

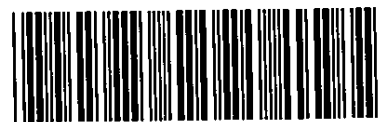
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BR Ships Limited

Report and Financial Statements

31 December 2011

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BR Ships Limited

Registered No 06012453

Directors

Alan Bekhor
Sunil Malhotra
Peter Johnson

Secretary

Harsh Chikhli

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Registered Office

11 Manchester Square
London
W1U 3PW

Directors' report

The directors present their report and the audited financial statements of the Company for the period ended 31 December 2011. All amounts are shown in U.S. Dollars, unless otherwise stated.

Results and dividends

The Company made a profit on ordinary activities before taxation of \$1,688,609 for the period (31 January 2011 \$4,295,268)

The directors do not recommend the payment of a dividend (31 January 2011 \$6,800,000)

Review of activities and review of the business

The principal activity of the Company during the period was that of vessel owning and operation.

The Company's key financial and other performance indicators during the year were as follows:

	<i>Period to 31 Dec 2011 \$'000</i>	<i>Year to 31 Jan 2011 \$'000</i>	<i>Change %</i>
Turnover	4,272	7,064	(39.5)
Total operating profit	1,689	4,295	(60.7)

The Company made a profit for the period, after taxation, of \$1,681,882 (31 January 2011 \$4,287,627)

The vessel, M.V. Britannia, was employed throughout the prior and current years on long term time charter to British Marine (Asia) Pte Ltd at the prevailing Baltic Index rate. British Marine (Asia) Pte Ltd is a wholly owned subsidiary of British Marine plc, the immediate parent undertaking of the Company.

The Company intends to continue its activity of vessel owning and operation.

Principal risks and uncertainties

The directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity and credit risks. These risks are monitored by the directors on a continuous basis.

The Company seeks to limit counterparty risk by conducting most of its banking activities with a limited number of major international banks, whose status is kept under review.

Price risk

The dry bulk market in the 11 month period ending 31 December 2011 was lower than the previous year with average freights for supramax averaging \$14,420 per day (31 Jan 2011 \$21,571). The decline in the Baltic Index rate directly impacts the turnover of the Company.

Directors' report

Foreign exchange risk

The Company's activities are principally conducted in U S Dollars. Almost all of revenues and 90% of costs are in U S Dollars, with the remainder of costs denominated in sterling, Indian rupees and Euros. Overall exposure is kept under constant review.

Liquidity risk

The Company finances its business from its cash flow from operations and, as necessary, loans from its parent company. Liquidity risk is managed at a group level.

Credit risk

The Company closely manages its receivables and always seeks to find mutually acceptable agreements for any disputed items that may otherwise cause delays to payments. For this reason the Company considers that there are no material exposures in respect of trade and other receivables.

Cost base variation risk

Cost base variation risk is managed at a group level by the use of derivatives. Forward Freight Agreements and Bunker Hedging contracts.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors of the company

Alan Bekhor, Sunil Malhotra, and Peter Johnson served as directors throughout the period.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

A resolution to re-appoint BDO LLP as the Company's auditors will be put to the forthcoming annual general meeting.



By Order of the Board
H CHIKHLIA
Secretary
Date 29 June 2012

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements 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, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Independent auditor's report to the members of BR Ships Limited

We have audited the financial statements of BR Ships Limited for the 11 month period ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the 11 month period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Scott McNaughton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London

Date 29 June 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Profit and loss account

for the period ended 31 December 2011

	Note	Period to 31 Dec <u>2011</u> \$	Year to 31 Jan <u>2011</u> \$
Turnover	1(b)	4,271,515	7,063,551
Cost of sales		(2,401,851)	(2,413,536)
Gross profit		<u>1,869,664</u>	<u>4,650,015</u>
Administrative expenses		(181,055)	(354,747)
Operating profit	2	<u>1,688,609</u>	<u>4,295,268</u>
Profit on ordinary activities before taxation		1,688,609	4,295,268
Taxation on profit on ordinary activities	4	<u>(6,727)</u>	<u>(7,641)</u>
Profit on ordinary activities after taxation	10,11	<u>1,681,882</u>	<u>4,287,627</u>

All activities are continuing activities

Statement of total recognised gains and losses for the period ended 31 December 2011.

There are no recognised gains and losses other than those shown in the profit and loss account above

Balance sheet

at 31 December 2011

	Note	31 Dec <u>2011</u>	31 Jan <u>2011</u>
Fixed assets			
Tangible fixed assets	5	11,749,359	11,901,074
Current assets			
Stock	6	110,932	129,605
Debtors	7	3,524,740	1,208,109
		3,635,672	1,337,714
Creditors: amounts falling due within one year	8	<u>(1,000,480)</u>	<u>(536,119)</u>
Net current assets		<u>2,635,192</u>	<u>801,595</u>
Net assets		<u>14,384,551</u>	<u>12,702,669</u>
Capital and reserves			
Called up share capital	9	1,906	1,906
Profit and loss account	10	<u>14,382,645</u>	<u>12,700,763</u>
Shareholders' funds	11	<u>14,384,551</u>	<u>12,702,669</u>

The financial statements were approved and authorised by the Board on 29 June 2012 and signed on its behalf by



P G Johnson
Chief Financial Officer

Notes to financial statements

at 31 December 2011

1 Accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

The financial statements are stated in US Dollars, being the functional and presentational currency of the Company

The Company has changed its accounting reference date to 31 December and accordingly the financial statements have been prepared for the 11 month period ended 31 December 2011 and the comparatives are for the year ended 31 January 2011

(b) Turnover

Revenues are recorded when services are rendered, the Company has a charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. The Company primarily generates revenues from the transportation of cargo and the time charter of vessels. Estimated losses on voyages are provided for in full at the time such losses become evident. Voyages in progress at the period end are accounted for on a percentage completion basis.

Deferred voyage or charter revenues relate to amounts received prior to being earned. These amounts are recognised as revenues over the related voyage or charter period and include both amounts received from charterers and compensation for acquiring a vessel with an existing charter at below market rate.

Where the Company employs its vessels on time charters, for which it receives a fixed hire rate per day. The hire income is recognised on an accruals basis in line with the provision of the vessel to the charterer. Due allowance is made for off-hire when the vessel is unavailable to the charterer.

(c) Tangible fixed assets and depreciation (vessels)

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided to write off the cost of the asset, after allowing for an estimated residual value, over its estimated useful life of 25 years from date of construction. The carrying values of tangible fixed assets are reviewed for impairments when events or changes in circumstances indicate the carrying value will not be recoverable.

(d) Drydocking costs

Vessels are subject to a major service (drydock) typically every 30 months. Drydocking costs are capitalised and written off to the profit and loss account on a straight line basis over the estimated period to the next drydock.

Notes to financial statements

at 31 December 2011

1 Accounting policies (continued)

(e) Stock

Stock is stated at the lower of cost and net realisable value on a first in first out basis. Stocks consist of bunkers, being fuel for the vessels, lubricating oil, stock under bond and food provisions.

(f) Foreign currencies

Transactions in foreign currencies are converted into U S Dollars at the rates ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies are converted into U S Dollars at the rate of exchange ruling at the balance sheet date. All exchange differences have been dealt with in the profit and loss account.

(g) Taxation

The Company is resident in the United Kingdom and pays a flat rate tax based on the net tonnage of the vessel operated (tonnage tax). Any income and profits that the Company earns in the United Kingdom outside the tonnage tax regime are taxed under normal corporation tax rules.

Deferred tax (on non tonnage tax activities) is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(h) Cash flow statement

Under FRS1 (Revised) the Company is exempt from the requirement to prepare a Statement of Cash Flows on the grounds that the ultimate parent undertaking includes the Company in its own publicly reported Consolidated Financial Statements.

(i) Related parties

The Company claims exemption under FRS8 in respect of transactions with wholly owned subsidiaries of the Britmar (UK) Limited group.

Notes to financial statements

at 31 December 2011

2. Operating profit

Operating profit is stated after charging	<i>Period to</i> <i>31 Dec</i> <u>2011</u> \$	<i>Year to</i> <i>31 Jan</i> <u>2011</u> \$
Depreciation of tangible fixed assets	842,521	759,170
Foreign exchange losses / (gains) differences	3,746	(1,812)

Auditors' remuneration is charged on a group basis in the accounts of British Marine plc

3. Directors and staff costs

The directors received no remuneration in respect of their services as directors of the Company during the period (31 January 2011 Nil)

Staff costs during the period were as follows

	<i>Period to</i> <i>31 Dec</i> <u>2011</u> \$	<i>Year to</i> <i>31 Jan</i> <u>2011</u> \$
Wages and salaries	368,314	406,246

The average monthly number of employees during the period was 21 (31 January 2011 22), all employed in an operations capacity

4. Taxation on profit on ordinary activities

The Company operates within the U K tonnage tax regime under which its vessel owning and operating activities are taxed based on the net tonnage of the vessel

	<i>Period to</i> <i>31 Dec</i> <u>2011</u> \$	<i>Year to</i> <i>31 Jan</i> <u>2011</u> \$
UK corporation tax	8,494	8,578
Adjustments in respect of prior periods	(1,767)	(937)
Total tax charge	6,727	7,641

Factors affecting the taxation charge for the period

The standard rate of corporation tax in the UK reduced from 28% to 26% on 1 April 2011, (31 Jan 2011 28%) The effective rate of tax is lower than the standard rate of corporation tax in the UK

Notes to financial statements

at 31 December 2011

4. Taxation on profit on ordinary activities (continued)

The differences are explained below

	<i>Period to 31 Dec 2011</i>	<i>Year to 31 Jan 2011</i>
	\$	\$
Profit on ordinary activities before tax	1,688,609	4,295,268
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	447,482	1,202,675
Profits attributable to tonnage tax	(438,988)	(1,194,097)
Adjustments in respect of prior periods	(1,767)	(937)
Current tax charge	6,727	7,641

5. Tangible fixed assets

	<i>Vessels</i>	<i>Dry docking costs</i>	<i>Total</i>
	\$	\$	\$
Cost			
At 1 February 2011	18,705,314	392,536	19,097,850
Additions	-	690,806	690,806
Disposals	-	(392,536)	(392,536)
At 31 December 2011	18,705,314	690,806	19,396,120
Depreciation			
At 1 February 2011	6,948,166	248,610	7,196,776
Charge for the period	491,354	351,167	842,521
Disposals	-	(392,536)	(392,536)
At 31 December 2011	7,439,520	207,241	7,646,761
Net book value			
At 31 December 2011	11,265,794	483,565	11,749,359
At 31 January 2011	11,757,148	143,926	11,901,074

Notes to financial statements

at 31 December 2011

6. Stock

Stocks consist of the following

	<i>31 Dec</i> <u>2011</u> \$	<i>31 Jan</i> <u>2011</u> \$
Lubricating oil	98,734	116,043
Stock under bond	12,198	13,562
	<u>110,932</u>	<u>129,605</u>

7. Debtors

	<i>31 Dec</i> <u>2011</u> \$	<i>31 Jan</i> <u>2011</u> \$
Trade debtors	13,694	-
Amount owed by parent company	3,356,177	1,081,835
Corporation tax	-	41,207
Other debtors	57,612	16,627
Prepayments and accrued income	97,257	68,440
	<u>3,524,740</u>	<u>1,208,109</u>

8. Creditors: amounts falling due within one year

	<i>31 Dec</i> <u>2011</u> \$	<i>31 Jan</i> <u>2011</u> \$
Trade creditors	215,837	193,857
Other creditors	33,385	6,140
Corporation tax	3,523	-
Accruals and other creditors	747,735	336,122
	<u>1,000,480</u>	<u>536,119</u>

9. Issued share capital

	<i>31 Dec</i> <u>2011</u> \$	<i>31 Jan</i> <u>2011</u> \$
Allotted, called-up and fully paid		
1,000 ordinary shares of £1 each	1,906	1,906
	<u>1,906</u>	<u>1,906</u>

Notes to financial statements

at 31 December 2011

10. Profit and loss account

	<i>31 Dec</i> <u>2011</u> \$	<i>31 Jan</i> <u>2011</u> \$
At 1 February	12,700,763	15,213,136
Profit for the period / year	1,681,882	4,287,627
Interim dividend paid	-	(6,800,000)
	<hr/>	<hr/>
At 31 December	14,382,645	12,700,763
	<hr/>	<hr/>

11. Movement in shareholder's funds

	<i>31 Dec</i> <u>2011</u> \$	<i>31 Jan</i> <u>2011</u> \$
At 1 February	12,702,669	15,215,042
Profit for the period / year	1,681,882	4,287,627
Interim dividend paid	-	(6,800,000)
	<hr/>	<hr/>
At 31 December	14,384,551	12,702,669
	<hr/>	<hr/>

12. Related party transactions

As a wholly owned subsidiary of Britmar (UK) Limited, the Company is exempt from the requirements of Financial Reporting Standard No 8 (FRS8) to disclose transactions with other group members of the group headed by Britmar (UK) Limited

13. Ultimate parent undertaking

The Company is the wholly-owned subsidiary of British Marine plc, a company incorporated in England, which is the immediate parent undertaking and the parent company of the smallest group in which the results of the company are consolidated

The Company's ultimate parent undertaking is Britmar (UK) Limited, a company incorporated in England, which is the holding company of the largest group in which the results of the company are consolidated

The individual company financial statements and the consolidated financial statements of British Marine plc and Britmar (UK) Limited may be requested from the registered office at 11 Manchester Square, London W1U 3PW

14. Ultimate controlling party

Mr Alan Bekhor is the ultimate controlling party of the Company