Company Registration Number: 09038203

ALPHA SHIPPING FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ALPHA SHIPPING FINANCE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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ALPHA SHIPPING FINANCE LIMITED

Corporate Information

Directors	D J Wynne Wilmington Trust SP Services (London) Limited
Company secretary	Wilmington Trust SP Services (London) Limited
Company number	09038203
Registered office	c/o Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF
Auditor	MacIntyre Hudson LLP London United Kingdom
Servicer	Alpha Bank AE 40 Stadiou 102 52 Athens Greece

ALPHA SHIPPING FINANCE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual strategic report of Alpha Shipping Finance Limited (the "Company") for the year ended 31 December 2019.

GENERAL

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of a special purpose vehicle, set up to acquire a portfolio of loans (the "Underlying Receivables"), and to finance such activities by issuing variable funding notes (the "VFNs" or "VF Loan" or "Loan notes"), through a subordinated loan, entering into financial instruments, raising or borrowing money and lending money with or without security subject to and in accordance with the terms of the relevant transaction documents.

In accordance with transaction documents dated 31 October 2014, on 26 November 2014 and 16 December 2014 the Company issued $311,346,813 and $192,693,486 of variable funding notes in order to purchase the Underlying Receivables from Alpha Bank AE (the "Originator") in Greece. Alpha Bank AE were appointed as servicer (the "Servicer") of the loans. On 17 October 2017 an additional $254,391,052 was drawn down under the amended and restated VF Loan Agreement. The drawdown was used to in order to purchase further loans from Alpha Bank AE and make a partial repayment of the Subordinated Loan. Under this amended VF Loan Agreement the maturity of the VF loan has been extended to the Final Maturity Date of October 2021. On 18 September 2018 the Final Maturity Date was extended to September 2022.

In accordance with transaction documents dated 31 October 2014, the Company also received a Subordinated Loan of $13,195,000 (Tranche A) on 20 November 2014, $286,978,159 (Tranche B) on 26 November 2014 and $53,074,484 (Tranche C) on 16 December 2014 from Alpha Bank AE in order to purchase the Underlying Receivables from Alpha Bank AE. On October 2017 the Subordinated Loan Agreement was amended and restated. The maturity of the subordinated loan has been extended to the Final Maturity Date of October 2021 ("Final Maturity Date"). On 18 September 2018 the Final Maturity Date was extended to October 2022, being the IPD following the Final Maturity of the VF Loan.

The sale of the Underlying Receivables to the Company is considered to fail the derecognition criteria of IFRS 9, Financial Instruments, in the books of Alpha Bank AE and therefore they are retained on the Statement of Financial Position of the Originator. As such the Company records in its Statement of Financial Position a 'Deemed Loan to the Originator, rather than the Underlying Receivables it has purchased.

REVIEW OF THE BUSINESS

KEY PERFORMANCE INDICATORS AND RESULTS

The Company's results for the year are shown in the financial statements. The profit on ordinary activities after taxation for the year was $1,884 (2018: $2,355). As at year end the carrying value of the Deemed Loan to Originator was $352,326,684 (2018: $496,568,705). Loan notes and borrowings held at the year end amounted to $373,682,829 (2018: $517,568,718). As of 31 December 2019 cash and cash equivalents, including reserve funds, were $25,273,903 (2018: $25,651,419).

The key performance indicators include interest earned of $23,264,476 (2018: $29,072,538) and an impairment reversal of $2,936,177 (2018 reversal: $192,925).

FUTURE DEVELOPMENTS

The directors expect that the present level of activity will be sustained in the near future and the activities of the Company are limited to those of the holding of the Underlying Receivables acquired from Alpha Bank AE.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to a range of business risks. A detailed consideration of the risk factors, relevant to the transaction documents are included in the section "Seller's Covenants and Risk Retention" of the VF Loan Agreement and summarised below. Further information on the Company's financial risks management are set out in Note 13 to the financial statements.

Market risk
Market risk exists where changes in the economic environment in which the Company operates may negatively impact the Company's performance. The Company is exposed to a range of market risks which includes market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to the underlying borrowers with whom the Company has exposure through the deemed loan to the Originator. Conditions may deteriorate further due to the continued financial and economic uncertainty in Greece. However, based on the terms of transaction documents, the risk for the Company in being able to pay off its obligation is limited to the receipt of funds from the Originator.

Operational risk
The principal operational risk to the Company is its ability to meet its obligations to pay principal and interest on the Loan notes and its operating and administrative expenses). The Company's cash flows are derived from the Deemed Loan to the Originator which in turn is derived from the Underlying Receivables. If there are insufficient funds available as a result of any defaults on the Underlying Receivables, then the Company may not be able, after making the payments to be made in priority thereto, to pay, in full or at all, amounts of interest and principal due to holders of variable funding notes on or prior to the Final Maturity Date.

In addition the reliance on the servicer and underperformance of the servicer or risk of loss of relationship could materially impact cash flows, income and profitability and therefore adversely impact the Company's results.

Compliance risk
Compliance risk exists where failure to comply with applicable legislation and regulatory requirements within the geographies and markets in which the Company operates and any potential breaches may result in reputational damage and fines which may impact the Company's ability to remain competitive in the market.

The Company has appointed a servicer and a corporate service provider in order to keep up to date with any changes to any regulatory environment which could adversely impact the Company.

RISK MANAGEMENT

Interest rate risk
The Company is exposed to interest rate risk as interest rates on the Underlying Receivables will not necessarily match the rate of interest payable on the loan notes. The interest rates on the Underlying Receivables are set by Alpha Bank AE on behalf of the Company, whereas interest on the loan notes is calculated by reference to a margin over one month LIBOR. The Company is receiving interest at LIBOR plus a margin that varies by borrower but pays liabilities at LIBOR plus 2.25% (2018: 2.25%).

Credit risk
The Company is exposed to credit risk, in relation to defaults from repayments of the Underlying Receivables underpinning the Deemed Loan to Originator. At the time of acquisition, the Underlying Receivables was carefully selected to meet certain criteria, as set out in the transaction documents in connection with the issue of the loan notes. These criteria and the day to day management of the Underlying Receivables are undertaken by Alpha Bank AE which actively manages the collection of the outstanding amounts. After the acquisition of the loans the risk of credit loss lies with the Company although is limited in recourse as detailed below. However, the credit risk is ultimately borne by the Originator since the Loan Notes are held by the Originator and the transaction is structured as limited recourse, such that the ability of the company to meet its obligations under the Loan Notes will directly depend upon receipt of funds from the Originator, which is in turn dependent on the ability of underlying borrowers to service their loans.

RISK MANAGEMENT (continued)

Liquidity risk
Notwithstanding the factors noted above in relation to the risks associated with collecting amounts due from the Deemed Loan to Originator, the liquidity risk is not regarded as significant, given that the entity is only obliged to make payments to the loan note holders and the Originator for the subordinated reserve loan from amounts collected from the Underlying Receivables.

Foreign currency risk
The Company's assets and liabilities are denominated in US dollar and are not exposed to any material currency fluctuations. Accordingly, the currency risk for the Company as a whole is considered to be low.

Brexit risk
The UK left the European Union ("EU") at 23:00 GMT on 31 January 2020 and has now entered an 11-month period, known as the transition. The transition keeps the UK bound to the EU's rules and is due to last until 31 December 2020. This decision to leave the EU continues to create economic and other uncertainties about both the process and its consequences which represent risks that may affect borrowers' ability to service their debt. This is not expected to have any effect on the Company's ability to trade as a going concern, given the credit enhancement in the structure and the limited recourse nature of the Company's debt. In addition, although the directors of the SPV are based in the UK, the underlying collateral is in the European Union. At the date of signing these Financial statements, the Directors do not foresee any immediate risks crystallising, however, the directors will continue to closely monitor the impact of the decision on the market and therefore on the Company.

GOING CONCERN
The Company's business activities, together with the factors likely to affect its future development, performance and position and its principal uncertainties are set out in the Strategic Report. In addition, Note 13 to the financial statements includes the Company's financial risk management objectives and its exposures to market risk, credit risk and liquidity risk. As at year end the carrying value of the Deemed Loan to Originator was $352,326,684 (2018: $496,568,705). Loan notes and borrowings held at the year end amounted to $373,682,829 (2018: $517,568,718). As of 31 December 2019 cash and cash equivalents, including reserve funds, were $25,273,903 (2018: $25,651,419). The profit on ordinary activities after taxation for the year was $1,884 (2018: $2,355).

The directors have undertaken an assessment of the Company's ongoing business model. Given the details set out in note 1, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future. The Company extended the maturity date of the VFN loans and the subordinated loans in September 2018 until September and October 2022 respectively. The VFN has a maximum facility of $506,982,340. As at the date of signing of these financial statements $173,488,636 of the funding has been utilised.

Under the terms of the transaction documents, the variable funding loan notes are limited-recourse debt obligations of the Company. The ability of the Company to meet its obligations under the loan notes will be directly dependent primarily upon the receipt by it of principal and interest from the obligors under the Deemed Loan to Originator. Other than any interest earned by the Company in respect of the Company bank accounts, the Company is not expected to have any other funds available to it to meet its obligations under the loan notes and/or any other payment obligation ranking in priority to, or pari passu with, the loan notes. Upon enforcement of the security for the loan notes (the underlying shipping loans), the loan notes holders will have recourse only to the purchased loans, the Company's interest in the relevant related security and to any other assets of the Company then in existence as described in this document. If there are insufficient amounts available from the charged property to pay in full the Company's secured liabilities, then the secured creditors shall have no further claim against the Company in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

The main factors causing uncertainty to the application of the Going Concern principle relate to the economic environment in Greece and the effects of the spread of coronavirus pandemic (COVID-19) in Europe in the first half of 2020.

The prolonged recession that the Greek economy has experienced in recent years led to the significant deterioration in the creditworthiness of corporate and individuals. In addition, as a result of the Greek sovereign debt crisis and the measures taken to deal with it, there was a significant outflow of deposits and the imposition of capital controls. On 1 September 2019 capital controls were fully removed. The successful completion of the third financial support program of the Hellenic Republic provided the possibility of forming a cash buffer aiming at reducing any potential

GOING CONCERN (CONTINUED)

financial risks after the completion of the program. The Hellenic Republic is taking steps to gradually recover its access to the financial markets to meet its financing needs.

The emergence of COVID-19 is adding a major uncertainty in terms of both macroeconomic developments, mainly due to the restrictive measures imposed and the cost resulting from the financial support of sector business and private individuals mostly affected by the coronavirus. The adoption of restrictive measures is expected to adversely affect the ability of borrowers to repay their liabilities and, consequently, the amount of expected credit risk losses. The financial implications depend to a large extent on how long this crisis will last and vary on a case-by-case basis as each sector of the economy is affected differently. It is noted that on 4 May 2020 started the gradual removal of the pandemic-related restrictions of economic activity, a fact that is expected to contribute to the mitigation of the economic impacts in conjunction with the healthcare developments with regards to the spread of the coronavirus. In the context of efforts to relieve individuals and businesses most affected by the coronavirus and its associated restrictive measures, the Greek government has announced a package of tax and other relief measures, while credit institutions apply in turn relief measures to ensure timely payment of financial commitments of these borrowers.

The Originator, to support its customers who are affected or expected to be affected by the crisis due to the COVID-19 pandemic, has taken, and will continue to take, supportive measures. The measures concern either new loans, in the context of strengthening the liquidity of small, medium and large enterprises, as well as the self-employed, or modifications in the repayment schedules of existing loan of both businesses and individuals. Moreover, the Originator actively participates in every effort planned and coordinated by the Greek Government, either through the competent Ministries or through the Hellenic Development Bank and other European institutions to support the Greek economy (TEPIX, European Investment Fund, COSME etc.).

The modifications granted to existing loans are treated by the Originator in line with the principles of the European Banking Authority Guidelines "on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" (EBA/GL/2020/02) that aim to provide clarity to the EU banking sector on how to handle in a consistent manner, aspects related to (i) the classification of loans in default, (ii) the identification of forborne exposures and (iii) the accounting treatment.

In this respect, provided that those measures are not borrower-specific, the payment moratorium is fixed for every borrower irrespective of the borrowers' specific financial circumstances and the NPV loss is immaterial, modifications in payment schedules do not have to be automatically classified as Distressed Restructuring (Forbearance) as for IFRS 9 and the definition of default. Modifications in the schedule of payments of existing loans are proposed to customers operating or employed in sectors affected by the COVID-19 pandemic, for which the Originator has assessed, through the submission of a relevant request from the customer, that liquidity problems they face are temporary and that the credit standing of the obligor would not be significantly affected by the current situation in the long term.

Slow-down in world economies and events such as temporary closure of ports and mines due to Covid restrictions, reduced volume of commodities traded and therefore, suppressed freight rates for bulk carriers and container vessels. As far as the tanker market is concerned, due to oil trade contango in the past few months, many large tankers were used as storage and freight rates peaked in the previous months. For mixed tanker and dry cargo fleets, strong tanker cashflows allowed clients to honor debt obligations easier in 1H2020. As government measures to support world economies and improve industrial activity take effect in 2H2020 and 2021, the volume of goods transported and demand would be expected to increase. In any case, all loans that have been assigned to Alpha Bank Shipping are mostly of top tier clients with either mixed fleets or strong liquidity. Regarding the specific sample under audit, the impact of the covid19 would not be considered as significant as all debt obligations are served promptly up until now.

The Originator, in its capacity as servicer of the Company, also actively repurchases receivables when they are deemed to become uncollectible. Also considering the credit enhancement available within the structure, in the form of deferred purchase consideration and the cash at bank balances the Company has sufficient liquidity to continue to meet its obligations of the interest due on the Loan Notes for a period of at least 12 months.

Based on the above, the Originator's management and the directors of the Company have reasonable expectation that the Originator and the Company will continue in operational existence for the foreseeable future, therefore the financial statements have been prepared on a going concern basis.

Approved by the Board of Directors and authorised for issue on its behalf by:

Wilmington Trust SP Services (London) Limited
Director
28 August 2020

ALPHA SHIPPING FINANCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the audited financial statements of Alpha Shipping Finance Limited (the "Company") for the year ended 31 December 2019 with comparatives for the year ended 31 December 2018.

THE DIRECTORS
The directors who served the Company during the year and up to the date, of signing of the financial statements, except as noted, are as follows:

D J Wynne
Wilmington Trust SP Services (London) Limited

DIVIDENDS
The directors have not recommended a dividend (2018: $nil).

DONATIONS
The Company made no political or charitable donations during the period under review (2018: $nil).

CORPORATE GOVERNANCE
The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with regulatory obligations.

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. Due to the nature of the entity there are limited stakeholders involved but the Directors continue to have regard to the interests of the Company's stakeholders, including the impact of its activities when making decisions.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
The directors have carried out an assessment of the principal risks facing the Company and appropriate processes are put in place to monitor and mitigate them.

The key business risks affecting the Company and its management are discussed in the strategic report and further information on the Company's financial risks management and use of financial instruments are set out in Note 13, "Financial Risk Management" to the financial statements.

FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENTS
Future Developments are discussed in details in the strategic report. There were no other significant post balance sheet events except as disclosed in Note 16.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR
Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

RISK MANAGEMENT
The key business risks affecting the Company and its management are discussed in the strategic report and further information on the Company's financial risks management are set out in Note 13, "Financial Risk Management" to the financial statements.

CAPITAL RISK MANAGEMENT
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

APPOINTMENT OF AUDITORS
Pursuant to section 489 of the Companies Act 2006 a resolution to re-appoint MacIntyre Hudson LLP as auditor for the ensuing year will be proposed at the annual general meeting. MacIntyre Hudson LLP have expressed their willingness to continue in office as auditor.

Approved by the Board of Directors and authorised for issue on its behalf by:

Wilmington Trust SP Services (London) Limited
Director
28 August 2020

DIRECTORS' RESPONSIBILITES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under Company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMEBERS OF ALPHA SHIPPING FINANCE LIMITED

Opinion

We have audited the financial statements of Alpha Shipping Finance Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements of Alpha Shipping Finance Limited (the "company"):

- Give a true and fair view of the state of the company's affairs as at 31 December 2019 and its profit for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"); and
- Have been prepared in accordance with the requirement of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the financial statements section of our report.
We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The directors' use of going concern basis of accounting in preparation of financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of this other information, we are required to report that fact.
We have nothing to report in respect of these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMEBERS OF ALPHA SHIPPING FINANCE LIMITED (CONTINUED)

Report on other legal and regulatory requirements

Opinions on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.
We have nothing to report in respect of these matters.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description for the audit of financial statements is located on the FRCs website at: www.frc.org.uk/audtirorsresponsibities. The description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rakesh Shaunak, Senior Statutory Auditor
For and behalf of Macintyre Hudson LLP, Statutory Auditor
6th Floor
2 London Wall Place
London
EC2Y 5AU
28 August 2020

ALPHA SHIPPING FINANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 $	31 December 2018 $
Interest income	4	**18,707,884**	22,970,448
Interest expense	5	**(18,474,580)**	(22,758,883)
Net interest income		**233,304**	211,565
Administrative expenses	6	**(230,978)**	(208,658)
Profit before tax for the period		**2,326**	2,907
Tax charge	7	(442)	(552)
Profit for the year		**1,884**	2,355
Other comprehensive income		**-**	-
Total comprehensive income		**1,884**	2,355

All the Company's income and expenses arise from continuing operations.

The Notes on pages 17 to 34 form part of these financial statements.

ALPHA SHIPPING FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 $	2018 $
Assets			
Cash and cash equivalents	**9**	**25,273,903**	25,651,419
Deemed loan to originator	**8**	**352,326,684**	496,568,705
Total assets		**377,600,587**	522,220,124
Equity			
Issued capital	**10**	**2**	2
Retained earnings	**10**	**9,282**	7,398
Total equity		**9,284**	7,400
Liabilities			
Loan notes and borrowings	**11**	**373,682,829**	517,568,718
Other liabilities	**12**	**3,907,495**	4,643,469
Tax payable		**979**	537
Total liabilities		**377,591,303**	522,212,724
Total equity and liabilities		**377,600,587**	522,220,124

These financial statements for Alpha Shipping Finance Limited, company registration 09038203, were approved and authorised for issue by the directors 28 August 2020 and are signed on their behalf by:

Wilmington Trust SP Services (London) Limited
Director

The Notes on pages 17 to 34 form part of these financial statements.

ALPHA SHIPPING FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Retained earnings	Total
		$	$	$
Balance at 1 January 2019		**2**	**7,398**	**7,400**
Profit for the year	**10**	**-**	**1,884**	**1,884**
Balance as at 31 December 2019		**2**	**9,282**	**9,284**

	Notes	Share capital	Retained earnings	Total
		$	$	$
Balance at 1 January 2018		2	5,043	5,045
Profit for the year	10	-	2,355	2,355
Balance as at 31 December 2018		2	7,398	7,400

The Notes on pages 17 to 34 form part of these financial statements.

ALPHA SHIPPING FINANCE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Profit before tax for the year		**2,326**	2,907
Adjustments for:			
Interest income	**4**	**(18,707,884)**	(22,970,448)
Interest expense	**5**	**18,474,580**	22,758,883
Tax paid		**-**	(438)
Increase in accruals		**821,539**	6,074
Net cash used in operating activities		**590,561**	(203,022)
Cash flows from investing activities			
Interest income received		**33,089,092**	26,137,667
Repayments of loans and loans repurchased by originator		**129,860,811**	89,674,207
Net cash generated from investing activities		**162,949,903**	115,811,874
Cash flows from financing activities			
Loan notes and borrowings repayment		**(139,934,285)**	(99,486,242)
Interest paid		**(23,983,695)**	(18,204,552)
Net cash used by financing activities		**(163,917,980)**	(117,690,794)
Net decrease in cash and cash equivalents		**(377,516)**	(2,081,941)
Cash and cash equivalents at the start of the year		**25,651,419**	27,733,360
Cash and cash equivalents at the end of the year		**25,273,903**	25,651,419

Notes to the statement of cash flows

Reconciliation of liabilities arising from financing activities

	1 January 2019	Cashflows	Non cash	31 December 2019
			Accrued interest	
	$	$	$	$
Loan notes and borrowings	517,568,718	(139,934,285)	(3,951,604)	373,682,829
Total liabilities arising from financing activities	**517,568,718**	**(139,934,285)**	**(3,951,604)**	**373,682,829**

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements and as such the cash and cash equivalents are not freely available to be used for other purposes.

The Notes on pages 17 to 34 form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

Alpha Shipping Finance Limited is a Private Limited Company incorporated and domiciled in in England and Wales with registered number 09038203.

Statement of compliance
These financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union (EU) ("Adopted IFRS").

Basis of preparation
The principal accounting policies applied in the preparation of these financial statements are set out below.

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting year beginning 1 January 2019.

The Company mainly transacts in US Dollars ("$"), therefore, the Dollar is its functional and presentational currency.

The Company has made estimates and judgements in relation to the impairment of loans and the valuation of financial instruments (refer to Note 13).

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position and its principal uncertainties are set out in the Strategic Report. In addition, Note 13 to the financial statements includes the Company's financial risk management objectives and its exposures to market risk, credit risk and liquidity risk. As at year end the carrying value of the Deemed Loan to Originator was $352,326,684 (2018: $496,568,705). Loan notes and borrowings held at the year end amounted to $373,682,829 (2018: $517,568,718). As of 31 December 2019 cash and cash equivalents, including reserve funds, were $25,273,903 (2018: $25,651,419). The profit on ordinary activities after taxation for the year was $1,884 (2018: $2,355).

The directors have undertaken an assessment of the Company's ongoing business model. Given the details set out in note 1, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future. The Company extended the maturity date of the VFN loans and the subordinated loans in September 2018 until October 2022. The VFN has a maximum facility of $506,982,340. As at the date of signing of these financial statements $173,488,636 of the funding has been utilised.

Under the terms of the transaction documents, the variable funding loan notes are limited-recourse debt obligations of the Company. The ability of the Company to meet its obligations under the loan notes will be directly dependent primarily upon the receipt by it of principal and interest from the obligors under the Deemed Loan to Originator. Other than any interest earned by the Company in respect of the Company bank accounts, the Company is not expected to have any other funds available to it to meet its obligations under the loan notes and/or any other payment obligation ranking in priority to, or pari passu with, the loan notes. Upon enforcement of the security for the loan notes (the underlying shipping loans), the loan notes holders will have recourse only to the purchased loans, the Company's interest in the relevant related security and to any other assets of the Company then in existence as described in this document. If there are insufficient amounts available from the charged property to pay in full the Company's secured liabilities, then the secured creditors shall have no further claim against the Company in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

The main factors causing uncertainty to the application of the Going Concern principle relate to the economic environment in Greece and the effects of the spread of coronavirus pandemic (COVID-19) in Europe in the first half of 2020.

The prolonged recession that the Greek economy has experienced in recent years led to the significant deterioration in the creditworthiness of corporate and individuals. In addition, as a result of the Greek sovereign debt crisis and the measures taken to deal with it, there was a significant outflow of deposits and the imposition of capital controls. On 1 September 2019 capital controls were fully removed. The successful completion of the third financial support program of the Hellenic Republic provided the possibility of forming a cash buffer aiming at reducing any potential

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going concern (Continued)

financial risks after the completion of the program. The Hellenic Republic is taking steps to gradually recover its access to the financial markets to meet its financing needs.

The emergence of COVID-19 is adding a major uncertainty in terms of both macroeconomic developments, mainly due to the restrictive measures imposed and the cost resulting from the financial support of sector business and private individuals mostly affected by the coronavirus. The adoption of restrictive measures is expected to adversely affect the ability of borrowers to repay their liabilities and, consequently, the amount of expected credit risk losses. The financial implications depend to a large extent on how long this crisis will last and vary on a case-by-case basis as each sector of the economy is affected differently. It is noted that on 4 May 2020 started the gradual removal of the pandemic-related restrictions of economic activity, a fact that is expected to contribute to the mitigation of the economic impacts in conjunction with the healthcare developments with regards to the spread of the coronavirus. In the context of efforts to relieve individuals and businesses most affected by the coronavirus and its associated restrictive measures, the Greek government has announced a package of tax and other relief measures, while credit institutions apply in turn relief measures to ensure timely payment of financial commitments of these borrowers.

The Originator, to support its customers who are affected or expected to be affected by the crisis due to the COVID-19 pandemic, has taken, and will continue to take, supportive measures. The measures concern either new loans, in the context of strengthening the liquidity of small, medium and large enterprises, as well as the self-employed, or modifications in the repayment schedules of existing loan of both businesses and individuals. Moreover, the Originator actively participates in every effort planned and coordinated by the Greek Government, either through the competent Ministries or through the Hellenic Development Bank and other European institutions to support the Greek economy (TEPIX, European Investment Fund, COSME etc.).

The modifications granted to existing loans are treated by the Originator in line with the principles of the European Banking Authority Guidelines "on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" (EBA/GL/2020/02) that aim to provide clarity to the EU banking sector on how to handle in a consistent manner, aspects related to (i) the classification of loans in default, (ii) the identification of forborne exposures and (iii) the accounting treatment.

In this respect, provided that those measures are not borrower-specific, the payment moratorium is fixed for every borrower irrespective of the borrowers' specific financial circumstances and the NPV loss is immaterial, modifications in payment schedules do not have to be automatically classified as Distressed Restructuring (Forbearance) as for IFRS 9 and the definition of default. Modifications in the schedule of payments of existing loans are proposed to customers operating or employed in sectors affected by the COVID-19 pandemic, for which the Originator has assessed, through the submission of a relevant request from the customer, that liquidity problems they face are temporary and that the credit standing of the obligor would not be significantly affected by the current situation in the long term.

For Medium and Large enterprises operating in industries or objects affected by the COVID-19 crisis and provided that they had no arrears on 31 December 2019:
• Postponement of capital installments due from 1 March 2020 to 30 September 2020 at the end of the loan.
• Installments that include interest and capital due from 1 March 2020 to 30 September 2020, could be distributed equally among the remaining installments of the loan.
• Capitalization of interest accrued until 30 June 2020 or until any other date is decided.
• Extension of the obligation to recycle revolving loans until 31 December 2020.
• Possibility of replacing post-dated checks, received as collateral, with other checks from the same issuer of a later date, after an updated creditworthiness control.

The loan modifications are flagged in the Bank's systems, so that the Bank is able to monitor them

The Originator, in its capacity as servicer of the Company, also actively repurchases receivables when they are deemed to become uncollectible. Also considering the credit enhancement available within the structure, in the form of deferred purchase consideration and the cash at bank balances the Company has sufficient liquidity to continue to meet its obligations of the interest due on the Loan Notes for a period of at least 12 months.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going concern (Continued)

Based on the above, the Originator's management and the directors of the Company have reasonable expectation that the Originator and the Company will continue in operational existence for the foreseeable future, therefore the financial statements have been prepared on a going concern basis.

Standards affecting presentation and disclosure
The standard below is effective from 1 January 2019 but does not have any effect on the Company's financial statements.

Description	Effective date
IFRS 16: Leases	1 January 2019

Classification and measurement of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI) and fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets
Financial assets are measured on initial recognition at fair value. Under IFRS 9, the classification and subsequent measurement of financial assets is principally determined by the entity's business model and their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest'). The standard sets out three types of business model:

- Hold to collect: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are accounted for at amortised cost.

- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change. These assets are accounted for at fair value through other comprehensive income (FVOCI).

- Hold to sell: the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation. These assets are held at fair value through profit or loss (FVTPL). An entity may also designate assets at FVTPL upon initial recognition where it reduces an accounting mismatch. An entity may elect to measure certain holdings of equity instruments at FVOCI, which would otherwise have been measured at FVTPL.

The Company has assessed its business models in order to determine the appropriate IFRS 9 classification for its financial assets. Financial assets are held to collect contractual cash flows and therefore meet the criteria to remain at amortised cost. In order to be accounted for at amortised cost, it is necessary for individual instruments to have contractual cash flows that are solely payments of principal and interest. These financial assets meet this criteria and are therefore subsequently measured at amortised cost.

Financial assets and liabilities measured at amortised cost are accounted for under the effective interest rate ('EIR') method. This method of calculating the amortised cost of a financial asset or liability involves allocating interest income or expense over the relevant period. The EIR rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or where appropriate, a shorter period, to the gross carrying amount on initial recognition.

Derecognition of Financial Instruments
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of Financial Instruments (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of:
(i) the consideration received (including any new asset obtained less any new liability assumed); and
(ii) any cumulative gain or loss that had been recognised in other comprehensive income
is recognised in the Statement of comprehensive income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

Financial liabilities are derecognised when the Company obligation is discharged, cancelled or expires. A financial liability (or part of it) is extinguished when the Company either:
- discharges the liability (or part of it) by paying the creditor; or
- is legally released from primary responsibility for the liability either by process of law or the creditor.

Deemed Loan to Originator
Under IFRS 9 Financial Instruments, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The Directors have concluded that the Originator has retained substantially all the risks and rewards of the securitised portfolio of loans and that it would not be appropriate for the company to recognize those receivables in its financial statements. The amounts advanced to Alpha Bank AE have thus been recognized as a loan to the originator.

The Deemed Loan to the Originator is initially recognised at fair value and subsequently carried at amortised cost. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.
The deemed loan to originator is presented in these financial statements net of deferred purchase consideration payable to the originator as the amounts are due to the same counterparty were entered into at the same time and in contemplation of one another, they relate to the same risk and there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction.

Deferred consideration payable to the Originator
Under the terms of the securitisation the Company retains the right to 0.01% of available revenue receipts from the beneficial interest in the Underlying Receivables. Net cash generated in excess of 0.01% which represents the excess of the collections from the underlying receivables over the SPVs payments payable to the noteholders is payable to Alpha Bank AE. The payments of deferred consideration are strictly governed by the priority of payments that sets out how cash can be utilized. This obligation is recognized as a financial liability in these financial statements and is disclosed net with the deemed loan to originator.

Impairment of Deemed Loan to the Originator
The Company's Deemed Loan to the Originator as defined above, is subject to an expected credit loss model under IFRS 9.

The Company recognises expected credit loss impairment on the Deemed Loan to the Originator when it is estimated that it will not be in a position to receive all payments due. At each reporting date, an impairment loss equal to 12-month expected credit losses (allocated to stage 1) is recognised for all financial assets for which there is no significant increase in credit risk since initial recognition. For financial assets where there is a significant increase in credit risk since their initial recognition (allocated to Stage 2), and those that are credit impaired (allocated to stage 3) an impairment loss equal to lifetime expected credit losses will be recognised.

The recoverability of the Deemed Loan to the Originator is dependent on the collections from the Underlying Receivables and the credit enhancement available in the structure. If there is no enhanced credit available within the entity, (deferred purchase consideration as a balance payable to the Originator), this would result in the Deemed Loan to the Originator to be classified as Stage 2. It will be classified as stage 3 when the credit rating agencies have downgraded Alpha Bank AE to a default rating. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment losses on Deemed Loan to the Originator (continued)

expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

IFRS 9 does not include a definition of what constitutes a significant increase in credit risk ("SICR"). An assessment of whether credit risk has increased significantly since the initial recognition of the Deemed Loan to the Originator is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the Deemed Loan to the Originator. The Company assess whether a SICR has occurred since the initial recognition based on qualitative and quantitative, reasonable and supportable forward-looking information that includes a degree of management judgment.

The default of the deemed loan is 90 days in arrears or any qualitative factors that the borrowers are unlikely to pay. For the Company, the directors will review the availability of credit enhancement and assess whether the deemed loan is in default (90 days in arrears) or any qualitative factors that the borrower are unlikely to pay.

The ECL calculation on the Deemed Loan to the Originator is based on the ECL calculation on the Underlying Receivables underpinning the Deemed Loan to the Originator after taking into account any deferred consideration payable to the Originator.

The accuracy of impairment calculations would be affected by the probability of default, significant increase in credit risk, loss given default and the macroeconomic factors. The assessment on the probability of default is performed on each reporting period taking into account the movement in their credit rating, assessment of their financial position and other qualitative factors. Loss given default is the percentage of the total exposure that the Company estimates as unlikely to recover at the time of the default.

The impairment charge recognized in the year is disclosed together with the deferred consideration as an adjustment to the interest income. As noted above the deferred consideration adjusts the interest received on the underlying portfolio of receivables. Under the terms of the securitization credit losses sustained on the portfolio are made good through the adjustment of the deferred consideration payable.

Loan notes and borrowings
Loans notes and borrowings comprise loan notes issued by the Company and a Subordinated Loan from the Originator. Loan notes are initially recognised at fair value net of transaction costs incurred and are subsequently stated at amortised cost using the effective interest method.

Subordinated loans are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method. Where cash proceeds on the Loan notes exceed the initial fair value, the difference is taken to Deemed Loan to Originator reflecting an adjustment to expected future cash flows. This premium is amortised to the income statement, using the effective interest method.

Cash and cash equivalents
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise balances with less than 3 months to maturity. All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements and as such the cash and cash equivalents are not freely available to be used for other purposes.

Interest income and interest expense
Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses that the Company may be exposed to.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Interest income and interest expense (continued)

The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, deferred consideration payable to Originator, transaction costs and all other premiums or discounts. The interest income is presented net of any deferred purchase consideration payable and deferred purchase expense.

Taxation
The Company has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Company is taxed broadly by reference to its net cash flows during the period, and not by reference to its accounting profits, to the extent that these differ.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The most important areas where the directors use critical accounting estimates and judgements in applying its accounting policies are as follows;

Critical accounting judgements
The assessment of the Probability of Default, "PD", is calculated as part of the annual financial reporting and is based on criteria such as any changes in their credit rating, their financial position and qualitative factors.

The expected credit losses ("ECL") measurement for impairment requires the Company to apply a high degree of judgment in determining the allowance for impairment losses and for the assessment of the significant increase in credit risk ("SICR").

IFRS 9 does not include a definition of what constitutes a SICR. An assessment of whether credit risk has increased significantly since the initial recognition of the deemed loan is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the Deemed Loan to the Originator. The Company assess whether a SICR has occurred since the initial recognition based on qualitative and quantitative, reasonable and supportable forward-looking information that includes a degree of management judgment. A default refers to a loan which is 90 days in arrears.

Given the nature of the Company's activities, the applicable business model was identified as being one that holds to collect the cash flows of the deemed loan. It was then necessary to confirm that cash flows received in respect of the deemed loan represent payments of solely principal and interest ("SPPI").

IFRS 9 does not provide specific guidance on assessing the SPPI criterion for deemed loan assets. Furthermore a deemed loan does not have a single contract which sets out its contractual terms, but instead is formed from elements of different contracts that give rise to the deemed loan. It is therefore necessary to determine what the contractual terms of the deemed loan are by considering the various contractual rights and obligations that the Deemed loan to the Originator represents. This requires consideration of the terms of the underlying assets and of the Loan notes purchased or subordinated loans provided by the Originator, as well as any associated instruments to determine which of the cash flows of the underlying assets are incorporated into the deemed loan. The directors have concluded that the Deemed loan to the Originator does not violate the SPPI test and therefore should be measured at amortised cost under IFRS 9.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty
The use of estimates and assumptions is an integral part of recognising amounts in the financial statements and mostly relates to the following:

Impairment losses of financial assets
The impairment of the Deemed Loan to the Originator depends on the recoverability of the Underlying Receivables and the credit enhancement available in the structure.

The sale of the Underlying Receivables to the Company is considered to fail the derecognition criteria of IFRS 9, Financial Instruments, in the books of Alpha Bank A.E. and therefore they are retained on the Statement of Financial Position of the Originator. As such, the Company records in its Statement of Financial Position a 'Deemed Loan to the Originator', rather than the Underlying Receivables it has legally purchased.

The recoverability of the deemed loan to the Originator is dependent on the collections from the Underlying Receivables. The deemed loan to the Originator is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the relevant contractual terms. The key assumptions for

Impairment losses of financial assets (continued)

recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

An assessment of whether credit risk has increased significantly since initial recognition of the 'Deemed loan to the Originator' is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the Underlying Receivables.
However, considering that deferred consideration liability represents a credit enhancement it is assumed that there has been a significant increase in credit risk of the Deemed loan to the Originator when deferred consideration liability is fully offset by the respective impairment losses of the Underlying Receivables.

On 31 December 2019 there was a decrease of €2,936,177 in the ECL of the Underlying Receivables held as collateral. As a result, it is assumed that there has been an improvement in the credit risk of the Deemed loan to the Originator which, as at 31 December 2019, remains classified as stage 1.

When measuring ECL the Company uses reasonable and forward looking information relevant to the Underlying Receivables of receivables. For the calculation of the expected credit loss on the Underlying Receivables of receivables incorporates the following parameters:

- Probability of default (PD): the probability of default over the next 12 months is used to calculate the expected credit loss for 12 months, and the probability of default over the life of the instrument is used to calculate the lifetime expected credit losses. PD is an estimate of the likelihood of default based on estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral and certain economic conditions.
- Exposure at default (EAD): EAD is the maximum loss that would result from counterparty potential default.
- Loss given default (LGD) is the percentage of the total exposure that the Company estimates as unlikely to recover at the time of the default.

These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available. The methodology and the key assumptions used in calculating the ECL are based on observed data from historical patterns and are updated regularly as new data becomes available.

The Company also calculates the sensitivity of the ECL to changes in the estimated forward looking information, refer to note 13 for further details.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

IFRS 9 stage classification of The Deemed Loan to the Originator
The Deemed Loan to the Originator is classed as stage 1 if there is enhanced credit available, in the form of deferred consideration to offset any of the ECL losses in the Underlying Receivables. If there is no enhanced credit available within the entity, (deferred purchase consideration as a balance payable to the Originator), this would result in the Deemed Loan to the Originator to be classified as Stage 2. It will be classified as stage 3 when the credit rating agencies have downgraded Alpha Bank AE to a default rating.

IFRS 9 stage classification of The Deemed Loan to the Originator (continued)

These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available. The methodology and the key assumptions used in calculating the ECL are based on observed data from historical patterns and are updated regularly as new data becomes available.

Measurement of fair values
The Company's accounting policies and disclosures require measurement of fair values with regard to presentation of financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets and liabilities;
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SEGMENTAL REPORTING

An operating segment is a component of a Company that engages in business activities from which it may earn revenues and incur expenses. The principal assets of the Company is the Underlying Receivables underpinning the Deemed Loan to Originator, originated in Greece which generates the Company's revenue, which is managed by the board in the United Kingdom, funded by funding variable rate loan notes issued in United Kingdom. The Board believes that the Company has only one operating segment and operates in only one geographical area being Europe.

4. INTEREST INCOME

	2019 $	**2018** **$**
Gross Interest income on the Deemed loan to Originator	**23,264,476**	29,005,634
Increase in Deferred purchase consideration (Note 8)	**(7,565,366)**	(6,295,015)
Impairment charge (Note 8)	**2,936,177**	192,925
Net Interest income on Deemed Loan to Originator	**18,635,287**	22,903,544
Bank interest income	**72,597**	66,904
	18,707,884	22,970,448

5. INTEREST EXPENSE

	2019 **$**	**2018** **$**
Interest on loan notes	**11,323,109**	14,865,106
Interest on subordinated loan	**7,151,471**	7,893,777
	18,474,580	22,758,883

6. ADMINISTRATIVE EXPENSES

	2019	**2018**
	$	**$**
Corporate service fees	**49,880**	39,616
Servicing fees	**43,387**	58,307
Fees payable for other services: tax compliance services	**2,250**	2,295
Auditors remuneration - audit of the statutory financial statements of the Company	**27,390**	31,551
Auditors remuneration - audit of the statutory financial statements of the Company relating to prior year	**41,224**	-
Other expense	**66,847**	76,889
	230,978	208,658

The Company has no employees (2018: Nil) and, other than the corporate services fees paid to Wilmington Trust SP Services (London) Limited as set out above and in Note 14, the directors received no remuneration during the year (2018: $Nil). No non audit services were performed by the auditor (2018: Nil).

7. TAXATION

(a) Analysis of charge for the period:

	2019	2018
	$	$
Current tax:		
Corporation tax charge for the period 19% (2018: 19%)	**442**	552
Total income tax charge in income statement	**442**	552

The UK corporation tax rate was reduced from 20% to 19% effective from 1 April 2017. Further reductions to 18% (effective 01 April 2020) were substantively enacted at the reporting date. This will reduce current tax charges accordingly. Subsequently the UK government announced that the UK corporation tax rate will reduce further to 17% from 01 April 2020. It has not been possible to quantify the full anticipated effect of the announced further rate reduction, although this will reduce the Company's future current tax charge accordingly.

(b) Reconciliation of effective tax rate

The tax assessed on the profit on ordinary activities for the period is equal to the standard rate of corporation tax in the UK of 19% (2018: 19%)

	2019	2018
	$	$
Profit before tax	**2,326**	2,907
Current tax charge at 19% (2018:19%)	**442**	552

8. DEEMED LOAN TO ORIGINATOR

	2019	2018
	$	$
Gross Deemed Loan to Originator	**377,999,294**	514,675,948
Deferred purchase consideration	**(25,672,610)**	(18,107,243)
Net Deemed Loan to Originator	**352,326,684**	496,568,705

The Gross Deemed Loan balance can be analysed as follows:

Current assets	**78,173,059**	91,244,527
Non current assets	**274,153,625**	405,324,178
	352,326,684	496,568,705

The Underlying Receivables are due to be repaid at various times before October 2022. The Underlying Receivables may be prepaid at any time at the option of the borrower.

8. DEEMED LOAN TO ORIGINATOR (CONTINUED)

The Deemed Loan to the Originator is underpinned by the Underlying Receivables which is determined based upon criteria set out in the loan notes agreement (the "VF Loan Agreement") and other transaction documents dated 31 October 2014. On the 2 October 2017 the VF Loan agreement was amended and restated. The maturity of the VF Loan has been extended to the Final Maturity Date of September 2022. The Underlying Receivables comprises shipping loans lent by Alpha Bank AE. Under the terms of the transaction documents, the Company can continue to purchase additional loans subject to meeting the criteria in the offering circular. Alpha Bank AE as a seller warrants the eligibility criteria of the loans to ensure that the Underlying Receivables acquired meets criteria as set out in the term of transaction.

Under the terms of the securitisation, the Company retains the right to 0.01% of available revenue receipts from the beneficial interest in the Underlying Receivables. Net cash generated in excess of 0.01% is payable to Alpha Bank AE and treated as a component of the Deemed Loan to the Originator as deferred consideration.

Deemed Loan to the Originator	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Gross carrying amount as at 1 January 2019	**496,568,705**	**-**	**-**	**496,568,705**
Changes in the gross carrying amount attributable to:				
- Transfer from stage 1 to 2	-	-	-	-
- Transfer from stage 1 to 3	-	-	-	-
- Transfers from stage 2 to 1	-	-	-	-
- Transfers from stage 2 to 3	-	-	-	-
- Transfers from stage 3 to 2	-	-	-	-
- Transfers from stage 3 to 1	-	-	-	-
- Write offs	-	-	-	-
New receivables originated or purchased	-	-	-	-
Total repayments of loans and loans repurchased by the Originator	(138,200,255)	-	-	(138,200,255)
Movement in interest accrued	(1,412,575)	-	-	(1,412,575)
Movement in Deferred Consideration	(7,565,368)	-	-	(7,565,368)
Movement in the ECL of the Underlying Receivables	2,936,177	-	-	2,936,177
Deemed loan balance as at 31 December 2019	**352,326,684**	**-**	**-**	**352,326,684**

Deemed Loan to the Originator	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Gross carrying amount as at 1 January 2018	**617,683,207**	**-**	**-**	**617,683,207**
IFRS ECL transition adjustment	1,924,494	-	-	1,924,494
Changes in the gross carrying amount attributable to:				
- Transfer from stage 1 to 2	-	-	-	-
- Transfer from stage 1 to 3	-	-	-	-
- Transfers from stage 2 to 1	-	-	-	-
- Transfers from stage 2 to 3	-	-	-	-
- Transfers from stage 3 to 2	-	-	-	-
- Transfers from stage 3 to 1	-	-	-	-
- Write offs	-	-	-	-
New receivables originated or purchased	-	-	-	-
Total repayments of loans and loans repurchased by the Originator	(115,699,712)	-	-	(115,699,712)
Movement in interest accrued	687,300	-	-	687,300
Movement in Deferred Consideration	(8,219,509)			(8,219,509)
Movement in the ECL of the Underlying Receivables	192,925	-	-	192,925
Deemed loan balance as at 31 December 2018	**496,568,705**	**-**	**-**	**496,568,705**

8. DEEMED LOAN TO ORIGINATOR (CONTINUED)

The credit quality of Underlying Receivables underpinning the Deemed Loan to the Originator as at 31 December 2019 is summarised as follows:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired Lifetime ECL	Total
	$	$	$	$
Loans				
Gross carrying amount	326,992,944	51,022,671	-	378,015,615
Less: ECL allowance for impairment losses	(16,321)	-	-	(16,321)
Total Net Loans	**326,976,623**	**51,022,671**	**-**	**377,999,294**

As at 31 December 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired Lifetime ECL	Total
	$	$	$	$
Loans				
Gross carrying amount	425,957,921	91,670,525	-	517,628,446
Less: ECL allowance for impairment losses	(110,190)	(2,842,308)	-	(2,952,498)
Total Net Loans	**425,847,731**	**88,828,217**	**-**	**514,675,948**

9. CASH AND CASH EQUIVALENTS

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements.

	2019	2018
	$	$
Cash and bank current accounts	**20,456,874**	16,963,678
Bank deposit accounts	**4,817,029**	8,687,741
	25,273,903	25,651,419

10. TOTAL EQUITY

Reconciliation of movement in capital and reserves

	Share Capital	Retained Earnings	Total
	$	$	$
Balance at 1 January 2018	2	5,043	5,045
Profit for the year	-	2,355	2,355
Balance at 31 December 2018	2	7,398	7,400
Profit for the year	-	1,884	1,884
Balance as at 31 December 2019	**2**	**9,282**	**9,284**

There is 1 authorised ordinary share of £1. The issued share capital consists of 1 fully paid ordinary share. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

10. TOTAL EQUITY (CONTINUED)

Alpha Shipping Holdings Limited holds 100% share in the Company. Wilmington Trust SP Services (London) Limited holds the entire share capital in Alpha Shipping Holdings Limited under a declaration of trust for charitable purposes. Alpha Bank AE has no direct ownership interest in the Company; however, in accordance with IFRS the Company is considered to be controlled by Alpha Bank AE. Accordingly the results of the Company are included in the consolidated financial statements of Alpha Bank AE.

11. LOAN NOTES AND BORROWINGS

	2019	2018
Non-current liabilities	**$**	$
Variable Funding Loan Notes	**173,488,636**	306,366,047
Subordinated loans	**200,194,193**	211,202,671
	373,682,829	517,568,718

In accordance with transaction documents dated 31 October 2014, on 26 November 2014 and 16 December 2014 the Company issued $311,346,813 and $192,693,486 of variable funding notes in order to purchase the Underlying Receivables from Alpha Bank AE (the "Originator") in Greece. On October 17 2017 an additional $254,391,052 was drawn down under the amended and restated VF Loan Agreement. The drawdown was used to in order to purchase further loans from Alpha Bank AE. Interest on the VF Loan is payable on a monthly basis at one month LIBOR plus the margin of 2.25% (2018: 2.25%). Under this amended VF Loan Agreement the maturity of the VF Loan has been extended to the Final Maturity Date of September 2022.

During the year there were repayments of $7,056,874 (2018: $26,018,990) on the subordinated loan which were funded by repayments and collections from the Underlying Receivables.

Under the terms of the transaction documents, variable funding loan notes are limited-recourse debt obligations of the Company. The ability of the Company to meet its obligations under the loan notes will be directly dependent primarily upon the receipt by it of principal and interest from the obligors under the Deemed Loan to Originator. Other than any interest earned by the Company in respect of the Company bank accounts, the Company is not expected to have any other funds available to it to meet its obligations under the loan notes and/or any other payment obligation ranking in priority to, or pari passu with, the loan notes.

Upon enforcement of the security for the loan notes, the Trustee or any receiver and the loan notes holders will have recourse only to the purchased loans, the Company's interest in the relevant related security and to any other assets of the Company then in existence as described in this document. If there are insufficient amounts available from the charged property to pay in full the Company's secured liabilities, then the secured creditors shall have no further claim against the Company in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

Interest on the subordinated loan is paid on a monthly basis in accordance with the priority of payments of the transaction. Interest on the subordinated loan is payable at a rate of one month LIBOR plus a margin of 1.00%. The loan principal and any unpaid interest is due to be repaid by October 2022 or at an earlier date if the Company's obligations to the variable funding loan note holders have been discharged.

The Company has not had any defaults on principal, interest or any other breaches with respect to their liabilities during the year (2018: Nil).

12. OTHER LIABILITIES

	2019	2018
	$	$
Interest payable	**3,795,122**	4,600,767
Accruals and deferred income	**112,373**	42,702
	3,907,495	4,643,469

13. FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties are set out in the Strategic Report on page 2 to 4.

The Company's financial instruments comprise of a Deemed Loan to Originator, cash and liquid resources, the loan notes and various receivables and payables that arise directly from its operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments is undertaken.

Classification
The IFRS 9 classification of financial instruments is detailed below:

	Classification	Carrying amount 2019	Carrying amount 2018
Financial assets		$	$
Deemed loan to the Originator	Amortised cost	**352,326,684**	496,568,705
Cash and cash equivalents	Amortised cost	**25,273,903**	25,651,419
Financial liabilities			
Loan notes	Amortised cost	**373,682,829**	513,617,116
Other liabilities	Amortised cost	**3,907,495**	4,643,469

Interest risk
The Company is exposed to interest rate risk as interest rates on the Underlying Receivables will not necessarily match the rate of interest payable on the loan notes. The interest rates on the Underlying Receivables are set by Alpha Bank AE on behalf of the Company, whereas interest on loan notes is calculated by reference to a margin over one month LIBOR.

Interest rate sensitivity
The sensitivity analysis below has been determined on the Company's exposure to interest rates for interest bearing assets and liabilities at the balance sheet date and in the case of instruments that have floating rates the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period and has been based on management assessment of the possible changes in interest rates.

The sensitivity of the Company to interest rate changes, and the resulting changes in net assets attributable to equity shareholders, is limited as the Company only retains 0.01% of available revenue receipts from the beneficial interest in the Underlying Receivables with the resulting fluctuations being taken up by the deferred consideration due to Alpha Bank A.E. If interest rates had been 25 basis points higher and all other variables held constant, net assets attributable to equity shareholders for the year ended 31 December 2019 would have been $9,794 higher (2018: higher by $11,268). If interest rates had been 25 basis points lower and all other variables held constant, net assets attributable to equity shareholders for the year ended 31 December 2019 would have been lower by $9,794 (2018: lower by $11,628).

Re-pricing analysis
The following table details the Company's exposure to interest rate risk by the earlier of contractual maturities or re-pricing:

At 31 December 2019	**Within one year** $	**After one year** $	**Non interest bearing** $	**Total** $
Assets				
Deemed Loan to Originator	**352,326,684**	**-**	**-**	**352,326,684**
Cash and cash equivalents	**25,273,903**	**-**	**-**	**25,273,903**
Total assets	**377,600,587**	**-**	**-**	**377,600,587**
Liabilities				
Loan notes and borrowings	**-**	**373,682,829**	**-**	**373,682,829**
Other liabilities	**-**	**-**	**3,907,495**	**3,907,495**
	-	**-**	**979**	**979**
Total liabilities	**-**	**373,682,829**	**3,908,474**	**377,591,303**

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 31 December 2018	Within one year $	After one year $	Non interest bearing $	Total $
Assets				
Deemed Loan to Originator	496,568,705	-	-	496,568,705
Cash and cash equivalents	25,651,419	-	-	25,651,419
Total assets	522,220,124	-	-	522,220,124
Liabilities				
Loan notes and borrowings	-	517,568,718	-	517,568,718
Other liabilities	-	-	4,643,469	4,643,409
Total liabilities	-	517,568,718	4,643,469	522,212,127

Foreign currency risk
The Company's principal assets and liabilities are denominated in US dollar and are not exposed to any material currency fluctuations. Accordingly, the currency risk for the Company as a whole is considered to be low. Hence no sensitivity exchange analysis has been presented.

Liquidity risk
The Company's policy is to manage liquidity risk through its use of its subordinated loan. As the length of the loan notes is designed to match the length of the Underlying Receivables, there are deemed to be limited liquidity risks facing the Company. Payments made by the Company are made in accordance with the priority of payments as set out in the transaction documents in connection with the issue of the variable finding loan notes. Under these terms, payments are made monthly. The repayment of the loan notes is determined by the collection of the principal on the underlying secured assets.

The following table details the Company's liquidity analysis for its financial liabilities at 31 December 2019. The interest payable on the loan notes and subordinated loans is estimated based on the outstanding principal and interest rates at the period end calculated up to the expected redemption date.

At 31 December 2019	Carrying Amount $	Gross nominal outflow $	Less than 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	More than 5 years $
Liabilities							
Loan notes and borrowing	**373,682,829**	**373,682,829**	**6,571,852**	**12,406,297**	**45,361,740**	**309,342,940**	**-**
Interest payable	**3,043,256**	**27,917,450**	**1,052,855**	**2,146,415**	**8,730,798**	**15,987,382**	**-**
Total liabilities	**376,726,085**	**401,600,279**	**7,624,707**	**14,552,712**	**54,092,538**	**325,330,322**	**-**

At 31 December 2018	Carrying Amount $	Gross nominal outflow $	Less than 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	More than 5 years $
Liabilities							
Loan notes and borrowing	517,568,718	517,568,718	9,648,383	18,394,766	69,646,249	419,879,320	-
Interest payable	1,869,240	41,526,770	1,361,851	2,854,554	11,259,019	26,051,346	-
Total liabilities	519,438,958	559,095,488	11,010,234	21,249,320	80,905,268	445,930,666	-

The maturity analysis in the table above assumes no Event of Default during the life of the loan notes. If an event of default is triggered, then the loan notes, under the terms of the transaction documents, may become due and payable. The key Event of Default triggers are if the payment of principal or interest delayed for more than three or five days respectively. There have been no Events of Default in the current or prior year.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

Credit risk
The maximum exposure to Credit risk is considered by the directors to be the carrying value of the Deemed Loan to the Originator and the cash and cash equivalents which are also held by the Originator. The credit risk is ultimately borne by Alpha Bank AE as it retains the Underlying Receivables on the Statement of Financial Position. The credit rating of Alpha Bank AE performed by three international credit ratings agencies is as follows:

Moodys: Caa1

Fitch Ratings: CCC+

Standard & Poor's: B

The Originator has been affected by the high degree of uncertainty that characterises the Greek economic environment in recent years, as a result of the prolonged recession of the Greek economy, which led to a significant deterioration in the creditworthiness of corporate and individuals and therefore to the recognition of significant impairment losses by the Originator and by the Greek banking system in general. In August 2018 the Hellenic Republic officially exited the international bail-out programme and this is expected to contribute to the decrease of uncertainty and to the enhancement of business community and investors' confidence in Greece.

The Originator has developed and implemented, a Model Validation Framework ("MVF"), consisting of Policy, Methodologies and technical specifications, regarding the credit risk model and more particularly the IFRS 9 models. Please refer to note 1 for more details on credit risk measurement.

The Originator calculates Expected Credit Losses based on the weighted probability of three alternative scenarios. More specifically, the Economic Research Division produces forecasts for the possible evolution of macroeconomic variables that affect the level of Expected Credit Losses of the Underlying Receivables under a baseline and under two alternative macroeconomic scenarios (an upside and an adverse one) and also produces the cumulative probabilities associated with these scenarios. The macroeconomic variables affecting the level of expected credit losses are the Gross Domestic product (GDP), the unemployment rate and forward looking prices of residential and commercial real estates.

The cumulative probabilities of the macroeconomic scenarios for the Greek economy will indicate that the economy performs better or worse than forecasts of the baseline scenario and the alternative scenarios, i.e. the upside and downside scenario. For each one of the alternative scenarios, the expected credit loss is calculated and weighted against the probability of each scenario in order to calculate the weighted expected credit loss. The cumulative probability assigned to the base scenario is 60%, while cumulative probability assigned to the adverse and upside scenario is 20% for each of the scenario. If the assigned cumulative probability of the adverse scenario was increased from 20% to 40%, Expected Credit Losses would increase by an immaterial amount (2018: $1,055,857). If the assigned cumulative probability of the upside scenario was increased from 20% to 40%, Expected Credit Losses would decrease by an immaterial amount (2018: $1,055,857). In the event of such a scenario occurring there would still be sufficient Enhanced Credit available to offset the increased losses.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)
The credit quality of the Underlying Receivables (before deferred consideration) is summarised as follows:

As at 31 December 2019

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Not Past Due	308,750,685	-	-	308,750,685
Past due	18,242,259	51,022,671	-	69,264,930
Carrying amount (before provision for impairment losses)	326,992,944	51,022,671	-	378,015,615
Expected credit losses	(16,321)	-	-	(16,321)
Net carrying amount	**326,976,623**	**51,022,671**	**-**	**377,999,294**
Value of collateral	325,676,205	50,702,896	-	376,379,101

When loans are transferred from the Originator the collateral attached to the loans are also transferred.

As at 31 December 2018

	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Not Past Due	389,703,494	-	-	389,703,494
Past due	36,254,427	91,670,525	-	127,924,952
Carrying amount (before provision for impairment losses)	425,957,921	91,670,525	-	517,628,446
Expected credit losses	(110,190)	(2,842,308)	-	(2,952,498)
Net carrying amount	425,847,731	88,828,217	-	514,675,948
Value of collateral	424,344,736	84,504,877	-	509,849,613

Credit quality of Underlying Receivables
As at 31 December 2019

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Strong	315,925,151	-	-	315,925,151
Satisfactory	11,067,793	-	-	11,067,793
Watch list		51,022,671	-	51,022,671
Default	-	-	-	-
Carrying amount (before impairment)	326,992,944	51,022,671	-	378,015,615
Expected credit losses	(16,321)	-	-	(16,321)
Net carrying amount	**326,976,623**	**51,022,671**	**-**	**377,999,294**
Value of collateral	325,676,205	50,702,896	-	376,379,101

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

As at 31 December 2018

	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Strong	413,725,427	-	-	413,725,427
Satisfactory	12,232,494	-	-	12,232,494
Watch list		91,670,525	-	91,670,525
Default	-	-	-	-
Carrying amount (before impairment)	425,957,921	91,670,525	-	517,628,446
Expected credit losses	(110,190)	(2,842,308)	-	(2,952,498)
Net carrying amount	425,847,731	88,828,217	-	514,675,948
Value of collateral	424,344,736	84,504,877	-	509,849,613

Ageing analysis by IFRS 9 stage

As at 31 December 2019

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Current	308,750,685	-	-	308,750,685
1-29 days	18,242,259	-	-	18,242,259
31- 89 days past due	-	51,022,671	-	51,022,671
90 days past due	-	-	-	-
Carrying amount (before impairment)	326,992,944	51,022,671	-	378,015,615
Expected credit losses	(16,321)	-	-	(16,321)
TOTAL	**326,976,623**	**51,022,671**	**-**	**377,999,294**
Collateral	325,676,205	50,702,896	-	376,379,101

As at 31 December 2018

	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Current	389,625,135	-	-	389,625,135
1-29 days	36,222,596	36,270,850	-	72,493,446
31- 89 days past due	-	52,557,367	-	52,557,367
90 days past due	-	-	-	-
TOTAL	425,847,731	88,828,217	-	514,675,948
Collateral	424,344,736	84,504,877	-	509,849,613

As set out in the policy on going concern, the current economic conditions in Greece may have an impact on the credit quality of the Underlying Receivables underpinning the Deemed Loan to Originator which could result in a significant additional impairment provision. However, the credit risk is ultimately borne by the Originator since the Notes are held by the Originator and the transaction is structured as limited recourse, such that the ability of the Company to meet its obligations under the loan notes will directly depend upon receipt of funds from the Originator, which is in turn dependant on the ability of underlying borrowers to service their loans.

The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flow from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observable date from historical patterns and are updated regularly by Alpha Bank AE as new data becomes available.

In addition, the directors consider how appropriate past trends and patterns could impact the current economic climate and may make any adjustments they believe are necessary to reflect the current economic and market condition.The accuracy of impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes.

14. RELATED PARTY TRANSACTIONS

The Company has identified the following transactions which are required to be disclosed under the terms of IAS 24 Related Party Disclosures.

During the period administration and accounting services were provided by Wilmington Trust SP Services (London) Limited for which Wilmington Trust SP Services (London) Limited earned $ 49,880 (2018: $39,616) including irrecoverable VAT and expenses. Mr D J Wynne, a director of the Company is also a director of Wilmington Trust SP Services (London) Limited.

The Company acquired the Underlying Receivables from Alpha Bank AE and under the terms of the transaction documents Alpha Bank AE was appointed as the loans servicer to administer the Underlying Receivables. During 2019 Alpha Bank AE made cash transfers to the Company of $91,522,780 (2018: $89,674,208) of principal and $33,016,494 (2018: $26,070,763) of interest in relation to the servicing of the Underlying Receivables. Alpha Bank AE earned $44,579 (2018: $58,307) in servicing fees for acting as the servicer of Underlying Receivables of which $3,255 (2018: $4,446) was outstanding at 31 December 2019 and included in accruals and deferred income.

On the 2 October 2017 the Subordinated Loan Agreement was amended and restated. On 18 September 2018, the maturity of the subordinated loan has been extended to the Final Maturity Date of October 2022. During the year there were repayments of $7,056,874 (2018: $50,340,461) on the subordinated loan.

Interest on the subordinated loan during the year amounted to $7,151,471 (2018: $7,893,777). At 31 December 2019 the outstanding principal on the subordinated reserve loan amounted to $ (2018: $211,202,671). Interest outstanding at the period end amounted to $1,855,752 (2018: $2,731,527).

Under the terms of the sale agreement relating to the Underlying Receivables, Alpha Bank AE earns deferred consideration. During the year this amounted to $4,629,189 (2018: $6,102,091). At 31 December 2019, $25,672,669 (2018: $18,107,303) was owed to Alpha Bank AE and is included within the Deemed Loan to Originator.

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Alpha Shipping Holdings Limited holds 100% share in the Company. Wilmington Trust SP Services (London) Limited holds the entire share capital in Alpha Shipping Holdings Limited under a declaration of trust for charitable purposes. Alpha Bank AE has no direct ownership interest in the Company. However, in accordance with IFRS 10 the results of the Company are included in the consolidated financial statements of Alpha Bank AE, a company incorporated in Greece, whose principal place of business is 40 Stadiou, 102 52 Athens, Greece. It is the largest and smallest group into which the results of the Company are consolidated. The financial statement of Alpha Bank AE can be obtained from www.alpha.gr.

16. POST BALANCE SHEET EVENT

The risks arising from the outbreak of Coronavirus (Covid-19) which has occurred since the balance sheet date are disclosed on page 3. In view of its currently evolving nature, the Directors will continue to closely monitor the impact of the decision on the market and therefore on the Company.

No loans have been redeemed since the year end. The Company has not acquired any loans since the year end. There were no other significant balance sheet events.