

Company Number 06012453

BR SHIPS LIMITED
REPORT AND FINANCIAL STATEMENTS
31st JANUARY 2008

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BR SHIPS LIMITED

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BR SHIPS LIMITED

Directors

A R Bekhor
S Malhotra

Company Secretary and Registered Office

H Chikhlia (appointed 24 April 2007)
R P Gregory (resigned 24 April 2007)
11 Manchester Square, London W1U 3PW

Auditors

Moore Stephens LLP
St Paul's House, Warwick Lane, London, EC4M 7BP

Report of the Directors

The directors have pleasure in submitting the annual report and audited financial statements for the period ended 31st January 2008. On 3 May 2007 the company took delivery of the vessel MV Britannia and started trading from that date. The transfer took economic effect from 1 February 2007.

The MV Britannia was previously owned by Verney Services Limited, a company within the Verney Services Group. With economic effect from 1 February 2007, the shareholders of Verney Services combined their shipping activities, which had previously been carried out by companies which they controlled. The MV Britannia was transferred into BR Ships Limited.

On 13 April 2007, Verney Services Limited changed its name to British Marine Limited and on 3 July 2007 it converted to Plc status. BR Ships Limited is a wholly owned subsidiary of British Marine Plc.

Review of Activities and Business Review

The principal activity of the company during the period following delivery of its vessel, was that of vessel operators. The company entered into forward freight agreements to reduce exposure to freight movements.

From the time of delivery of the MV Britannia, the company has been able to benefit from the strong freight market and results for the current financial period should be strong. The Baltic handymax index continues to rise and the prospects for the foreseeable future seem positive.

Results and Dividend

The company made a profit on ordinary activities before taxation of U S \$ 8,406,317 for the period. The directors do not recommend the payment of a dividend.

Directors

Mr Alan Bekhor served as a directors throughout the period. Mr Sunil Malhotra was appointed as directors of the company on 24 April 2007.

Financial Risk Management

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 continual basis.

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

BR SHIPS LIMITED

Report of the Directors (Continued)

Financial Risk Management (Continued)

Foreign Exchange Risk

The company's activities are principally conducted in US dollars. Approximately 90% of revenues and 90% of costs are in US dollars, with the remainder of costs denominated in sterling, Indian rupees and Euros. Overall exposure is kept under constant review and the company will participate in currency hedging where considered appropriate.

Liquidity Risk

The company finances its operations principally through retained profits and loans from related parties.

Credit Risk

No material exposure is considered to exist in respect of trade and other receivables.

Directors' Declaration

Each of the persons who are directors at the time when this report is approved has confirmed that

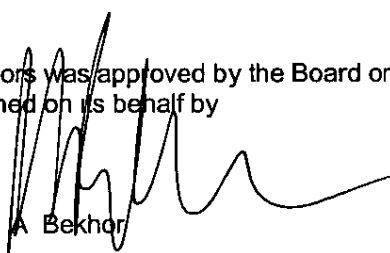
- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

A resolution to re-appoint Moore Stephens LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

The report of the directors was approved by the Board on
and signed on its behalf by

19 September 2008



A. Bekhor

Directors

BR SHIPS LIMITED

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period, and of the profit or loss and cash flows of the company for the period

In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which 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 1985. 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 Auditors' Report to the Shareholders of BR Ships Limited

We have audited the financial statements of BR Ships Limited for the period ended 31st January 2008 which are set out pages 6 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st January 2008 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

St Paul's House
Warwick Lane
London, EC4M 7BP

Moore Stephens LLP
Moore Stephens LLP
Registered Auditors
Chartered Accountants

3 October 2008

BR SHIPS LIMITED

Profit and Loss Account
For the period ended 31st January 2008

(Expressed in U S \$)

	<u>Note</u>	<u>2008</u> <u>U S \$</u>
Turnover	2(b)	19,478,117
Cost of Sales		<u>(11,048,014)</u>
Gross Profit		8,430,103
Administration expenses	3	<u>(374,744)</u>
Operating Profit		8,055,359
Interest receivable	5	<u>350,958</u>
Profit on Ordinary Activities Before Taxation	3	8,406,317
Tax on profit on ordinary activities	6	<u>(120,000)</u>
Retained Profit for the Financial Period	11	<u><u>8,286,317</u></u>
 Summary of Profit and Loss Account		
At 1 February 2007		-
Retained profit for the financial period		<u>8,286,317</u>
At 31 January 2008		<u><u>8,286,317</u></u>

The company had no recognised gains or losses other than those included in the profit and loss account

BR SHIPS LIMITED

Balance Sheet - 31st January 2008

(Expressed in U S \$)

	<u>Note</u>	<u>2008</u> <u>U S \$</u>
Fixed Assets		
Tangible assets	7	13,696,717
Current Assets		
Inventories		544,481
Debtors	8	16,418,434
		<u>16,962,915</u>
Creditors, amounts falling due within one period	9	<u>(22,371,409)</u>
Net Current (Liabilities)		<u>(5,408,494)</u>
Total Assets Less Current Liabilities		<u><u>8,288,223</u></u>
Capital and Reserves		
Called up share capital	10	1,906
Profit and loss account	11	8,286,317
		<u>8,288,223</u>
Shareholders' Funds		<u><u>8,288,223</u></u>

The financial statements were approved by the Board on
and signed on its behalf by

19 September 2008

A Belhor Director

BR SHIPS LIMITED

Financial Statements for the period ended 31st January 2008

Notes (Expressed in U S \$)

1. Background and Trading Activities

BR Ships Limited was incorporated in the United Kingdom on 28 November 2006 and commenced trading on 3 May 2007 when the company took delivery of the MV London Bridge

The vessel was employed on time and voyage charters

2. Principal Accounting Policies**(a) Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards

(b) Turnover

Revenues are recorded when services are rendered, the Company has a signed 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.

Deferred voyage 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.

(c) Tangible fixed assets and depreciation

Vessels are stated at cost less accumulated depreciation and provision for impairment.

Material expenditures that extend the useful life of the vessel incurred in improvements to the vessel are also capitalised.

Assets under construction are carried at cost, less any identified impairment losses. All pre-delivery costs incurred during the construction of the ships including supervision and technical costs, have been capitalised.

Depreciation is computed using the straight line method over the estimated useful life of the vessels, after considering the estimated residual values, commencing when the vessel is ready for its intended use. Management estimates the useful life of the Company's vessels to be 25 years from the vessel's original construction. Scrap value is estimated by the Company by taking the scrap value of steel times the weight of the ship noted in lightweight tons.

The Company's vessels are subject to regularly scheduled drydocking and special surveys which are carried out approximately every 30 or 60 months for major repairs. Costs of drydocking and special surveys, which do not represent repairs or maintenance, are capitalised and amortised over 30 months or to the next drydocking or special survey date. Repairs and maintenance costs are expensed as incurred.

BR SHIPS LIMITED

Financial Statements for the year ended 31st January 2008

Notes (Expressed in U S \$)

2. Principal Accounting Policies (Continued)

(c) Tangible fixed assets and depreciation (continued)

When vessels are acquired, the portion of the vessel's cost that relates to drydocking or special survey is treated as a separate component of the vessel's cost and is amortised in accordance with the Company's normal amortisation policies

(d) Trade debtors

The Company includes its trade debtors at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its trade debtors and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current credit conditions. At 31 January 2008 no allowance was required by the Company

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with banks and other short-term liquid investments with an original maturity of three months or less when purchased

(f) Inventories

Inventories consist of lubricants and bunkers onboard vessels and are stated at the lower of cost and net realisable value on a first in first out basis

(g) Fair value of financial instruments

The Company accounts for the financial assets and liabilities approximate to their fair values at the date of the transaction. Where the fair value of a financial asset is materially below the carrying amount, the carrying amount is written down to fair value

(h) Taxation

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

(i) Reporting Currency

The company's functional currency is the United States dollar as substantially all revenues are received in United States dollars and a majority of the Company's expenditures are made in United States dollars

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Revenues earned and expenses paid in foreign currencies are recorded at the rate of exchange at the transaction date. Exchange gains and losses are included at the determination of net income

BR SHIPS LIMITED

Financial Statements for the year ended 31st January 2008

Notes (Expressed in U S \$)

2. Principal Accounting Policies (Continued)

(j) Derivatives

The company uses derivative financial instruments to reduce exposure to freight, interest rate, bunker and foreign currency movements. The company does not hold or issue derivative financial instruments for speculative purposes. With the exception of certain foreign currency future options which qualify for hedge accounting, gains and losses on derivatives are recognised in the profit and loss account when they are realised.

(i) Forward freight agreements

The Company enters into drybulk forward freight agreements ("FFAs") as economic hedges relating to identifiable ship and/or cargo positions and as economic hedges of transactions the Company expects to carry out in the normal course of its shipping business.

Gains and losses on forward freight agreements are recognised in the profit and loss account when they are realised.

(ii) Bunker hedging

The Company requires a significant amount of fuel in order to carry out its activities and, as a result, is exposed to movements in vessel fuel prices. Accordingly, the Company enters into forward purchase contracts to hedge its exposure to, and manage the volatility associated with, vessel fuel prices.

(iii) Interest rate hedging

The Company is exposed to the impact of interest rate changes on its variable rate debt. Accordingly, the Company enters into interest rate swap agreements to manage the exposure to interest rate variability.

(iv) Foreign currency hedging

The Company is exposed to fluctuations in foreign exchange rates and in certain circumstances will enter into foreign currency future contracts. The Company accounts for such contracts as economic hedges except for those that qualify for hedge accounting.

3. Operating Profit

The operating profit is stated after charging

	<u>2008</u> U S \$
Depreciation and amortisation	878,807
Auditors' remuneration - Audit service	7,988
- Other	-
Realised losses on forward freight agreements (note 12)	5,718,190
Foreign exchange losses	2,819
	<u> </u>

BR SHIPS LIMITED

Financial Statements for the period ended 31st January 2008

Notes (Continued) (Expressed in U S \$)

4 Directors and Employees

The directors received no remuneration in respect of their services as a director of the company during the period

	<u>2008</u> U S \$
Wages and salaries	395,298

The company employed 20 employees by the period end

5. Interest Receivable

	<u>2008</u> U S \$
Bank interest receivable	350,958

6. Taxation on Profit on Ordinary Activities

The company has entered the U K tonnage tax regime under which its ship owning and operating activities are taxed based on the net tonnage of vessels operated. Any income and profits outside the tonnage tax regime are taxed under the normal U K corporation tax rules

	<u>2008</u> U S \$
Corporation tax charge for the period	120,000

7. Tangible Fixed Assets

	Vessel	Drydocking Costs	Total
	U S \$	U S \$	U S \$
Cost			
At 28 November 2006	-	-	-
Group reorganisation	18,705,313	319,437	19,024,750
At 31 January 2008	18,705,313	319,437	19,024,750
Depreciation			
At 28 November 2006	-	-	-
Group reorganisation	4,297,331	151,895	4,449,226
Charge for the period	711,265	167,542	878,807
At 31 January 2008	5,008,596	319,437	5,328,033
Net Book Value			
At 31 January 2008	13,696,717	-	13,696,717
At 28 November 2006	-	-	-

BR SHIPS LIMITED

Financial Statements for the period ended 31st January 2008

Notes (Continued) (Expressed in U S \$)

8 Debtors

	<u>2008</u> U S \$
Trade debtors	1,302,740
Amounts due from fellow subsidiary companies	6,942,848
Amount due from parent company	7,939,189
Other debtors	35,805
Prepayments and accrued income	197,852
	<u>16,418,434</u>

The company has provided a short term loan to a company incorporated in the United Kingdom and owned by Mr A Bekhor. The loan is unsecured, interest free and repayable on demand.

9. Creditors: amounts falling due within one period

	<u>2008</u> U S \$
Trade creditors	1,149,508
Amounts due to fellow subsidiary companies	5,005,355
Amounts due to related undertaking	15,495,805
Accruals and deferred income	600,741
Corporation Tax	120,000
	<u>22,371,409</u>

The company has received a short term loan from a company incorporated in the United Kingdom and owned by Mr A Bekhor. The loan is unsecured, interest free and repayable on demand.

10. Share Capital

	<u>2008</u> U S \$
Authorised 1,000 Ordinary shares of £1 each	<u>1,906</u>
Issued 1,000 Ordinary share of £1 issued, fully paid	<u>1,906</u>

11. Movement in Shareholder's Funds

	<u>2008</u> U S \$
Shares issued in the period	1,906
Retained profit for the period	8,286,317
At 31 January 2008	<u>8,288,223</u>

BR SHIPS LIMITED

Financial Statements for the period ended 31st January 2008

Notes (Continued) (Expressed in U S \$)

12. Other commitments

The company, in accordance with its policy to use derivatives to minimise exposure to freight movements, enters into forward freight agreements

Realised losses on completed forward freight agreements during the period ended 31 January 2008 relating to the company amounted to U S \$ 5,718,190

Unrealised losses on outstanding forward freight agreements at 31 January 2008 amounted to U S \$ 384,483. In accordance with the company's accounting policy relating to derivatives, this amount has not been recognised in the financial statements.

The company is party to a cross guarantee arrangement with one of its bankers which includes facilities made available to its parent company, fellow subsidiaries and to related undertakings owned by Mr A Bekhor

At 31 January 2008 there was a loan facility with DSB for U S \$85,000,000, bearing interest at LIBOR plus 0.7% per annum. A mortgage was taken out against the MV Britannia as security on this loan

13. Related Party Transactions

In addition to the transactions reported in notes 8, 9 and 12 above, British Marine Plc, a company registered in the United Kingdom and owned by Mr A Bekhor, carries out husbandry and administration activities on behalf of the company. In the period ended 31 January 2008 the amount charged to the company relating to these activities was U S \$ 299,719

14. Ultimate Holding Company and Controlling Shareholder

The parent company of BR Ships Limited is British Marine Plc, which is registered in England. The ultimate controlling shareholder is Mr A Bekhor