available for Shareholders and other non-executives to discuss any questions or concerns; and
- assisting with the performance evaluation and succession planning of the Chairman's role.

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

Independence

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

Corporate Governance Statement (continued)

Environment, Social and Governance

For further details of the Company's approach to ESG matters, please see the Director's and Investment Managers Reports, together with the Company's Responsible Investment, Sustainability and ESG Policy which is published on its website, (<http://www.tuftonoceanicassets.com>).

Diversity and Inclusion Policy

The Company supports the AIC Code provision that Boards should consider the benefits of diversity, when making appointments and is committed to ensuring it receives information from the widest range of perspectives and backgrounds. The Board is committed to creating a diverse and inclusive environment where all individuals feel respected, and their voices heard. The Board believes that diversity of gender, age, ethnicity and personal attributes, amongst others, contribute to a balanced and more productive Board. The Board is committed to being non-discriminatory and firmly believes in equal opportunities for all, with board appointments being made on merit against a set of objective criteria.

However, while the Board of the Company agrees diversity should be sought when making appointments, it does not consider that this can be best achieved by establishing specific quotas and targets and appointments are therefore based wholly on merit. Accordingly, when changes to the Board are required, due regard is given to both the need for and importance of diversity and to a comparative analysis of candidates' qualifications and experience. A pre-established, clear, neutrally formulated and unambiguous set of criteria are utilised during the appointment process to determine the most suitable candidate for the specific position sought. In each case, the Board ensures that candidates are considered from a wide range of backgrounds.

UK Companies Act 2006 - Section 172 Statement

Whilst directly applicable only to UK domiciled companies, the intention of the AIC Code of Corporate Governance which is followed by the Company, is that the following matters set out in section 172 of the UK Companies Act, 2006 are reported on by all companies, irrespective of domicile, provided that this does not conflict with local company law. Therefore, through adopting the AIC Code, the Board acknowledges its duty to apply and demonstrate compliance with section 172 of the UK Companies Act 2006 and to act in a way that promotes the success of the Company for the benefit of its Shareholders as a whole, having regard to (amongst other things):

- the consequences of any decision in the long-term;
- the need to foster business relationships with suppliers, customers and others;
- the impact on community and the environment;
- maintaining reputation; and
- acting fairly as between members of the Company.

The Board regularly reviews the Company's principal stakeholders and how the Company engages with them. Stakeholder voices are considered at Board level and reflected in board decision making through reporting provided to the Board by the Broker and Investment Manager, together with engagement with stakeholders themselves either directly or through the above mentioned parties.

Corporate Governance Statement (continued)

UK Companies Act 2006 - Section 172 Statement (continued)

The Company is an externally managed investment company, has no employees, and as such is operationally quite simple. The Board does not believe that the Company has any material stakeholders other than those set out in the following table.

Investors	Service providers	Community and environment
Issues that matter to them		
Performance of the shares Growth of the Company Liquidity of the shares	Reputation of the Company Compliance with Law and Regulation Remuneration	Compliance with Law and Regulation Impact of the Company and its activities on third parties
Engagement process		
Annual General Meeting Frequent meetings with investors by brokers and the Investment Manager and subsequent reports to the Board.	The main two service providers – Tufton IML and MAGL – engage with the Board in face to face meetings quarterly, giving them direct input to Board discussions.	The Company and its subsidiaries themselves have only a very small footprint in their local communities and only a very small direct impact on the environment.
Quarterly fact sheets Key Information Document	Where face to face contact has not been possible due to the Covid-19 pandemic, engagement has continued via video conferencing services such as Microsoft teams. All service providers are asked to complete a questionnaire annually which includes feedback on their interaction with the Company, and the Board ordinarily undertakes an annual visit to Tufton in both London and the Isle of Man. Unfortunately, due to Covid-19 restrictions, this was not possible during the year, however regular communications between the Investment Manager and the Board were maintained via Microsoft Teams.	However, the Board acknowledges that it is imperative that everyone contributes to local and global sustainability and the activities of the Company in this regard are reflected within the Company's Responsible Investment, Sustainability and ESG Policy and the Responsible Investment Policy of the Investment Manager.

Corporate Governance Statement (continued)

UK Companies Act 2006 - Section 172 Statement (continued)

Investors	Service providers	Community and environment
Rationale and example outcomes		
Clearly investors are the most important stakeholder for the Company. Most of our engagement with investors is about "business as usual" matters, but has also included discussions about the discount of the share price to the NAV. Following discussions with investors, in order to address the level of discount, the Company purchased 300,000 of its own Shares at an average price of US\$0.824 per Share during August and September 2020. The major decisions arising from this have been for the Board to seek to ensure long term value, opportunities to realise value through sales of vessels. A decision was also made to issue shares under the tap facility to marginally reduce the Company's Total Expense Ratio and improve the liquidity of the Company's shares. In addition, the Board has focussed on valuation of vessels, a key priority for Shareholders. As a result, the Board placed greater emphasis on reviewing the output from the VesselsValue system used to value most of the Company's fleet and the discount rates used in valuing the remaining vessels.	The Company relies on service providers entirely as it has no systems or employees of its own. No major decisions were made by the Board which effected service providers in the year. The Board always seeks to act fairly and transparently with all service providers, and this includes such aspects as prompt payment of invoices.	The nature of the Company's investments is such that they do not provide a direct route to influence ESG matters in many areas, but the Board and the Investment Manager work together to ensure that such factors are carefully considered and reflected in investment decisions, and that vessel operators are influenced positively. See pages 18 to 22 for details of the Company's approach in this area. Board members do travel, partly to meetings in Guernsey, and partly elsewhere on Company business, including for the annual due diligence visits to London and the Isle of Man, travel restrictions permitting. The Board considers this essential in overseeing service providers and safeguarding stakeholder interests. Otherwise, the Board seeks to minimise travel using conference calls whenever good governance permits. During the last eighteen months travel restrictions have made travel difficult and so more use has necessarily been made of video conference facilities for both Board and due diligence meetings.

Engagement processes are kept under regular review. Investors and other interested parties are encouraged to contact the Company via the Company Secretary or SHIP@tuftonoceanicassets.com on these or any other matters.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

In preparing the Financial Statements the Directors are required to:

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the Financial Statements comply with Companies Law. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

The AIC Code, as adopted by the Company, also requires Directors to ensure that the Annual Report and Audited Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter the Board has requested that the Audit Committee advises on whether it considers that the Annual Report and Audited Financial Statements fulfil these requirements. The process by which the Audit Committee has reached these conclusions is set out in the Audit Committee Report on pages 50 to 52.

Statement of Directors' Responsibilities (continued)

Furthermore, the Board believes that the disclosures set out on pages 63 to 89 in the Annual Report provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Having taken into account all matters considered by the Board and brought to the attention of the Board for the year ended 30 June 2021, as outlined in the Corporate Governance Statement and the Audit Committee Report, the Board has concluded that the Annual Report and Audited Financial Statements for the year ended 30 June 2021, taken as a whole, are fair, balanced and understandable and provide the information required to assess the Company's performance, business model and strategy.

Report of Directors

The Directors present their Annual Report and the Audited Financial Statements of the Company for the year ended 30 June 2021.

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

Investment Objective and Policy

The Company's investment objective is to provide investors with an attractive level of regular and growing income and capital returns through investing in second-hand commercial sea-going vessels. The Board monitors the Investment Manager's activities through strategy meetings and discussions as appropriate. The Company has established a wholly owned subsidiary that acts as a Guernsey holding company for all its investments, LS Assets Limited, which is governed by the same Directors as the Company.

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

Subject to the solvency requirements of Companies Law, the Company intends to pay dividends on a quarterly basis. The Directors expect the dividend to grow, in absolute terms, modestly over the long term. In January 2021 the Company raised its target annual dividend to US\$0.075 per Share (previously US\$0.07 per Share), and will further raise it from US\$0.075 to US\$0.080 per Share, commencing from 3Q21.

The Company aims to achieve a NAV total return of 12% or above (net of expenses and fees) on the Issue Price over the long term. The profit for the Company in the financial year was US\$79.49m, or US\$0.3070 per Share.

Shareholder information

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

The Company has a 30 June financial year-end.

Share issues

On 25 March 2021, the Company announced the results of its tap issue of 15,000,000 Shares, which raised gross proceeds of US\$14.7m. 14,700,000 new Ordinary Shares were admitted to trading on the Specialist Funds Segment of the Main Market of the London Stock Exchange plc. The balance of 300,000 Ordinary Shares under the tap issue were issued out of Treasury and represent all of the Company's shares that were held in Treasury.

Report of the Directors (continued)

Share issues (continued)

The Company realised a gain of c.US\$47,000 from the issue of the 300,000 Ordinary Shares out of Treasury where they were held since being purchased in 3Q20, in accordance with the Company's Share Buyback and Discount Management Policy. The total number of Company shares in issue was 270,037,638 at the year end. Each share carries the right to 1 vote.

On 6 August 2021, after the year end, the Company announced that it had raised gross proceeds of US\$12.4m through the tap issue of a further 10,533,763 Ordinary Shares at a price of US\$1.18 per share.

The Directors set the issue price for each of the tap issues, after their costs, at a premium to the prevailing dividend adjusted NAV per Share prior to each issue respectively.

Results and dividends

The Company's performance during the year is discussed in the Chairman's Statement page 3. The results for the year are set out in the Statement of Comprehensive Income on page 63.

The Directors of the Company who served during the year and to date are set out on pages 39 and 40.

Directors' interests

The Directors held the following interests in the share capital of the Company either directly or beneficially as at 30 June 2021, and as at the date of signing these Financial Statements:

	2021	2020
	Shares	Shares
R King	45,000	45,000
S Le Page	40,000	15,000
P Barnes	5,000	5,000
C Rødsæther	20,000	-

The Directors fees are as disclosed below:

	30 June 2021	30 June 2020
Director	£	£
R King	33,610	31,000
S Le Page	31,500	29,000
P Barnes	29,300	26,500
C Rødsæther	24,064	-

Report of the Directors (continued)

Results and dividends (continued)

Directors' Attendance

Attendance of Directors at each meeting held during the year:

Director	Quarterly Board meetings		Audit Committee		Ad hoc meetings	
	Held	Attended	Held	Attended	Held	Attended
R King	4	4	3	2	19	19
S Le Page	4	4	3	3	19	19
P Barnes	4	4	3	3	19	17
C Rødsæther *	3	3	2	2	14	14

*Ms. Rødsæther was appointed to the Board of Directors on 8 September 2020 and was therefore eligible to attend three quarterly meetings, 14 ad hoc meetings and 2 audit committee meetings during the remainder of the year (100% attendance).

Other Interests

Tufton Group shareholders, employees, non-executive directors and former shareholders held the following interests in the share capital of the Company either directly or beneficially.

The revised classification of Tufton related Shareholders compared to 2020 reflects the change of control of the Investment Manager as advised to investors on 5 January 2021 and the 2020 comparative whilst unchanged in total has been restated in line with these new classifications.

As at 30 June 2021

Name	Ordinary Shares	% of issued Share Capital
Tufton Shareholders	4,474,786	1.66
Tufton Staff	374,668	0.14
Tufton Non-Executive Directors	403,279	0.15
Former Tufton Shareholders	2,758,168	1.02

As at 30 June 2020

Name	Ordinary Shares	% of issued Share Capital
Tufton Shareholders	2,880,147	1.13
Tufton Staff	314,781	0.12
Tufton Non-Executive Directors	403,279	0.16
Former Tufton Shareholders	2,350,087	0.92

Report of the Directors (continued)

Other Interests (continued)

The Company has a Share Buyback and Discount Management Policy in place, which has been formally approved and adopted by the Board of Directors.

The Board of Directors (the "Board") will consider repurchasing the Company's Ordinary Shares (the "Shares") in the market if they believe it to be in Shareholders' interests as a whole and as a means of correcting any imbalance between supply of and demand for the Shares.

Share buyback and discount management

Subject to working capital requirements, and at the absolute discretion of the Board, excess cash may be used to repurchase the Shares should the Shares close at a, or more than a, 10% average discount to NAV for a period of 90 consecutive days. The Directors may implement Share buyback at any time before the 90 day guideline where they feel it is in the best interest of the Company and all Shareholders.

The Administrator, Maitland Administration (Guernsey) Limited ("Maitland"), is responsible for tracking the discount/premium of the share price to NAV and presents the information to the Board on an as needed basis.

The Companies (Guernsey) Law, 2008 (the "Law") allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. These treasury shares may be subsequently cancelled or sold for cash. Therefore, it is agreed that any Shares repurchased pursuant to the general authority referred to above may be held by the Company in treasury, to the extent permitted by Law.

The Company wishes to operate a buyback programme that is effective and also adds value for Shareholders. As such, unless authorised by Shareholders, no Shares will be sold from treasury at a price less than the NAV per Share at the time of the sale unless they are first offered pro-rata to existing Shareholders.

The Company will not hold treasury shares in excess of 10% of the ordinary share capital of the Company.

Share Buyback Programme Terms and Conditions

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

Report of the Directors (continued)

Share buyback and discount management (continued)

- the minimum number of Shares authorised to be purchased in a single day shall be 50,000, unless otherwise agreed by the Board;
- this authority shall expire on the conclusion of the next annual general meeting of the Company or if earlier, eighteen months from the date of passing of the resolution, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require the purchase of Shares after such expiry pursuant to any such offer or agreement as if the power conferred by the resolution had not expired;
- pursuant to Article 4.6 of the Company's Articles of Incorporation, the Company may hold any of the Shares purchased pursuant to the authority conferred by paragraph 2.6.4 as treasury shares (provided that the number of shares held as treasury shares shall not at any time exceed ten per cent of the total number of shares of that class in issue at that time or such other amount) as provided in the Law;
- the Company may sell the Shares back to the market from treasury at the discretion of the Directors. This may only be done in the event that the Shares are trading at a premium to the prevailing NAV per share;
- the Company may not sell shares back from treasury during a closed dealing period, as defined in the Company's Share Dealing Policy;
- for the avoidance of doubt, sales from treasury may only be authorised by the Directors if the amount to be received by the Company for the Shares is at least the prevailing NAV per share, exclusive of commissions and dealing costs. Shares may not be sold for more than a 10% discount to market value; and
- the minimum number of Shares authorised to be sold from treasury in a single day shall be 100,000, unless otherwise agreed by the Board.

Buybacks are conducted by Singer Capital Markets on the Company's behalf, on the instruction of the Board of Directors or a duly authorised committee thereof. Prior to giving such instruction, the Board or a duly authorised Committee of the Board shall meet and give due consideration to the Solvency of the Company to the extent provided by Law, and a duly authorised representative of the Board or such Committee shall sign a solvency certificate in respect of each buyback instructed. For the avoidance of doubt, no buyback may be performed during a period whereby the Company does not meet the statutory solvency test.

Singer Capital Markets also conduct sales of the Shares from treasury on behalf of the Company, on the instruction of the Board of Directors or a duly authorised committee thereof. Following the completion of a sale, an RNS announcement will be released by the Company to the market, which shall include the restated amount of voting rights.

The buyback programme may be suspended around key market announcements and during times where market price calculations are being made, or at any other time where the Board considers this to be appropriate.

Report of the Directors (continued)

Share buyback and discount management (continued)

The purchase of Shares by the Company is at the absolute discretion of the Directors and is subject to the working capital requirements of the Company and the amount of cash available to the Company to fund such purchases. Accordingly, no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

Board Responsibilities and Corporate Governance

Please note the Corporate Governance Statement on pages 28 to 31 forms part of this report.

Board Members

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

The Directors of the Company who served during the year are listed below.

Robert King, Chairman

A non-executive director for a number of open and closed-ended investment funds including two AIM listed funds, Weiss Korea Opportunities Fund Limited, CIP Merchant Capital Limited and one International Stock Exchange listed fund Golden Prospect Precious Metals Limited (which also has a trading listing on the LSE). Before becoming an independent non-executive director in 2011 he was a director of Cannon Asset Management Limited and their associated companies. Prior to this he was a director of Northern Trust International Fund Administration Services (Guernsey) Limited (formerly Guernsey International Fund Managers Limited) where he had worked from 1990 to 2007. He has been in the offshore finance industry since 1986 specialising in administration and structuring of offshore open and closed ended investment funds. Rob is British and resident in Guernsey.

Stephen Le Page

A chartered accountant and chartered tax adviser. He was a partner in PricewaterhouseCoopers CI LLP in the Channel Islands from 1994 until his retirement in September 2013. He led that firm's audit and advisory businesses for approximately ten years and for five of those years was the Senior Partner (equivalent to Executive Chairman) for the Channel Islands firm.

Mr Le Page serves on a number of boards as a non-executive director, including acting as Chairman of the Audit Committee for three premium London listed funds, Highbridge Tactical Credit Fund Limited, Volta Finance Limited and Princess Private Equity Holding Limited and one International Stock Exchange listed company, Channel Islands Property Fund Limited. Stephen is British and resident in Guernsey.

Report of the Directors (continued)

Board Responsibilities and Corporate Governance (continued)

Mr Le Page was also appointed as an Independent Non-Executive Director and Chairman of the Audit Committee of Amedeo Air Four Plus Limited, a company listed on the Specialist Funds Segment of the London Stock Exchange, on 26 July 2021. In accordance with Principle 6.2-9 of the AIC Code, the appointment was discussed with the Chairman of the Company, prior to being undertaken. It was agreed that the proposed appointment would not have a significant impact on Mr Le Page's ability to fulfil his duties in relation to the Company and the appointment was therefore permitted.

Paul Barnes

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

Christine Rødsaether

Christine is a partner in law firm Simonsen Vogt Wiig, with more than 30 years' experience working in the international shipping sector and offshore related transactions, design, vessel construction, offshore installations, restructurings, international banking and finance. Previously, she was a partner in Andersen Legal ANS and a lawyer at Wikborg, Rein & Co. Christine has extensive board experience, and currently serves on the boards of OSE listed Odfjell SE and Norwegian Finans Holding ASA as well as Bank Norwegian AS. Christine is Norwegian and is resident in Norway.

Conflicts of Interest

None of the Directors nor any persons connected with them had a material interest in any of the Company's transactions, arrangements or agreements at the date of this report and none of the Directors has or had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company, and which was effected by the Company during the year. At the date of this Report, there are no outstanding loans or guarantees between the Company and any Director.

Share Dealing Code

The Company has adopted a share dealing code, in conformity with the requirements of the Listing Rules and the EU Market Abuse Regulation and takes steps to ensure compliance by the Board and relevant senior staff with the terms of the policy.

Report of the Directors (continued)

Board Responsibilities and Corporate Governance (continued)

Appointment, re-election and remuneration of Directors

Due to the Board's size, the Board has not deemed it necessary to appoint a separate nomination committee and therefore the role typically undertaken by such committee is currently conducted by the Board as a whole. The rules governing the appointment and replacement of Directors are set out in the Company's Articles. The Directors have overall responsibility for reviewing the size, structure and skills of the Board and considering whether any changes are required, or new appointments are necessary to meet the requirements of the Company's business or to maintain a balanced Board.

This is formally considered annually at the time of the Board, Chairman and Directors' annual performance appraisal, but the Board decided during the year under review that it would be desirable to strengthen its knowledge of ship chartering and ESG matters.

Accordingly, a search for an additional director began, and given the specialist nature of the skills required, the Board elected not to use a general search agency, relying on its advisers to identify an initial list of suitable candidates. Three candidates were interviewed and Christine Rødsæther was appointed on 8 September 2020.

When considering new appointments in the future, as was the case with the recent appointment, the Board will ensure that a diverse group of candidates is considered and that appointments are made against objective criteria, in accordance with the Company's Diversity & Inclusion Policy. The Board have been briefed by their legal advisers about their on-going responsibilities as directors and newly appointed directors will be invited to participate in a formal induction process.

The Articles require that at each annual general meeting, all the Directors will submit themselves for re-election. The Company does not have a separate remuneration committee as the Board as a whole fulfils the function of a remuneration committee, which includes the review on at least an annual basis of the remuneration of the directors in accordance with the Company's remuneration policy and market information.

The Company's policy is for Directors to be remunerated in the form of fees which are quarterly in arrears. No element of the Director's remuneration is performance related, and no Director is involved in setting his or her own remuneration.

Fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Board and should be sufficient to enable high calibre candidates to be recruited to the Board, ultimately contributing to the composition of the Board that is balanced and effectively discharges stewardship of the Company's affairs.

Annual performance appraisal

The performance of the Board, committees and individual Directors is evaluated annually through a self-assessment process coordinated by the Administrator who will circulate the findings to the Board. The last evaluation took place in October 2020 with the next annual review taking place in October 2021. Evaluation of the Chairman is led by the Audit Committee Chair, who carries out the functions of a Senior Independent Director.

Report of the Directors (continued)

Board Responsibilities and Corporate Governance (continued)

Audit Committee

The Board will delegate certain responsibilities and functions to the Audit Committee. Stephen Le Page is the chairman of the Company's Audit Committee which comprised the full Board until the Chairman, Rob King, stepped down from the Committee on 22 March 2021, and was replaced by Christine Rødsaether, thereby ensuring the Audit Committee is independent of the Chairman. In discharging its responsibilities, the Audit Committee will review the annual and half yearly Financial Statements, the risks to which the Company is subject, the system of internal controls, and the terms of appointment and remuneration of the independent auditor. It is also the forum through which the auditor reports to the Board. The Audit Committee is expected to meet at least twice a year.

The objectivity of the independent auditor will be reviewed by the Audit Committee, which will also review the terms under which the independent auditor is appointed to perform non-audit services. The Audit Committee will review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to non-audit services and fees.

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

Other Committees

The Board considered its size to be such that it would be unnecessarily burdensome to establish a separate Management Engagement Committee. However, since the appointment of Ms. Rødsaether this is now under review.

Consequently, the Board has reviewed the contractual relationship with and the performance of all the service providers to the Company, and in particular the Investment Manager. As part of the review process, the Board concluded that service providers are performing in accordance with the Company's expectations and contractual arrangements, and that their continued appointment is in the best interests of Shareholders.

Operation of the Board

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. A formal schedule of matters reserved for decision of the Board has been adopted. This includes the following items:

- changes to the structure, size and composition of the Board,
- the appointment of directors to specified offices of the Board, including the Chairman and senior independent director,
- board succession planning, training, development and evaluation,
- overall leadership of the Company and setting the values and standards, and
- on-going review of the Company's Investment strategy, investment objectives and investment policy.

Report of the Directors (continued)

Board Responsibilities and Corporate Governance (continued)

The Board meet at least quarterly to review the overall business of the Company and to consider the matters specifically reserved for it. The quorum at Directors' meetings is two directors present in person or by telephone and they are held in Guernsey.

Detailed information is provided by the Investment Manager, Asset Manager and Administrator for these meetings and additionally at regular intervals to enable the Directors to monitor compliance with the investment objective and the investment performance of the Company both in an absolute and relative sense.

The Directors are provided with standard papers in advance of each quarterly meeting to allow the review of several key areas including the Company's investment activity over the quarter relative to its investment policy; the global shipping industry; the revenue and financial position; gearing, performance; share price discount or premium (both absolute levels and volatility); and relevant industry and macro-economic issues.

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

Independent Auditor

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

The auditor, PwC, has indicated its willingness to remain in office. A resolution for the reappointment of PwC was proposed and approved at the AGM on 23 October 2020. Another resolution for their appointment will be proposed at the AGM on 20 October 2021.

Service Providers

The Investment Manager / Alternative Investment Fund Manager ("AIFM")

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

As of 30 June 2021, the Investment Manager manages investments of c. US\$1.2 billion.

As of 30 June 2021, the Tufton Group of which the Investment Manager is part, had 28 employees operating from offices in London, Isle of Man and Cyprus. The Investment Manager is fully dedicated to the shipping industry with an in-house research team and dedicated Asset Manager providing services to each vessel purchased. As described in the Prospectus, the Investment Manager has an established track record in managing segregated mandates for pension funds with similar investment objectives to those of the Company.

Report of the Directors (continued)

Service Providers (continued)

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

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

Investment Committee

The Investment Manager has established an Investment Committee.

Each investment proposal is reviewed by the Investment Committee which meets on a weekly basis. These weekly meetings continued via teleconference during the Covid-19 pandemic. In reviewing each potential investment, the Investment Committee will consider a range of factors including a detailed analysis of the vessel's technical condition and other analyses from the Asset Manager, a full risk/reward analysis, downside stress testing, commercial/employment strategy, effects of adding moderate leverage in accordance with Company policy, market outlook, credit quality of charterer, market reputation of counterparties, deal modelling, exit strategy and any macro analysis that might be necessary to fully understand the investment. The Investment Manager is committed to Responsible Investment and integrates ESG factors into its investment process. The Investment Manager reviews the environmental footprint of new vessel acquisitions as well as key performance indicators of technical managers on safety and fulfilling regulatory requirements. Should the Investment Committee be in favour of an acquisition, an appropriate recommendation will be made to the Board who would ultimately determine whether an acquisition should be made.

Asset Manager

Tufton Management Limited (formerly Oceanic Marine Management Limited) was established in 2009 to act as the Asset Manager for vessels owned by funds and vehicles managed or advised by Tufton Group. The Asset Manager subcontracts technical services from associated company Tufton Asset Management Limited, based in Cyprus, which employs professionals who have experience in all aspects of ship management including special surveys, dry dockings, maintenance, repair and negotiation of commercial agreements for vessel employment. The Asset Manager enters into an asset management agreement with each SPV and provides the services detailed in the Prospectus.

Administrator and Secretary

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

Report of the Directors (continued)

Service Providers (continued)

The Administrator forms part of the Maitland group established in Luxembourg in 1976. Maitland is a global advisory, administration and family office firm providing legal, fiduciary investment and fund administration services to private, corporate and institutional clients. The group employs over 780 staff in 11 offices across 8 jurisdictions and collectively administers in excess of US\$160bn in assets.

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

Registrar

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

Receiving Agent

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

Disclosure Obligations

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

Annual Report and Financial Statements

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

Anti-bribery and corruption

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

In respect of the UK Criminal Finances Act 2017 which has introduced a new Corporate Criminal Offence of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that it is committed to zero tolerance towards the criminal facilitation of tax evasion.

Modern slavery

The Company, through its Investment Manager seeks to ensure that all charter counterparties have policies and procedures which prevent any possibility of slavery or similar behaviours on the vessels comprising the fleet. The Investment Manager has such policies and procedures in its own right which govern the ship management contracts used to appoint technical managers.

Report of the Directors (continued)

General Data Protection Regulation (“GDPR”)

The Board, through enquiry of its service providers, has ensured that the requirements of GDPR and its equivalent legislation in the UK and Guernsey, are met by them when they process any data on behalf of the Company.

Alternative Investment Fund Managers Directive (‘AIFMD’)

The Investment Manager, Tufton Investment Management Ltd, has been authorised by the UK FCA, as a Small Registered UK AIFM under the AIFMD. The funds managed by the AIFM, including the Company, are now defined as Alternative Investment Funds and are subject to the relevant articles of the AIFMD. The Company notes that while AIFMD no longer binds the UK in its implementation, a domestic regime has been put in place regulating the management and marketing of AIFs in the UK, which generally maintains the AIFMD rules as implemented at the end of the transition period with respect to the UK’s departure from the European Union on 31 December 2020.

Internal control and financial reporting

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

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

- Maitland Administration (Guernsey) Limited (“Maitland”) is responsible for the provision of administration, accounting and company secretarial duties. Maitland also provides compliance oversight in respect of the Company and its activities. As the Company itself has no IT systems and relies on the IT systems of its service providers, Maitland additionally has a role in cyber security and the protection of the Company’s data through the operation of Information Security Protection Controls. Maitland staff are also regularly trained in order to minimise the risk of an accidental data breach;
- Tufton Investment Management Ltd is the Investment Manager and provides portfolio management and risk management services to the Company. They are also the AIFM for the purposes of the AIFMD;
- Tufton Management Limited, an affiliate of the Investment Manager, provides Asset Management services to each underlying SPV;
- Tufton Corporate Services, an affiliate of the Investment Manager, provides administration, accounting and company secretarial services for the SPVs;
- Computershare Investor Services (Guernsey) Limited is responsible for the provision of Registrar services;
- the Board clearly defines the duties and responsibilities of the Company’s agents and advisers in the terms of their contracts;
- the Board receives assurances from the Company’s agents and advisers that any amendments required as a result of regulatory change, are actioned accurately and promptly; and

Report of the Directors (continued)

Internal control and financial reporting (continued)

- the Board reviews financial information and compliance reports produced by the Administrator on a regular basis.

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

Responsible Investment, Sustainability and ESG Policy

The Company published its Responsible Investment, Sustainability and ESG Policy (the "Policy"), in July 2021, a copy of which is available on the Company's website (tuftonoceanicassets.com).

The Policy sets out the combined approach of the Investment Manager and the Company to the integration of sustainability risks and responsible investment principles in its investment decision making and asset ownership practices. The policy seeks to align the Company's strategy with best practices and market standards in all ESG and Responsible Investment matters.

The Company believes upholding high standards of ESG and responsible investment principles and practices are an essential tool for managing the risks presented by challenges such as climate change, social inequality and human rights issues, delivering long term value and positive returns for the Company's Shareholders as part of the Company's investment objectives, and ensuring the continued sustainability of shipping as a whole.

The Policy includes further details on the Company's approach to diversity and inclusion, stakeholder engagement, modern slavery, human rights and anti-bribery practices, together with how the activities of the Company are aligned with recognised ESG standards such as the UN's Sustainable Development Goals.

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

The Directors along with the Investment Manager, recognise the value of integrating principles of Responsible Investment into the investment management process and ownership practices in the belief that this can have an impact on the long-term financial performance. The Investment Manager's Report has further information on how the Investment Manager practically implements and considers the Policy when making investment decisions.

Going concern

In assessing the going concern basis of accounting the Directors have, together with discussions and analysis provided by Tufton, had regard to the guidance issued by the Financial Reporting Council. They have considered recent market volatility and the potential impact of the Covid-19 virus on the current and future operations of the Company and its investments (as set out in more detail in the Principal Risks and Uncertainties section).

Report of the Directors (continued)

Going concern (continued)

Based on these activities and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Please also refer to the Viability statement.

Viability statement

The Board, in assessing the long-term viability of the Company, have paid particular attention to the Principal Risks and Uncertainties faced by the Company as disclosed on pages 23 to 26 of these Financial Statements. In addition, the Board has considered the cash flow projection for the running costs of the Company to ensure the Company retains sufficient cash to meet its operating costs until the end of the viability period and is therefore able to sustain its business model and structure, including the payment of dividends at the proposed level.

The Board has also considered the cash flow projections for the Company over a range of market stress scenarios. Particularly with respect to Covid-19, the Board has considered the results of a viability test wherein the primary sensitivity of an extended period of market stress results in time charter rates staying below the historic median levels over the entire three-year forecast period along with significant void periods modelled between charters. The Board is pleased to note that in the viability test scenario, the Company will still retain sufficient cash to meet its operating costs and sustain its business model and structure.

The Board has taken into account the cash flow-weighted average length of its charters which are expected in normal circumstances to be in excess of three years and have therefore determined the appropriate viability period for the Company to be three years.

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

Continuation Vote

In accordance with the prospectus published 25 September 2018, the Directors are not required to put a continuation resolution to an extraordinary general meeting in 2021 as the Company's NAV was in excess of US\$250m as at the end of fourth quarter of 2020 (US\$251.0m). The Directors will propose an ordinary resolution at the annual general meeting to be held in 2024 that the Company continues its business (a "Continuation Resolution"). If this Continuation Resolution is passed, then the Directors shall every three years thereafter at the annual general meeting held following the publication of the audited accounts propose a further Continuation Resolution.

Report of the Directors (continued)

Shareholders' significant interests

The following Shareholders had notified to the Company a substantial interest of 5% or more of the issued share capital as at 30 June 2021.

	% of issued share capital
South Yorkshire Pensions Authority	10.53%
East Riding Pension Fund	10.29%
Schroder Investment Management	8.91%
West Yorkshire Pension Fund	8.72%
Newton Investment Management Ltd	5.97%
Pictet Asset Management	5.59%

Relations with Shareholders

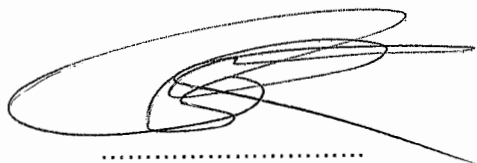
The Directors place a great deal of importance on communication with Shareholders. They request regular updates from the Company's placing agents and financial advisers on their communications with Shareholders. They can also be contacted via the email address provided in the Chairman's Statement.

The Annual Report and Audited Financial Statements are also distributed to other parties who have an interest in the Company's performance. Additional information on the Company can be obtained through the website www.tuftonoceanicassets.com, which is maintained by the Investment Manager.

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

The Company Secretary and Investment Manager are available to answer general shareholder queries at any time throughout the year. The Company can be contacted via the Company Secretary or SHIP@tuftonoceanicassets.com.

Approved by the Board of Directors on 8 September 2021 and signed on behalf of the Board by:



Rob King
Director



Stephen Le Page
Director

Audit Committee Report

Chairman's introduction

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

The terms of reference for the committee are available on the Company's website, www.tuftonoceanicassets.com. During the year ended 30 June 2021 and to the date of this report, the main areas of activity have been as follows:

- reviewing and assessing the Principal Risks and Uncertainties (as set out on pages 23 to 26), including the continued impact of the Covid-19 pandemic on the activities and assets of the Company;
- reviewing the accounting policies for the Company to ensure they remain appropriate for the preparation of the Company's Annual Report and Audited Financial Statements;
- reconsidering the areas of judgment or estimation arising from the application of International Financial Reporting Standards to the Company's activities and the documentation of the rationale for the decisions made and estimation techniques selected, to ensure they remain appropriate;
- meeting with the Independent Auditor, PwC, to review and discuss their independence, objectivity and proposed scope of work for their audit of this annual report;
- meeting with the Company's principal service providers to review the controls and procedures operated by them to ensure that the Company's risks are properly managed and that its financial reporting is complete, accurate and reliable; and
- reviewing in detail the content of this Annual Report, the work of the service providers in producing it and the results of the external audit.

Membership and Role of the Committee

The membership of the Audit Committee (the "Committee") is set out on page 42 and details about the responsibilities of the Committee are available in the terms of reference on the website.

The Committee discharges its responsibilities through a series of scheduled meetings, the agendas of which are linked to events in the financial calendar of the Company. The Committee met three times during the year ended 30 June 2021 and once more since the year end. The Independent Auditors attended all these meetings.

Internal control

The Company itself has no internal systems to control. Internal control lies within the services provided by Tufton Investment Management Ltd, Maitland and other service providers. These controls are monitored primarily by the Board reviewing and challenging reports from these service providers, and through segregation of duties between them.

Audit Committee Report (continued)

Internal control (continued)

In addition, the Board seeks to make visits to certain service providers periodically to assess their organisation and culture and to meet the individuals responsible for key functions. As a result of travel restrictions resulting from the global Covid-19 pandemic, these visits have been replaced by video conferences with key personnel. The Committee, and particularly the Chairman of the Committee, also closely monitors the financial reporting process and the tasks undertaken in the production of the annual report. This has involved discussions with Tufton Corporate Services Limited, the administrator of the Isle of Man SPVs, VesselsValue, the supplier of the information underlying the valuation of most of the vessels held by the Company, and the Investment Manager.

Review of accounting policies and areas for judgment or estimation

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

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

- the application of IFRS 10 – Consolidated Financial Statements ("IFRS 10") to the Company, on page 74;
- the detailed approach to arriving at the estimate of fair value for each vessel, SPV and the Guernsey Holding Company, LS Assets Limited;
- the determination of the Company's Viability and the applicability of the Going Concern assumption, on pages 47 and 48.

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

Fair value estimation

The majority of the NAV of the Company is derived from the fair value of the vessels owned by the Company's indirect SPV subsidiaries, which are themselves held by the Company's subsidiary, LS Assets Limited. The Company has chosen to use the value provided by VesselsValue.com as its best estimate of fair value for the majority of its fleet. Exact details of the valuation techniques applied to the vessels and of how the Company's NAV is derived is given in Note 11 to these financial statements. The Committee has paid particular regard to evaluating these techniques to ensure they are reasonably accurate, reliable and appropriate. The sensitivity of these valuations to various input assumptions is given in Note 11, to enable readers of these financial statements to make their own assessment of the carrying values. The Committee is satisfied that these techniques are reasonable and appropriate for use in the preparation of these financial statements and in the calculation of the published quarterly NAV per Share of the Company.

Audit Committee Report (continued)

External Audit

During the year ended 30 June 2021, and up to the date of this report, the Committee has met formally with the Independent Auditor on four occasions, and in addition the Chair of the Committee has spoken to them informally on several occasions. These informal meetings have been held to ensure the Chairman is kept up to date with the progress of their work and that their formal reporting meets the Committee's needs.

The formal meetings included detailed reviews of the proposed fees and scope of the work to be performed by PwC in their audit for the year ended 30 June 2021. They also included detailed reviews of the results of this work, their findings and observations. I am pleased to report that there are no matters arising from their work which should be brought to the attention of Shareholders.

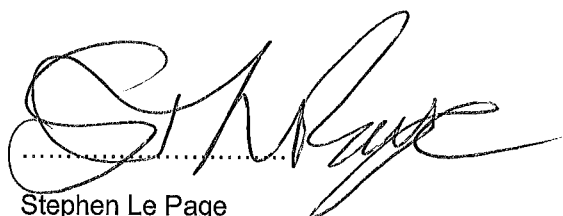
The Committee has also reviewed PwC's report on their own independence and objectivity, including the level of non-audit services provided by them. There were no non-audit services carried out during the year.

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

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

Annual Report

The Committee members have each reviewed this Annual Report and earlier drafts of it in detail, comparing its content with their own knowledge of the Company, reporting requirements and shareholder expectations. Formal meetings of the Committee have also reviewed the report and its content and have received reports and explanations from the Company's service providers about the content and the financial results. The Committee has concluded that the Annual Report, taken as a whole, is fair, balanced and understandable, and that the Board can reasonably and with justification make the Statement of Directors' Responsibilities on page 33.

A handwritten signature in black ink, appearing to read 'S. Le Page', written over a dotted line.

Stephen Le Page
Chairman of the Audit Committee

Independent auditor's report to the members of Tufton Oceanic Assets Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Tufton Oceanic Assets Limited (the "company") as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

The company's financial statements comprise:

- the statement of financial position as at 30 June 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview

Audit scope

- The company is incorporated and based in Guernsey.
 - The financial statements consist of the standalone parent company financial information and include the company's investment into its directly held subsidiary, which is held at fair value. The subsidiary in turn holds directly and indirectly 26 Special Purpose Vehicles ("SPVs") through which the underlying shipping assets are held.
 - The principal activities of the company comprise investing in a diversified portfolio of shipping assets through its subsidiary based in Guernsey and the SPVs based in the Isle of Man.
 - We conducted our audit of the financial statements based on financial information provided by the company's service providers, Maitland Administration (Guernsey) Limited (the "Administrator") and Tufton Investment Management Ltd (the "Investment Manager") to whom the Board of Directors has delegated certain administrative functions and other functions, including assisting in identifying acquisition targets, managing these assets and identifying divestment opportunities.
-

Independent auditor's report to the members of Tufton Oceanic Assets Limited (continued)

Key audit matters

- Valuation and existence of financial assets designated at fair value through profit or loss (Investments)
 - The Board and the Investment Manager's consideration of the impact of COVID-19
-

Materiality

- Overall materiality: US\$6.25million (2020: US\$4.75million) based on 2% of net assets.
- Performance materiality: US\$4.69million (2020: US\$3.56million).

The scope of our audit

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
<i>Valuation and existence of financial assets designated at fair value through profit or loss (Investments)</i>	
<i>Valuation</i> The fair value of the company's investment amounts to US\$307.73 million at 30 June 2021 and comprises the company's holding in its direct subsidiary, which in turn directly and indirectly owns 26 SPVs. These SPVs hold the interests in the shipping assets (the "underlying portfolio"), other SPVs or other residual net assets where the underlying shipping assets have been divested. The fair value of the investment has been determined based on the fair value of (a) the underlying investment portfolio and (b) the other residual net assets within the subsidiary and SPVs as at 30 June 2021. The fair value of the underlying investment portfolio has been valued primarily using standard industry methodology using one of two principal methods depending on whether the	We planned and executed our audit to critically assess how management applied their assumptions in determining the fair value of all entities and vessels in the company's investment ownership structure and to verify the existence of the company's ownership of all the entities and vessels held by the SPVs. Our audit procedures included: As it relates to valuation of the vessels held by the SPVs: • Understanding of the design and implementation of the internal controls around the valuation models at 30 June 2021 at the Administrator and Investment Manager.

Independent auditor's report to the members of Tufton Oceanic Assets Limited (continued)

vessel is classified as a standard or specialised vessel, or in limited circumstances by an independent broker.

Standard vessels are generally valued on a 'charter free' basis using an independent third-party vessel valuation service. Any valuations are then adjusted for each vessel's charter lease contracts attached to the vessel (based on premium/discount to the independent third party vessel valuation services standard market charter rates) and for the estimated capital expenditure cycle associated with the dry docking of the vessel. The latter adjustment necessitates judgement in respect of the expected condition of each vessel and the magnitude of capital expenditure required while in dry dock. The net adjusted valuations are then subject to a minimum fair value being the present value of all contracted cash flows and the vessel scrap value at the completion date of the charter. These cashflows are then discounted using discounted cash flow valuation methodology and takes into consideration the credit risk of the charter counterparty, where appropriate.

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

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

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

Existence

The company's direct and indirect ownership rights in its subsidiary and SPVs within the structure consist of unlisted equity securities, shareholder loans and capital contributions and

For standard vessels:

- Assessment of the third-party vessel valuation service's independence, qualifications and expertise through enquiry with valuation specialists within our PwC network of firms.
- Obtaining, inspecting and agreeing the independent valuations received by the company in respect of 'charter free' values from the third-party vessel valuation service to those independently received from the third-party vessel valuation service.
- Assessing the charter lease contract adjustments by comparing the actual charter rates per the records of the SPVs pertaining to each vessel to market charter rates to assess the reasonableness of the adjustments made by the Investment Manager.
- Agreeing key inputs used by the third-party vessel valuation service to independent sources or underlying agreements (which included such details as the vessel build year, type, size etc).
- We assessed and evaluated the discount rate used by the third-party valuation service in calculating the charter lease contracts adjustments.
- Benchmarking of the current year fair values to recent comparable market transactions per vessel and the prior year valuation. Where vessels were outside of an indicated range applied by the engagement team, we sought further evidence to support the Investment Manager's determination of fair value.
- We discussed and obtained further detail (such as recent market transaction data) for a sample of vessels directly from the third-party vessel valuation service. This provided us with additional comfort over the valuation methodology and approach applied by the third-party vessel valuation service.

Independent auditor's report to the members of Tufton Oceanic Assets Limited (continued)

therefore there is no central independent depository of custody. For each vessel there is similarly no central depository confirming ownership rights. The existence of the investment in the subsidiary as well as the underlying SPVs and vessels is determined via legal title to each of the equity shares of the subsidiaries and SPVs and ownership title to the underlying vessels.

The above matters, combined with the significance of the unlisted investments balance in the statement of financial position represented a significant risk from an audit perspective and is also considered to be a key audit matter.

For specialised vessels:

- Agreeing the purchase price (including deferred purchase prices where applicable) of each vessel to the signed deal documentation and discounted cash flow model.
- Agreeing the forecast charter income cash flows to signed charter agreements.
- Recalculating and assessing exit values at the end of the fixed charter period based on the terms applicable to each vessel, dependent on management's intention or agreement with the counterparties (such as scrap value or depreciated replacement cost etc.).
- Assessing the reasonableness of the discount rate applied, as well as the market and counterparty credit conditions as at 30 June 2021.
- Recalculating each vessel's discounted cash flow models to confirm their mathematical accuracy.
- Assessed the approach applied to the cash flows utilised within the discounted cash flow models for appropriateness in line with the vessels and agreements in place for specialised vessels; and
- Assessed the discount rate used against the previously assessed market discount rates used by the third-party vessel valuation service.

For vessels valued by an independent broker:

- We noted that 1 new vessel was valued by an independent specialist broker. We obtained the independent broker valuation and assessed the terms of engagement, reliability, independence and reputation of the independent broker.
- We discussed with the Investment Manager the original acquisition valuation basis and the drivers behind the change in valuation since acquisition

Independent auditor's report to the members of Tufton Oceanic Assets Limited (continued)

during the year and agreed these explanations to market information where appropriate.

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

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

As it relates to existence of the investment in the subsidiary, SPVs and underlying vessels:

- Agreeing the shareholding of the directly held subsidiary as well as the underlying SPVs to share registers and agreements.
- Agreeing the purchase and divestment of all vessels made during the current financial period to supporting agreements and contracts.
- Confirming independently with the respective recognised Shipping Authorities the title of each of the underlying vessels as at 30 June 2021 for all vessels. For two vessels where the company had not yet taken delivery as at 30 June 2021, we performed alternative procedures by obtaining transaction documents and signed delivery notes dated after year end. For one vessel, we had to perform alternative audit procedures that provided us comfort over existence, as the flag country's register is unavailable for public enquiry.
- For all vessels, we utilised open source vessel tracking resources to corroborate that the vessels were operational, the routes they are chartered on and recent photographic evidence thereof.

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

Independent auditor's report to the members of Tufton Oceanic Assets Limited (continued)

The Board and the Investment Manager's consideration of the impact of COVID-19

The Board and the Investment Manager have considered the impact of events that have been caused by the pandemic, COVID-19, on the current and future operations of the company. In doing so, the Board together with the Investment Manager have made estimates and judgements with respect to the outcomes of these considerations with a particular focus on the company's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements and that support the Board's viability statement.

As a result of the impact of COVID-19 on the wider financial markets and the company's share price, we have determined the Board's consideration of the potential impact of COVID-19 (including their associated estimates and judgements) to be a key audit matter.

- We obtained from the Board and the Investment Manager the latest assessment and conclusions with respect to the statements of going concern and viability.
- We discussed with the Board and the Investment Manager the estimates and judgements applied in their latest assessments so we could understand and challenge the rationale and underlying factors incorporated and the sensitivities applied as a result of COVID-19.
- We inspected the viability assessment provided to evaluate its consistency with our understanding of the operations of the company, the investment portfolio and with any market commentary already made by the Investment Manager.
- We considered the appropriateness of the disclosures made by the Board and the Investment Manager in respect of these assessments including the impact of COVID-19.
- We confirmed that the directors have analysed and are satisfied with the business continuity plans of all key service providers as part of their COVID-19 operational resilience review.

Based on our procedures, we have not identified any matters to report with respect to both management's and the Board's considerations of the impact of COVID-19 on the current and future operations of the company, its subsidiary and SPVs.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

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

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

Independent auditor's report to the members of Tufton Oceanic Assets Limited (continued)

The transactions relating to the company and its subsidiary are maintained by the Administrator and therefore we were not required to engage with component auditors from another PwC global network firm operating under our instruction. The transactions related to the SPVs are maintained by Tufton Corporate Services Limited, a related company of the Investment Manager and all audit procedures related to the SPVs were undertaken by PricewaterhouseCoopers CI LLP in Guernsey and no component auditors from another PwC global network were required.

Testing was performed using thresholds which are determined with reference to the overall company materiality and the risks of material misstatement identified to the company as a whole, meaning that both the subsidiary and all the SPVs were included within our audit scope.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	US\$6.25million (2020: US\$4.75 million)
<i>How we determined it</i>	2% of net assets
<i>Rationale for the materiality benchmark</i>	We believe that 'net assets' is the most appropriate benchmark as this is a key metric of interest to members of the company. It is also a generally accepted measure used for investment funds.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US\$4.69million for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US\$312k, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have

Independent auditor's report to the members of Tufton Oceanic Assets Limited (continued)

performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

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

Independent auditor's report to the members of Tufton Oceanic Assets Limited (continued)

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

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

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

Use of this report

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

Report on other legal and regulatory requirements

Company Law exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Corporate governance statement

The company has reported voluntary compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code.

Going concern

The directors have requested that we review the statement on pages 47 and 48 in relation to going concern as if the company were a UK premium listed Guernsey company. We have nothing to report having performed our review.

The directors' assessment of the prospects of the company and of the principal and emerging risks that would threaten the solvency or liquidity of the company

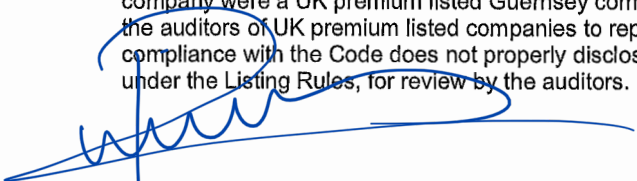
The directors have requested that we perform a review of the directors' statements on pages 23 to 26 that they have carried out a robust assessment of the principal and emerging risks facing the company and in relation to the longer-term viability of the company, as if the company were a UK premium listed Guernsey company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the 2019 AIC Code of Corporate Governance (the "Code"); and considering whether the statements are consistent with

Independent auditor's report to the members of Tufton Oceanic Assets Limited (continued)

the knowledge and understanding of the company and its environment obtained in the course of the audit. We have nothing to report having performed this review.

Other Code provisions

The directors have prepared a corporate governance statement and requested that we review it as though the company were a UK premium listed Guernsey company. We have nothing to report in respect of the requirement for the auditors of UK premium listed companies to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.



Roland Mills
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
8 September 2021

Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 US\$	2020 US\$
Income			
Net changes in fair value of Financial Assets designated at fair value through profit or loss	4	60,723,698	(24,177,906)
Dividend income	7	21,752,000	25,626,377
Total net income		82,475,698	1,448,471
Expenditure			
Administration fees		(148,158)	(144,812)
Audit fees		(122,022)	(128,450)
Corporate Broker fees		(150,000)	(150,000)
Directors' fees	17	(162,332)	(118,038)
Foreign exchange (loss) / gain		(1,429)	1,246
Insurance fee		(17,721)	(28,971)
Investment management fee	13	(2,269,097)	(2,070,834)
Legal fees		(21,576)	(10,165)
Listing fees		(17,476)	-
Professional fees		(75,560)	(53,571)
Sundry expenses		(3,913)	(23,062)
Total expenses		(2,989,284)	(2,726,657)
Operating profit / (loss)		79,486,414	(1,278,186)
Finance income		1,452	60,106
Profit / (Loss) and comprehensive income / (loss) for the year		79,487,866	(1,218,080)
IFRS Earnings per ordinary share (cents)	8	30.70	(0.49)

There were no potentially dilutive instruments in issue at 30 June 2021 or 30 June 2020.

All activities are derived from continuing operations.

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

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

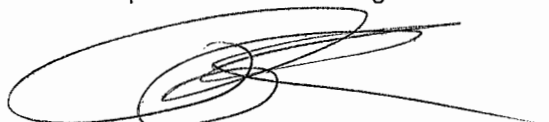
Statement of Financial Position

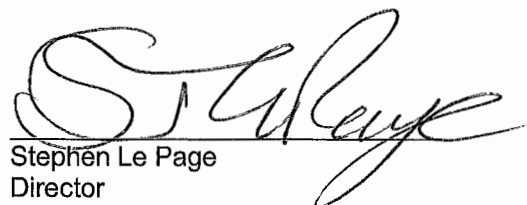
At 30 June 2021

	Notes	2021 US\$	2020 US\$
Non-current assets			
Financial assets designated at fair value through profit or loss (Investments)	4	307,728,012	232,441,142
Total non-current assets		<u>307,728,012</u>	<u>232,441,142</u>
Current assets			
Trade and other receivables	5	5,760,379	5,839,928
Cash and cash equivalents		29,989	20,441
Total current assets		<u>5,790,368</u>	<u>5,860,369</u>
Total assets		<u>313,518,380</u>	<u>238,301,511</u>
Current liabilities			
Trade and other payables		872,425	633,418
Total current liabilities		<u>872,425</u>	<u>633,418</u>
Net assets		<u>312,645,955</u>	<u>237,668,093</u>
Equity			
Share capital	6	259,657,871	245,392,016
Retained reserves	6	52,988,084	(7,723,923)
Total equity attributable to ordinary Shareholders		<u>312,645,955</u>	<u>237,668,093</u>
Net assets per ordinary share (cents)	10	<u>115.78</u>	<u>93.08</u>

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

The financial statements were approved and authorised for issue by the Board of Directors on 8 September 2021 and signed on its behalf by:


Rob King
Director


Stephen Le Page
Director

Statement of Changes in Equity

For the year ended 30 June 2021

	Ordinary Share capital US\$	Retained earnings US\$	Total US\$
Shareholders' equity at 30 June 2019	215,012,016	10,830,663	225,842,679
Share issue	31,000,000	-	31,000,000
Listing costs	(620,000)	-	(620,000)
Loss and comprehensive loss for the year	-	(1,218,080)	(1,218,080)
Dividends paid	-	(17,336,506)	(17,336,506)
Shareholders' equity at 30 June 2020	245,392,016	(7,723,923)	237,668,093
Share buyback	(247,125)	-	(247,125)
Share issue	14,700,000	-	14,700,000
Listing costs	(187,020)	-	(187,020)
Profit and comprehensive income for the year	-	79,487,866	79,487,866
Dividends paid	-	(18,775,859)	(18,775,859)
Shareholders' equity at 30 June 2021	259,657,871	52,988,084	312,645,955

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

Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 US\$	2020 US\$
Cash flows from operating activities			
Profit / (Loss) and comprehensive income / (loss) for the year		79,487,866	(1,218,080)
Adjustments for:			
Purchase of investments	4	(14,563,172)	(35,620,975)
Change in fair value on investments	4	(60,723,698)	24,177,906
Operating cash flows before movements in working capital		4,200,996	(12,661,149)
Changes in working capital:			
Movement in trade and other receivables	5	79,549	(5,807,680)
Movement in trade and other payables		239,007	(54,363)
Net cash generated from / (used in) operating activities		4,519,552	(18,523,192)
Cash flows from financing activities			
Net amount paid for share buyback	6	(247,125)	-
Net proceeds from issue of shares	6	14,512,980	30,380,000
Dividends paid to Ordinary Shareholders	9	(18,775,859)	(17,336,506)
Net cash (used in) / generated from financing activities		(4,510,004)	13,043,494
Net movement in cash and cash equivalents during the year		9,548	(5,479,698)
Cash and cash equivalents at the beginning of the year		20,441	5,500,139
Cash and cash equivalents at the end of the year		29,989	20,441

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. General information

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

The Company had 224,644,568 ordinary shares in issue on 1 July 2019 all of which were listed on the Specialist Funds Segment of the Main Market of the London Stock Exchange. On 20 September 2019, the Company announced the results of its Placing and Offer for Subscription of 30,693,070 ordinary shares, which raised gross proceeds of US\$31m. These ordinary shares were issued on the Specialist Funds Segment of the Main Market of the London Stock Exchange effective 24 September 2019.

During the current year, the Company bought a total of 300,000 of its own ordinary shares at an average price of US\$0.824 per Share. For further details refer to note 6.

On 25 March 2021, the Company announced the results of its tap issue of 15,000,000 Shares, which raised gross proceeds of US\$14.7m. 14,700,000 new ordinary shares were admitted to trading on the Specialist Funds Segment of the Main Market of the London Stock Exchange plc. The balance of 300,000 ordinary shares were issued out of Treasury and represent all of the Company's shares that were held in Treasury. The total number of Company's shares in issue was 270,037,638 at the year end. Each share carries the right to 1 vote.

On 6 August 2021, after the year end, the Company announced that it had raised gross proceeds of US\$12.4m through the tap issue of a further 10,533,763 ordinary shares at a price of US\$1.18 per share.

2. Significant accounting policies

(a) Basis of Preparation

Compliance with IFRS

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

Historical cost convention

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

Notes to the financial statements (continued)

For the year ended 30 June 2021

2. Significant accounting policies (continued)

(a) Basis of Preparation (continued)

Basis of non-consolidation

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

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

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

(b) New and amended standards

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies (Effective 1 January 2023).

Amendments to IAS 8: Definition of Accounting Estimates (Effective 1 January 2023).

Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract (Effective 1 January 2022).

Amendments to IFRS 9: Annual Improvements to IFRS Standards 2018 - 2020 (Effective 1 January 2022).

Notes to the financial statements (continued)

For the year ended 30 June 2021

2. Significant accounting policies (continued)

(b) New and amended standards

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

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

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

The New and revised Standards and Interpretations adopted in the current year did not have any significant impact on the amounts reported in these financial statements.

(d) Segmental reporting

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

(e) Income

Dividend Income

Dividend income is accounted for on the date the dividend is declared.

Interest Income

Interest income is accounted for on an accruals basis.

(f) Expenses

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

(g) Dividends to Shareholders

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

(h) Taxation

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

Notes to the financial statements (continued)

For the year ended 30 June 2021

2. Significant accounting policies (continued)

(i) Financial Assets and Financial Liabilities Investments

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

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

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

Recognition of financial assets and liabilities

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

Financial assets at fair value through profit or loss

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

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

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

There are Time Charter contracts in place for standard vessels. Such Charters will vary in length but would typically be in the 2 – 8 years' range. As the shipping markets can be volatile over time, the value of such Charters will therefore either add to or detract from the open market charter-free value of the vessel.

Notes to the financial statements (continued)

For the year ended 30 June 2021

2. Significant accounting policies (continued)

(i) Financial Assets and Financial Liabilities Investments

Under a time charter, the vessel owner provides a fully operational and insured vessel for use by the charterer. There is a fluid Charter market reported daily by freight brokers.

The charter-free and associated charter values of most standard vessels are calculated predominantly using an online valuation platform provided by VesselsValue or, in limited circumstances, the written valuation of a mainstream broker where elected by the Manager. For charter-free values, the VesselsValue system contains a number of algorithms that combine factors such as vessel type, technical features, age, cargo capacity, freight earnings, market sentiment and recent vessel sales.

For charter values, the platform provides a DCF (Discounted Cashflow) module where vessel specific charter details are input and measured against a platform provided market benchmark to obtain a premium or discount value of the charter versus the typical prevailing market for that type of vessel. The adjustment for the capital expenditure associated with the dry docking of the vessel is time apportioned on a straight line basis over the period between the vessel's last visit to dry dock and the date of its next expected visit, by reference to the actual cost of the last visit and the budgeted cost of the next. This adjustment is an addition to value when the valuation date is nearer to the vessel's last dry docking than to its next expected visit to dry dock, and vice versa.

The net adjusted valuation is subject to a minimum fair value being the present value of all current contracted charter cashflows and the current vessel scrap value at the completion of the charter. The present value of the cashflows is discounted at the specific WACC assigned to the vessel type by VesselsValue adjusted for any counterparty credit risk where appropriate.

Specialist vessels are valued on a pure DCF basis by the Investment Manager using vessel specific information and both observable and unobservable data. The VesselsValue platform is not used for these assets. Instead a DCF approach is adopted and this determines the present value of the cashflows discounted at the project cost of capital or the specific WACC assigned to the vessel type by VesselsValue, and is deemed to be a fair representation of the vessel and charter value.

Refer to Note 3 which explains in detail the judgements and estimates applied.

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

The value of the charter is added to the charter-free value to ascertain a value with charter.

SPVs account for non-ship assets in line with the accounting policies of the Company.

Notes to the financial statements (continued)

For the year ended 30 June 2021

2. Significant accounting policies (continued)

(i) Financial Assets and Financial Liabilities Investments

Loans and receivables

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

Derecognition of financial assets

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

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

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

Offsetting financial instruments

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

Financial liabilities and equity

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

Derecognition of financial liabilities

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

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts. As at 30 June 2021, the carrying amount of cash and cash equivalents approximate their fair value.

Notes to the financial statements (continued)

For the year ended 30 June 2021

2. Significant accounting policies (continued)

(k) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

(l) Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council and have considered recent market volatility and the potential impact of the Covid-19 virus on the Company's investments (as set out in more detail in the Principal Risks and Uncertainties section on pages 23 to 26). After making enquiries and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

(m) Equity instruments

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

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

3. Critical Accounting Judgements and Estimates

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

Notes to the financial statements (continued)

For the year ended 30 June 2021

3. Critical Accounting Judgements and Estimates (continued)

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

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

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

The criteria which define an investment entity are documented in Note 2a.

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

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

Further to the information mentioned in Note 2 (i) there are specific capital adjustments considered as part of the valuation process for standard vessels, mainly the adjustment for ballast water treatment systems installed on vessels is considered an enhancement to the charter-free value, initially recognised at cost and straight line depreciated from the commissioning date to 31 December 2021.

At 30 June 2021, two vessels were treated as specialist vessels (two vessels at 30 June 2020).

The first is on a long-term Bareboat Charter. The second has had scrubbers installed under an enhanced long-term contract with a charterer.

These specialist vessels are valued on a pure DCF basis by the Investment Manager using vessel specific information and both observable and unobservable data. Project cost of capital discount rates are reviewed on a regular basis to ensure they remain relevant to prevailing project and market risk parameters. The prospectus sets out the basis on which non-typical and specialist vessels would be valued.

During the current and prior years, one vessel was on a charter with a fixed rate floor and a profit-sharing mechanism from which its earnings were crystallised on an annual basis. In months prior to the completion of the annual calculation period, the vessel's earnings were accounted for based on actual earnings for the year to date and an estimate of the vessel's future earnings to the end of the calculation period. The vessel was sold in December 2020.

At the year end, the charter-free valuation of Golding was provided by written broker valuation rather than VesselsValue as elected by the Investment Manager given limited transactions in this vessel type.

There were no other material areas of estimation in the current year for the Company.

Notes to the financial statements (continued)

For the year ended 30 June 2021

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

The Company owns the Investment Portfolio through its investment in LSA. The investment by LSA comprises the NAVs of the SPVs. The NAVs consist of the fair value of vessel assets and the SPVs residual net assets and liabilities. The whole Investment Portfolio is designated by the Board as a Level 3 item on the fair value hierarchy because of the lack of observable market information in determining the fair value as a result, all the information below relates to the Company's Level 3 assets only, with respect to the requirements set out in IFRS 7. The investment held at fair value is recorded under Non-Current Assets in the Statement of Financial Position as there is no current intention to dispose of any of the assets.

The changes in Financial Assets designated at fair value through profit or loss (Investments) which the Company has used Level 3 inputs to determine fair value, after considering dividends declared (see Note 7) are as follows:

	2021 US\$	2020 US\$
LSA		
Brought forward cost of investment	235,360,051	199,739,076
Total investment acquired in the year	14,563,172	35,620,975
Carried forward cost of investment	249,923,223	235,360,051
Brought forward unrealised (losses) / gains on valuation	(2,918,909)	21,258,997
Movement in unrealised gains / (losses) on valuation	60,723,698	(24,177,906)
Carried forward unrealised gains / (losses) on valuation	57,804,789	(2,918,909)
Total investment at fair value	307,728,012	232,441,142

Note 11 - Price risk in the shipping industry, presents the valuation techniques used by the underlying SPV's in determining the value of the vessels held (based on assumptions that are not supported by prices or other inputs from observable current market transactions).

The unobservable inputs which significantly impact the fair value have been determined to be the charter-free valuation and charter rates for standard vessels and the Discount rate applied for specialised vessels.

The Company holds its investments through a subsidiary company which has not been consolidated in line with the adoption of IFRS 10: Consolidated Financial Statements. Below is the legal entity name for the Holding Company which owns 100% of the shares in the SPVs. The remaining legal entities are owned indirectly through the investment in the Holding Company.

Notes to the financial statements (continued)

For the year ended 30 June 2021

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

The SPV's and holding company Handy Holdco Limited are incorporated in the Isle of Man. The holding company LS Assets Limited is incorporated in Guernsey. The country of incorporation is also their principal place of business.

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

Name	2021 US\$	2020 US\$	Direct or indirect holding	Principal activity	Ownership at 30 June 2021	Ownership at 30 June 2020
LS Assets Limited	-	-	Direct	Holding company	100%	100%
Aglow Limited	9,295,994	6,544,853	Indirect	SPV	100%	100%
Antler Limited	10,017,889	7,086,424	Indirect	SPV	100%	100%
Bear Limited	439,204	25,159,399	Indirect	SPV	100%	100%
Candy Limited	9,579,537	-	Indirect	SPV	100%	N/A
Citra Limited	18,033,604	6,879,658	Indirect	SPV	100%	100%
Cocoa Limited***	-	-	Indirect	SPV	100%	N/A
Dachshund Limited ***	-	14,836,028	Indirect	SPV	100%	100%
Daffodil Limited***	-	-	Indirect	SPV	100%	N/A
Darwin Limited**	-	1	Indirect	SPV	N/A	100%
Dragon Limited	8,876,752	7,836,366	Indirect	SPV	100%	100%
Echidna Limited	10,212,057	-	Indirect	SPV	100%	N/A
Golding Limited	16,578,058	-	Indirect	SPV	100%	N/A
Handy HoldCo Limited	29,581,968	-	Indirect	Holding Company	100%	N/A
Hongi Limited **	-	1	Indirect	SPV	N/A	100%
Java Limited **	-	1	Indirect	SPV	N/A	100%
Kale Limited	20,680,491	5,289,398	Indirect	SPV	100%	100%
Laurel Limited+	1,599,950	-	Indirect	SPV	100%	N/A

Notes to the financial statements (continued)

For the year ended 30 June 2021

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

Name	2021 US\$	2020 US\$	Direct or indirect holding	Principal activity	Ownership at 30 June 2021	Ownership at 30 June 2020
Lavender Limited	13,206,424	-	Indirect	SPV	100%	N/A
Mayflower Limited	12,762,171	-	Indirect	SPV	100%	N/A
Neon Limited	29,481,951	30,393,897	Indirect	SPV	100%	100%
Octane Limited	17,208,816	18,462,207	Indirect	SPV	100%	100%
Orson Limited**	1,356,536	-	Indirect	SPV	100%	N/A
Parrot Limited	28,155,312	31,865,549	Indirect	SPV	100%	100%
Patience Limited	10,046,760	5,687,983	Indirect	SPV	100%	100%
Pollock Limited***	-	15,010,226	Indirect	SPV	100%	100%
Riposte Limited	16,749,536	7,603,717	Indirect	SPV	100%	100%
Sierra Limited	17,290,472	18,765,453	Indirect	SPV	100%	100%
Swordfish Limited	14,340,404	4,927,358	Indirect	SPV	100%	100%
Vicuna Limited	8,780,368	10,610,002	Indirect	SPV	100%	100%
Cash held pending investment	3,776,976	29,618,568				
Residual net liabilities	(323,218)	(14,135,947)				
*Total investment at fair value	307,728,012	232,441,142				

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

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

**The three companies above have been liquidated. The ships were sold during the 2020 financial year.

*** During the current year, the ownership of Dachshund Limited and Pollock Limited was transferred to Handy HoldCo Limited, which also owns Cocoa Limited and Daffodil Limited.

Notes to the financial statements (continued)

For the year ended 30 June 2021

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

*At the year end this SPV held an Agreement with a vendor for the purchase of a vessel signed 24 May 2021. At the year end the SPV valued the incomplete contract at the difference between its fair value and costs to complete. The vessel was delivered 27 July 2021.

**At the year end this SPV held an Agreement with a vendor for the purchase of a vessel signed 24 May 2021. At the year end the SPV valued the incomplete contract at the difference between its fair value and costs to complete. The vessel was delivered 29 July 2021.

5. Trade and other receivables

	2021 US\$	2020 US\$
Current assets		
Prepayments	21,491	25,627
Due from subsidiary (dividend receivable)	5,738,888	5,814,301
Total trade and other receivables	5,760,379	5,839,928

Amounts due from subsidiaries are interest free and payable on demand. The amount due from subsidiaries in the prior year of US\$5,814,301 was settled in the current year. Due to the value and short-term nature of these receivables, the directors have assessed there to be no expected credit losses associated with these outstanding balances.

6. Share capital and reserves

Share Capital

Share issuance	Number of shares	Gross amount (US\$)	Issue costs (US\$)	Share capital (US\$)
Total issue at 30 June 2020	255,337,638	250,400,016	(5,008,000)	245,392,016
Share buyback 5 August 2020	(50,000)	(41,710)	-	(41,710)
Share buyback 12 August 2020	(50,000)	(41,083)	-	(41,083)
Share buyback 13 August 2020	(50,000)	(41,083)	-	(41,083)
Share buyback 24 September 2020	(100,000)	(82,166)	-	(82,166)
Share buyback 25 September 2020	(50,000)	(41,083)	-	(41,083)

Notes to the financial statements (continued)

For the year ended 30 June 2021

6. Share capital and reserves (continued)

Share Capital

Share issuance	Number of shares	Gross amount (US\$)	Issue costs (US\$)	Share capital (US\$)
Share issue 29 March 2021	15,000,000	14,700,000	(187,020)	14,512,980
Total issue at 30 June 2021	270,037,638	264,852,891	(5,195,020)	259,657,871

Retained reserves

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

7. Dividend income

	2021 US\$	2020 US\$
Dividend income	21,752,000	25,626,377

During the current year, LS Assets Limited declared dividends of US\$21,752,000 (2020: US\$25,626,377) to the Company. At 30 June 2021, dividends of US\$5,738,888 (2020: US\$5,814,301) were outstanding (refer to Note 5).

8. Earnings per share calculated in accordance with IFRS

	2021 US\$	2020 US\$
Profit / (loss) and comprehensive income / (loss) for the year	79,487,866	(1,218,080)
Weighted average number of ordinary shares	258,911,885	248,125,605
Earnings per ordinary share (cents)	30.70	(0.49)

The weighted average number of ordinary shares of 258.9m shares (2020: 248.1m shares) is calculated in accordance with IFRS guidelines.

Notes to the financial statements (continued)

For the year ended 30 June 2021

9. Dividends

The Company declared the following dividends in respect of the profit for the year ended 30 June 2021:

Quarter end	Dividend per share	Ex div date	Net Dividend paid	Record date	Paid date
30 September 2020	US\$0.0175	5 November 2020	US\$4,463,159	6 November 2020	20 November 2020
31 December 2020	US\$0.01875	28 January 2021	US\$4,781,956	29 January 2021	21 February 2021
31 March 2021	US\$0.01875	29 April 2021	US\$5,063,206	30 April 2021	14 May 2021
30 June 2021	US\$0.01875	29 July 2021	US\$5,063,206	30 July 2021	13 August 2021

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

10. Net assets per ordinary share

	2021 US\$	2020 US\$
Shareholders' equity	312,645,955	237,668,093
Number of ordinary shares	270,037,638	255,337,638
Net assets per ordinary share (cents)	115.78	93.08

11. Financial risk management

Capital management

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

Notes to the financial statements (continued)

For the year ended 30 June 2021

11. Financial risk management (continued)

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

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

Financial risk management objectives

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

Market risk

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

Currency risk

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

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

Interest rate risk

The majority of the Company's financial assets and liabilities are non-interest bearing. However, the Company is exposed to a small amount of risk due to fluctuations in the prevailing levels of market interest rates because any excess cash or cash equivalents are invested at short-term market interest rates. The Company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates. It does not consolidate the US\$12.45m outstanding loan (with a blended, fixed rate of 5.05%) owed by Parrot Ltd, nor the US\$22.00m outstanding loan (with a variable rate capped at 4.65%) owed by Handy HoldCo Limited, in accordance with IFRS 10 and IFRS 13. Interest payments on these loans are only subject to limited change from fluctuations in interest rates due to their fixed and capped nature.

Notes to the financial statements (continued)

For the year ended 30 June 2021

11. Financial risk management (continued)

Interest rate risk

2021	Interest bearing less than 1 month (US\$)	Non-interest bearing (US\$)	Total (US\$)
Assets			
Investments	-	307,728,012	307,728,012
Trade and other receivables	-	5,760,379	5,760,379
Cash and cash equivalents	29,989	-	29,989
Total assets	29,989	313,488,391	313,518,380
Liabilities			
Trade and other payables	-	872,425	872,425
Total liabilities	-	872,425	872,425
Total interest sensitivity gap	29,989		

The weighted average interest rate is 0.06% for cash and cash equivalents in the current financial year.

2020	Interest bearing less than 1 month (US\$)	Non-interest bearing (US\$)	Total (US\$)
Assets			
Investments	-	232,441,142	232,441,142
Trade and other receivables	-	5,839,928	5,839,928
Cash and cash equivalents	20,441	-	20,441
Total assets	20,441	238,281,070	238,301,511
Liabilities			
Trade and other payables	-	633,418	633,418
Total liabilities	-	633,418	633,418
Total interest sensitivity gap	20,441		

The weighted average interest rate is 1.12% for cash and cash equivalents in the prior year.

Notes to the financial statements (continued)

For the year ended 30 June 2021

11. Financial risk management (continued)

Interest rate risk

If the interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's profit for the year ended 30 June 2021 would increase or decrease by US\$300 (2020: US\$204). This is attributable to the company's exposure to interest rates on its variable rate deposits.

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

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

Credit risk

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

The Company does not have any significant external credit risk exposure to any single counterparty in relation to trade and other receivables. On-going credit evaluation is performed on the financial condition of accounts receivable. As at 30 June 2021 there were no receivables considered impaired (2020: US\$nil).

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

30 June 2021	Credit rating Standard & Poor's	Cash (US\$)	Short term fixed deposits (US\$)	Total as at 30 June 2021 (US\$)
Barclays Bank Plc (Barclays)	A Long Term A-1 Short Term	22,495	-	22,495
Ravenscroft ¹ (HSBC London – call accounts)	A+ Long Term A-1 Short Term	-	7,494	7,494
Total		22,495	7,494	29,989

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

Notes to the financial statements (continued)

For the year ended 30 June 2021

11. Financial risk management (continued)

Credit risk

30 June 2020	Credit rating Standard & Poor's	Cash (US\$)	Short term fixed deposits (US\$)	Total as at 30 June 2020 (US\$)
Barclays Bank Plc (Barclays)	A Long Term A-1 Short Term	19,062	-	19,062
Ravenscroft ¹ (HSBC London – call accounts)	A+ Long Term A-1 Short Term	-	1,379	1,379
Total		19,062	1,379	20,441

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board of Directors has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves by monitoring forecast and actual cash flows

The table below shows the maturity of the Company's non-derivative financial assets and liabilities. The amounts disclosed are contractual, undiscounted cash flows and may differ from the actual cash flows received or paid in the future as a result of early repayments.

30 June 2021	Up to 3 months (US\$)	Between 3 and 12 months (US\$)	Between 1 and 5 years (US\$)	Total (US\$)
Assets				
Trade and other receivables	5,738,888	-	-	5,738,888
Cash and cash equivalents	29,989	-	-	29,989
Liabilities				
Trade and other payables	872,425	-	-	872,425
Total	4,896,452	-	-	4,896,452

Notes to the financial statements (continued)

For the year ended 30 June 2021

11. Financial risk management (continued)

30 June 2020	Up to 3 months (US\$)	Between 3 and 12 months (US\$)	Between 1 and 5 years (US\$)	Total (US\$)
Assets				
Trade and other receivables	5,814,301	-	-	5,814,301
Cash and cash equivalents	20,441	-	-	20,441
Liabilities				
Trade and other payables	633,418	-	-	633,418
Total	5,201,324	-	-	5,201,324

Price risk in the shipping industry

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

All the assets and underlying vessels are considered to be Level 3 assets, that price risk pertains to the Level 3 investment portfolio in its entirety, and that no other market price risk exists. Price risk sensitivity analysis was conducted on vessel and charter fair values only as these comprise the vast majority of assets.

(a) Standard Vessel valuations

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

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

The charter valuation process may be bounded by a minimum value which comprises the DCF value of the current charter plus scrap value of the vessel at the end of the charter. At the year end this minimum value was applied to two vessels.

Notes to the financial statements (continued)

For the year ended 30 June 2021

11. Financial risk management (continued)

(b) Specialised Vessels and arrangements

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

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

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

There were two specialised vessels held at the year-end (two at 30 June 2020).

Refer to Note 3 for further information on the valuation methodologies applied. The Directors and Tufton believe that the following inputs reflect those inputs where market price risk could be significant and where there is the potential for estimate and judgement to be used.

Covid-19

Alongside strong net income and cash flows, the Company also benefited from fair value increases as portfolio asset values rebounded upon market reopening after the Covid-19 related declines in the prior year. The market for containerships and bulkers has recovered but an ongoing recovery in oil demand growth and capacity in floating storage returning to the market remains an overhang for tankers.

The Company benefited from diversification between different segments of shipping. The tanker market was strong in the first half of 2020 while the containership market was weak. The roles were reversed over the final year.

The Investment Manager believes the Company's strong operating profit and performance in the Covid-19 crisis both on an absolute basis and relative to other classes demonstrates it can be an attractive high income and low correlation investment.

Price Risk Sensitivity analysis

Charter-free valuation for standard vessels

The directors have concluded that use of a 10% movement in benchmark charter rates remains a suitable sensitivity calculation, noting that the benchmark charter rates used are for charter periods of 1 year or more, which show lower volatility than spot rates and already reflect market expectations of the impact of the Covid-19 pandemic.

Notes to the financial statements (continued)

For the year ended 30 June 2021

11. Financial risk management (continued)

Price Risk Sensitivity analysis

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

Ship values	+10% change US\$ 000	Standard vessel portfolio value US\$ 000	-10% change US\$ 000
Fair value at 30 June 2021 (US\$)	+31,989	215,939	(31,989)
Fair value at 30 June 2020 (US\$)	+14,544	154,699	(14,544)

Charter rates

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

Ship values	+10% change US\$ 000	Standard vessel * portfolio value US\$ 000	-10% change US\$ 000
Fair value at 30 June 2021 (US\$)	(16,473)	215,939	+16,438
Fair value at 30 June 2020 (US\$)	(4,095)	154,699	+4,283

* Please see pages 85 and 86 for details on standard vessels and specialised vessels

Specialised Vessels

If the discount rate factors were 0.5% higher or lower, then the effect on the specialised vessel portfolio value would be as follows:

	+0.5% change US\$ 000	Specialised * Vessel* portfolio value US\$ 000	-0.5% change US\$ 000
Specialised Vessel company fair value at 30 June 2021 (US\$)	(785)	57,637	+802
Specialised Vessel company fair value at 30 June 2020 (US\$)	(1,224)	62,259	+1,263

* Please see pages 85 and 86 for details on standard vessels and specialised vessels

There were two specialised vessels held at the year-end (two at 30 June 2020).

Notes to the financial statements (continued)

For the year ended 30 June 2021

12. Financial assets and liabilities not measured at fair value

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

13. Management fee

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

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

For the year ended 30 June 2021 the Company has incurred US\$2,269,097 (2020: US\$2,070,834) in management fees of which US\$648,233 was outstanding at 30 June 2021 (2020: US\$504,842).

14. Performance fee

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

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

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

15. Related parties

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

Transactions with the subsidiary and subsidiary SPVs are not disclosed.

The Directors of the Company and their shareholding is stated in the Report of the Directors on page 35.

Notes to the financial statements (continued)

For the year ended 30 June 2021

16. Controlling party

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

17. Remuneration of the Directors

The remuneration of the Directors was US\$162,332 (2020: US\$118,038) for the year which consisted solely of short-term employment benefits (refer to the Report of the Directors on page 35). At 30 June 2021, Directors' fees of US\$21,161 (2020: US\$nil) were outstanding.

18. Events after the reporting year

On 6 July 2021, the Company announced that it agreed to divest Kale for US\$21.5m. Kale was acquired in February 2018 for US\$10.25m.

On 22 July the Company declared a dividend of US\$0.01875 per ordinary share for the quarter ending 30 June 2021. The dividend was paid on 13 August 2021 to holders of ordinary shares on record date 30 July 2021 with an ex-dividend date of 29 July 2021.

On 27 July 2021, the Company completed the acquisition of Laurel for US\$13.35m.

On 28 July 2021, the Company announced that it agreed to divest Citra for US\$33m and acquire an Ultramax bulker, Idaho, for US\$21.7m. Idaho's fixed rate time charter for fifteen to nineteen months results in an annual net yield of approximately 21%. The sale of Citra was completed on 23 August 2021.

On 29 July 2021, the Company completed the acquisition of Orson for US\$9.8m.

On 6 August 2021, the Company announced that it had raised gross proceeds of US\$12.4m through the tap issue of 10,533,763 ordinary shares at a price of US\$1.18 per share.

Corporate Information

Directors

Robert King, Chairman
Stephen Le Page
Paul Barnes
Christine Rødsaether (appointed 8 September 2020)

Registered office

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

Investment Manager and AIFM

Tufton Investment Management Ltd ("Tufton IML")
70 Pall Mall
1st Floor London
SW1Y 5ES

Asset Manager

Tufton Management Limited
3rd Floor, St George's Court
Upper Church Street
Douglas
Isle of Man IM1 1EE

Secretary and Administrator

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

Joint Placing Agents and Financial Advisers

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

Singer Capital Markets
1 Bartholomew Lane
London
EC2N 2AX

Corporate information (continued)

Guernsey Legal Advisers

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

UK Legal Advisers

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

Registrar

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

Receiving Agent

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

Independent Auditor to the Company

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

Principal Bankers

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

Definitions

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

AIC	the Association of Investment Companies
AIFM Directive or AIFMD	the EU Directive on Alternative Investment Fund Managers (No. 2011/61/EU)
AIF	an alternative investment fund
AIFM	an alternative investment fund manager
AIFM Rules	the AIFM Directive and all applicable rules and regulations implementing the AIFM Directive in the UK
Articles of Incorporation or Articles	the articles of incorporation of the Company, as amended from time-to-time
Asset Manager	Tufton Management Limited (formerly Oceanic Marine Management Limited)
Auditor	PricewaterhouseCoopers CI LLP
Board	the Directors from time to time
Calculation Day	The last business day of each Calculation Period
Calculation Period	(a) the period starting on Admission and ending on the earlier of (i) 30 June 2024; (ii) the commencement of the winding up of the Company; and (iii) the termination of the Manager's appointment; and (b) if the previous Calculation Year ended on 30 June of the previous Year, each successive period starting on 1 July and ending on the earlier of (i) 30 June three years later; (ii) the commencement of the winding up of the Company; and (iii) the termination of the Manager's appointment
Cash-on-cash run-rate yield	as the total forecast EBITDA minus any capex accruals, divided by the time-weighted capital employed for vessels-in-operation
Companies Law	the Companies (Guernsey) Law, 2008 as amended
Company	Tufton Oceanic Assets Limited (Guernsey registered number 63061) which, when the context so permits, shall include any intermediate holding company of the Company and the SPVs
Compensated Gross Tonnage or CGT	an indicator of the amount of work that is necessary to build a given ship and is calculated by multiplying the tonnage of a ship by a coefficient, which is determined according to type and size of a particular ship

Definitions (continued)

Directors or Board	the Board of Directors of the Company
Disclosure Guidance and Transparency Rules or DTRs	the disclosure guidance and transparency rules made by the Financial Conduct Authority under Section 73A of FSMA
Environmental, Social, and Corporate Governance (ESG)	an evaluation of the company's collective conscientiousness for social and environmental factors
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBITDA-weighted average length of charter	is the total forecast EBITDA from charters in place, divided by the expected annualised EBITDA of those charters
FCA	the UK Financial Conduct Authority
Financial Reporting Council or FRC	the UK Financial Reporting Council
FSMA	the Financial Services and Markets Act 2000 and any statutory modification or re-enactment thereof for the time being in force
GFSC or Commission	the Guernsey Financial Services Commission
High Watermark per Share	the higher of: (i) US\$1.00 increased by the Hurdle; and (ii) if a Performance Fee has previously been paid, the Total Return per Share on the Calculation Day for the last Calculation Period (if any) by reference to which a Performance Fee was paid
High Performance Fee Amount	in respect of any Calculation Period, an amount equal to the Performance Fee Pay-Out Amount for the previous Calculation Period where a Performance Fee was payable
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Investment Manager	Tufton Investment Management Ltd
IRR	Internal rate of return - the Internal rate of return is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero, and is a common performance indicator used in investment funds
Listing Rules	the listing rules made by the UKLA pursuant to Part VI of FSMA
London Stock Exchange or LSE	London Stock Exchange plc
LPG Carrier	a vessel used to transport liquefied petroleum gas
LS Assets Limited	the Guernsey holding company owning the SPVs through which the Company investment into vessels

Definitions (continued)

LSE Admission Standards	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the SFS
Main Market	the main market for listed securities operated by the London Stock Exchange
Market Abuse Regulation or MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
Memorandum	the memorandum of association of the Company
Net Asset Value or NAV	the value, as at any date, of the assets of the Company after deduction of all liabilities of the Company and in relation to a class of shares in the Company, the value, as at any date of the assets attributable to that class of shares after the deduction of all liabilities attributable to that class of shares determined in accordance with the accounting policies adopted by the Company from time-to-time
NAV total return	the change in NAV plus distributions paid by the Company during the period, divided by the initial NAV
Performance Fee Amount	20 per cent. of the excess in Total Return per Share and the High Watermark per Share multiplied by the time weighted average number of Shares in issue during the Calculation Period
Performance Fee Pay-Out Amount	in respect of the relevant Calculation Period, an amount equal to "A", where: $A = (0.5 \times B) + C$; B = the Performance Fee Amount; and C = an amount equal to the High Performance Fee Amount
POI Law	the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended
Portfolio	the Company's portfolio of investments from time to time
Prospectus	The Placing and Offer for Subscription document for the Company dated 8th December 2017
Register	the register of members of the Company
Relevant Number of Shares	for any Calculation Period the time weighted average number of Ordinary Shares in issue during such Calculation Period
SFS or Specialist Funds Segment	the Specialist Funds Segment of the Main Market (previously known as the Specialist Fund Market or SFM)

Definitions (continued)

Segment	classifications of vessels within the shipping industry including, inter alia, Tankers, General Cargo, Containerships and Bulkers
Shares	ordinary shares of no par value in the capital of the Company of such classes (denominated in such currencies) as the Directors may determine
SPV or Special Purpose Vehicle	corporate entities, formed and wholly owned (directly or indirectly) by the Company, specifically to hold one or more vessels, and including (where the context permits) any intermediate holding company of the Company
Total Return per Share	the Net Asset Value per Ordinary Share on any Calculation Day adjusted to: (i) include the gross amount of any dividends and/or distributions paid to an Ordinary Share since Admission; (ii) not take account of any accrual made in respect of the performance fee itself for that Calculation Period; (iii) not take account of any accrual made in respect of any prevailing Historic Performance Fee Amount (as adjusted pursuant to the operation of this paragraph below); (iv) not take account of any increase in Net Asset Value per Share attributable to the issue of Ordinary Shares at a premium to Net Asset Value per Share or any buyback of any Ordinary Shares at a discount to Net Asset Value per Ordinary Share during such Calculation Period; (v) not take account of any increase in Net Asset Value per Share attributable to any consolidation or sub-division of Ordinary Shares; (vi) take into account any other reconstruction, amalgamation or adjustment relating to the share capital of the Company (or any share, stock or security derived therefrom or convertible there into); and (vii) take into account the prevailing Net Asset Value of any C Shares in issue

Definitions (continued)

Tufton Group	Tufton Investment Management Holding Ltd and its subsidiaries.
UK Corporate Governance Code	the UK Corporate Governance Code as published by the Financial Reporting Council from time-to-time
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
Unlevered cash flow run rate	EBITDA net of accruals over the remaining term of the charters for the vessels in the portfolio, expressed annually
VesselsValue	VesselsValue Limited a third party provider of vessel valuations to the Company and Investment Manager
WACC	the weighted average cost of capital
VLCC	Very Large Crude Carrier
£ or Sterling	the lawful currency of the United Kingdom

Notice of AGM

Tufton Oceanic Assets Limited

Registered Office Address: 1 Le Truchot, St. Peter Port, Guernsey, GY1 1WD

Registration Number: 63061

This document is important and requires your immediate attention. If you are in doubt as to any aspect of the proposals referred to in this document or the action you should take, you should seek your own advice from a stockbroker, solicitor or other independent professional adviser. If you have recently sold or transferred all of your shares in Tufton Oceanic Assets Limited, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Dear Shareholder

I am pleased to send you the notice of the fifth Annual General Meeting ("**AGM**") of the members of Tufton Oceanic Assets Limited (the "**Company**"), to be held at 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey GY1 1WD on Wednesday, 20 October 2021 at 11.00 a.m. BST. Explanatory notes on all resolutions accompany the notice of the AGM (the "**Notice**").

Re-Election of Directors

As in previous years, all Directors are offering themselves for re-election in accordance with the AIC Code of Corporate Governance and the Articles of Incorporation of the Company (the "**Articles**"). Please note for your information that biographical details of all the Directors offering themselves for re-election are set out in the explanatory notes to the resolutions that follow this Notice.

Voting

The Board of Directors of the Company believe that the proposed resolutions set out in this Notice are in the best interests of the Company and its members as a whole.

If you would like to vote on the resolutions, please appoint a proxy by no later than 11am BST on Monday, 18 October 2021. A form of proxy accompanies the Notice.

All resolutions will be put to a poll in reflection of best practice and to ensure that all members have their votes taken into account proportionately to their shareholdings in the Company.

The results of the AGM will be announced to the market as soon as practicable after the conclusion of the AGM.

Should you wish to discuss anything ahead of the AGM, please see below contact details:

Tufton Investment Management Ltd, the Investment Manager

andrew.hampson@tufton.com

Paulo.almeida@tufton.com

Hudnall Capital, the Joint Broker

ac@hudnallcapital.com

Singer Capital Markets, the Joint Broker

James.Maxwell@singercm.com

Alex.Bond@singercm.com

Maitland Administration (Guernsey) Limited, the Company Secretary & Chairman

admin.guernsey@maitlandgroup.com

Yours faithfully

Robert King

Independent Non-Executive Chairman

NOTICE OF ANNUAL GENERAL MEETING 2021

Notice is hereby given that the fifth Annual General Meeting of the members of Tufton Oceanic Assets Limited (the "**Company**") will be held at 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey GY1 1WD on Wednesday, 20 October 2021 at 11am BST to transact the business set out in the resolutions below.

ORDINARY RESOLUTIONS

1. To receive the Company's Annual Report and Audited Financial Statements for the year ended 30 June 2021.
2. To re-appoint PricewaterhouseCoopers CI LLP as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.
3. To authorise the directors of the Company (the "**Directors**") to determine the remuneration of the auditor.
4. To approve the remuneration of the Directors for the year ended 30 June 2021, as set out in the Directors' Report.
5. To re-elect Mr Robert King as a Director who retires by rotation in accordance with Article 21.3 of the Articles of Incorporation of the Company (the "**Articles**").
6. To re-elect Mr Stephen Le Page as a Director who retires by rotation in accordance with Article 21.3 of the Articles of Incorporation of the Company (the "**Articles**").
7. To re-elect Mr Paul Barnes as a Director who retires by rotation in accordance with Article 21.3 of the Articles of Incorporation of the Company (the "**Articles**").
8. To re-elect Ms Christine Rødsæther as a Director who retires by rotation in accordance with Article 21.3 of the Articles of Incorporation of the Company (the "**Articles**").
9. To authorise the Company to make market acquisitions (as defined in the Companies (Guernsey) Law, 2008, as amended) of its own ordinary shares of no par value ("**Ordinary Shares**"), either for cancellation or to hold as treasury shares for future resale or transfer, provided that:
 - (a) the maximum number of Ordinary Shares authorised to be purchased shall be up to 14.99 per cent. of the Ordinary Shares in issue (excluding treasury shares in issue) as at 8 September 2021 (being the last business day prior to the publication of the Notice);
 - (b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is US\$0.01;
 - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is an amount equal to the higher of:
 - (i) an amount equal to 5 per cent. above the average of the mid-market values of an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days before the purchase is made; or

- (ii) the higher of the price of the last independent trade or the highest current independent bid for Ordinary Shares on the London Stock Exchange at the time the purchase is carried out;
 - (d) subject to paragraph (e), such authority shall expire at the annual general meeting of the Company to be held in 2022 (unless previously varied, revoked or renewed by the Company in general meeting) or, if earlier, the date falling 15 months from the passing of this resolution; and
 - (e) notwithstanding paragraph (d), the Company may make a contract to purchase its Ordinary Shares pursuant to the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own Ordinary Shares in pursuance of any such contract notwithstanding the expiry of the authority given by this resolution.
10. To re-approve the dividend policy of the Company as set out in the Prospectus dated 25 September 2018.

EXTRAORDINARY RESOLUTION

11. To authorise the Directors to allot and issue shares, to grant rights to subscribe for or to convert any security into shares and to make offers or agreements to allot and issue equity securities (as defined in Article 5.1(a) of the Articles) for cash and/or to sell Ordinary Shares held by the Company as treasury shares as if the pre-emption rights contained in Article 5.2 of the Articles did not apply to any such allotment, grant or sale, provided that such authority shall be limited to the allotment of shares and/or grant of rights to subscribe for or to convert any security into shares and/or sale of treasury shares up to an aggregate number of Ordinary Shares as equal to 28,057,140 Ordinary Shares (representing 10 per cent. of the Ordinary Shares in issue as at 8 September 2021) (excluding any Ordinary Shares held in treasury and after giving effect to the exercise of warrants, options or other convertible securities outstanding as at such date).

For the avoidance of doubt, any authorities that may be granted to the Directors by Shareholders at the Company's general meeting to be held on 9 September 2021 (the "EGM"), pursuant to resolution 1 of the EGM circular, will expire on 20 October 2021.

The authority granted by this resolution shall, unless renewed, varied or revoked by the Company, expire on the earlier of the conclusion of the next annual general meeting of the Company and 15 months after the passing of this resolution, save that the Company may, before such expiry, make offers or enter into agreements during the relevant period which would or might require.

Ordinary Shares to be allotted and issued or rights to subscribe for or to convert any security into Ordinary Shares to be granted or Ordinary Shares held in treasury to be sold after this authority has expired and the Directors may allot and issue equity securities and/or sell Ordinary Shares out of treasury in pursuance of any such offer or agreement as if this power had not expired.

12. In addition to, and subject to the passing of Resolution 11, authorise the Directors to allot and issue shares, to grant rights to subscribe for or to convert any security into shares and to make offers or agreements to allot and issue equity securities (as defined in Article 5.1(a) of the Articles) for cash and/or to sell Ordinary Shares held by the Company as treasury shares as if the pre-emption rights contained in Article 5.2 of the Articles did not apply to any such allotment, grant or sale, provided that such authority shall be limited to the allotment of shares and/or grant of rights to subscribe for or to convert any security into shares and/or sale of treasury shares up to an aggregate number of Ordinary Shares as equal to 28,057,140 Ordinary Shares (representing 10 per cent. of the Ordinary Shares in issue as at 8 September 2021) (excluding any Ordinary Shares held in treasury and after giving effect to the exercise of warrants, options or other convertible securities outstanding as at such date).

The authority granted by this resolution shall, unless renewed, varied or revoked by the Company, expire on the earlier of the conclusion of the next annual general meeting of the Company and 15 months after the passing of this resolution, save that the Company may, before such expiry, make offers or enter into agreements during the relevant period which would or might require.

Ordinary Shares to be allotted and issued or rights to subscribe for or to convert any security into Ordinary Shares to be granted or Ordinary Shares held in treasury to be sold after this authority has expired and the Directors may allot and issue equity securities and/or sell Ordinary Shares out of treasury in pursuance of any such offer or agreement as if this power had not expired.

By order of the Board
On behalf of Maitland Administration (Guernsey) Limited
Company Secretary

1 Le Truchot
St Peter Port
Guernsey
GY1 1WD

EXPLANATORY NOTES - GENERAL

The following notes explain your general rights as a member and your right to vote at the 2021 AGM or to appoint someone else to vote on your behalf. Due to Covid-19 restrictions, shareholders are encouraged to submit their proxy form to ensure that their votes are registered and the Board recommends the appointment of the Chairman of the meeting as your proxy for all votes as set out in the Chairman's introduction to this Notice. Please note that appointing a proxy who cannot attend the AGM will effectively void your vote.

A member of the Company who is entitled to attend the AGM is entitled to appoint one or more proxies to attend, speak and vote in their place. A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the AGM or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. A member may appoint more than one proxy to attend the AGM, provided that each proxy is appointed to exercise rights attached to different shares. Under the current circumstances, the Board strongly advises shareholders to appoint the Chairman of the meeting as their proxy for all votes. Please note that appointing a proxy who cannot attend the AGM will effectively void your vote.

A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share. Corporate members are strongly encouraged to complete and return a form of proxy appointing the Chairman of the meeting to ensure their votes are included in the poll.

A form of proxy is enclosed which should be completed in accordance with the instructions. To be valid, this form of proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of such power of attorney) must be lodged with the Company's Registrar, Computershare Investor Services (Guernsey) Limited, c/o The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, or by e-mail to #UKCSBRS.ExternalProxyQueries@computershare.co.uk. Alternatively, completed forms can be sent to the registered office of the Company c/o Maitland Administration (Guernsey) Limited, 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey, GY1 1WD. All proxies must be received by no later than 11am BST on Monday, 18 October 2021, being 48 hours before the time appointed for the AGM. Submission of a proxy appointment will not preclude a member from attending and voting at the AGM should they wish to do so, however please note the current restrictions on attending the AGM in person.

CREST offers a proxy voting service which the Company's Registrar, Computershare are an agent of.

Shareholders are advised that, upon receipt of their proxy form from the Company, if they wish to appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the Company's agent (ID 3RA50) two days prior to the date of the Company's AGM at the latest. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host)

from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means.

CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST.

For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 41 of the Uncertificated Securities (Guernsey) Regulations 2009.

If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.00 on 18 October 2021 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Please note that the AGM will not be made available by way of publicly available real-time broadcast.

As at 8 September 2021 (being the last business day prior to the publication of the Notice), the Company's issued share capital consists of 280,571,401 Ordinary Shares, carrying one vote each. Therefore, the total number of voting rights in the Company as at 8 September 2021 is 280,571,401.

EXPLANATORY NOTES – ORDINARY RESOLUTIONS 1 to 10

ORDINARY RESOLUTION 1 – The Company must present the Financial Statements for the year ended 30 June 2021 and the reports of the Directors and the Auditor to the AGM for approval.

ORDINARY RESOLUTION 2 – The auditor of the Company must be re-appointed at each general meeting where accounts are laid, to hold office until the conclusion of the next such general meeting. It is proposed that PricewaterhouseCoopers CI LLP Limited be re-appointed as the Company's auditor, to hold office from the AGM's conclusion until the conclusion of the next general meeting at which accounts are laid before the Company.

ORDINARY RESOLUTION 3 – This resolution gives authority to the Board of Directors to determine the remuneration of the Auditor.

ORDINARY RESOLUTION 4 – Guernsey-registered companies are not obliged to prepare and publish a Directors' Remuneration Report. However, the Company has included details of its Directors' remuneration within the Financial Report and Audited Financial Statements and an ordinary resolution will be put to shareholders seeking approval of the Directors' remuneration, **which will be advisory only.**

ORDINARY RESOLUTIONS 5-8 – The full Board of Directors are retiring. They are offering themselves for re-election in accordance with Article 23.1 of the Articles and the Association of Investment Companies (AIC) Code of Corporate Governance, of which the Company is a member. A brief biography for each of the Directors is set out on pages 40 and 41 of the Annual Report and Audited Financial Statements.

ORDINARY RESOLUTION 9 – This resolution grants the Company authority to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue as at 8 September 2021 (being the last business day prior to the publication of the Notice). The Ordinary Shares bought back will either be cancelled or placed into treasury at the determination of the Directors.

The maximum price which may be paid for each Ordinary Share must not be more than the higher of (i) 5 per cent. above the average of the mid-market values of an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days before the purchase is made; or (ii) the higher of the price of the last independent trade or the highest current independent bid for the Ordinary Shares on the London Stock Exchange at the time the purchase is carried out. The minimum price which may be paid for each Ordinary Share is US\$0.01.

This authority shall expire at the next annual general meeting of the Company (or, if earlier, the date falling 15 months from the passing of this resolution), when a resolution to renew the authority will be proposed. The Company currently intends that any Ordinary Shares repurchased would be held in treasury, subject to applicable law and regulation.

ORDINARY RESOLUTION 10 – Shareholders are being asked to approve the Company's policy with respect to the payment of dividends. **This approval will be advisory only.** The dividend policy, as set out in the Prospectus dated 25 September 2018, is summarised below:

Dividend Policy

The Company intends to pay dividends on a quarterly basis with dividends declared in January, April, July and October. The Company will target a quarterly dividend of 2 cents per Ordinary Share for the financial year 2022.

An Ordinary Resolution is a resolution passed by a simple majority of Members.

EXTRAORDINARY RESOLUTION 11 and 12 - General Disapplication of Pre-emption Rights -

These resolutions will, if passed, give the Directors power to allot shares or grant rights to subscribe for or to convert any security into shares or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to an aggregate number of Ordinary Shares as equal to 56,114,280 Ordinary Shares, which represents approximately 20% of the Company's issued ordinary share capital (excluding treasury shares) as at 8 September 2021.

In the event that resolution 11 is passed, but resolution 12 is not passed, the Directors will only be authorised to issue Ordinary Shares as equal to 28,057,140 Ordinary Shares, which represents approximately 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 8 September 2021.

Resolution 11 and 12 will allow the Company to carry out one or more tap issues, in aggregate, up to 20 per cent. of the number of Ordinary Shares in issue as at the last business day prior to publication of the Notice and thus to pursue specific investment opportunities in a timely manner in the future and without the requirement to publish a prospectus and incur the associated costs.

The Board is aware that the combined authority to dis-apply pre-emption rights in respect of up to 20 per cent of the Company's issued ordinary share capital sought under resolutions 11 and 12 is higher than the 10 per cent typically sought by investment companies. However, the Directors believe that a higher authority is justified to enable the Company to fund future acquisitions of vessels in line with its investment policy and strategy for growth, but only if they would create further value for shareholders. It will also allow the Company to broaden its investor base and enhance the size and liquidity of the Company's share capital, and spread the fixed operating costs over a larger capital base, thereby reducing the Company's ongoing charges ratio.

Any new Ordinary Shares issued under the combined authority will be at a minimum issue price equal to the prevailing NAV per Ordinary Share at the time of allotment together with a premium intended at least to cover the costs and expenses of the relevant placing or issue of new Ordinary Shares (including, without limitation, any placing commissions). The issue price in respect of each relevant placing or issue of new Ordinary Shares will be determined on the basis described above to cover the costs and expenses of each placing or issue and thereby avoid any dilution of the NAV of the then existing Ordinary Shares held by shareholders.

In accordance with the Articles, an Extraordinary Resolution is a resolution of the shareholders present in person in a general meeting passed by a majority of not less than seventy-five percent of the votes recorded on a show of hands or by way of a poll.

Form of Proxy – Annual General Meeting 2021

To be held at 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey GY1 1WD

On Wednesday, 20 October 2021 at 11am BST and at any adjournment thereof

I/We.....

(BLOCK LETTERS PLEASE)

of.....

.....

being (a) member(s) of the above-named Company, hereby appoint the Chairman of the meeting/
or*

.....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey, GY1 1WD on Wednesday, 20 October 2021 at 11am BST and at any adjournment thereof.

** To allow effective constitution of the meeting, if it is apparent to the Chairman that no shareholders will be present other than by proxy, then the Chairman may appoint a substitute to act as proxy in his stead for any shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman. A proxy need not be a member of the Company.*

I/We direct my/our proxy to vote as follows:

ORDINARY RESOLUTIONS	FOR	AGAINST	VOTE WITHHELD**
1. To receive the Company's Annual Report and Audited Financial Statements for the year ended 30 June 2021.			
2. To re-appoint PricewaterhouseCoopers CI LLP as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.			
3. To authorise the Directors to determine the remuneration of the auditor.			

ORDINARY RESOLUTIONS	FOR	AGAINST	VOTE WITHHELD**
4. To approve the remuneration of the Directors for the year ended 30 June 2021, as set out in the Directors' Report.			
5. To re-elect Mr Robert King as a Director who retires by rotation in accordance with Article 21.3 of the Articles.			
6. To re-elect Mr Stephen Le Page as a Director who retires by rotation in accordance with Article 21.3 of the Articles.			
7. To re-elect Mr Paul Barnes as a Director who retires by rotation in accordance with Article 21.3 of the Articles.			
8. To re-elect Ms Christine Rødsæther as a Director who retires by rotation in accordance with Article 21.3 of the Articles.			
9. Authority to make acquisitions of the Company's own shares.			
10. To approve the Company's dividend policy.			
EXTRAORDINARY RESOLUTION	FOR	AGAINST	VOTE WITHHELD**
11. Authority to allot and issue shares and to sell shares held in treasury as if the pre-emption rights in the Articles do not apply.			
12. Authority to allot and issue shares and to sell shares held in treasury as if the pre-emption rights in the Articles do not apply.			

Signed this day of 2021

Signature

☐ Please tick here to indicate that this proxy instruction is in addition to a previous instruction. Otherwise it will overwrite any previous instruction given.

NOTES TO THE FORM OF PROXY:

- (i) Please indicate with an "X" in the appropriate box how you wish the proxy to vote.
- (ii) If no "X" is marked in any of the for/against/vote withheld boxes in respect of a resolution, the proxy will exercise their discretion as to how they vote or whether they withhold their vote. The proxy will also exercise their discretion as to how they vote or whether they withhold their vote on any business or resolution considered at the AGM other than the resolutions referred to in this form of proxy.
- (iii) In accordance with sections 222 and 223 of The Companies (Guernsey) Law 2008, you may appoint more than one person as your proxy to exercise all or any rights to attend and to speak and vote.
- (iv) **A vote withheld is not a vote in law and will not be counted in the calculation of the votes "For" and "Against" a resolution.
- (v) To be valid this form of proxy and any power of attorney or of the authority under which it is executed (or a duly certified copy of such power of attorney) must be lodged with the Company's Registrar: Computershare Investor Services (Guernsey) Limited, c/o The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or the registered office of the Company c/o Maitland Administration (Guernsey) Limited, 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey, GY1 1WD by no later than 11am on Monday, 18 October 2021, being 48 hours before the time appointed for the AGM. Completing and returning this form of proxy will not prevent you from attending the meeting and voting in person if you so wish.
- (vi) In order to revoke a proxy instruction, a member will need to send a signed hard copy notice clearly stating their intention to revoke a proxy appointment, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, to the Company's Registrar to the contact details noted above.
- (vii) A form of proxy executed by a corporation must be either under its common seal or signed by an officer or attorney duly authorised by that corporation.
- (viii) In the case of joint holdings, the signature of the first named member on the Register of Members will be accepted to the exclusion of the votes of the other joint holders.
- (ix) Pursuant to Regulation 41 of the Uncertificated Securities (Guernsey) Regulations 2009, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two business days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

