BR Ships Limited

Report and Financial Statements

31 January 2010

Registered No 06012453

Contents

Registered No 06012453

Directors

Alan Bekhor
Sunil Malhotra
Peter Johnson (Appointed 19 January 2010)

Secretary

Harish Chikhlia

Auditors

Ernst & Young LLP
Registered Auditors
1 More London Place
London
SE1 2AF

Registered Office

11 Manchester Square
London
W1U 3PW

Regıstered No 06012453

Directors' report

The dırectors present theır report and the audıted financıal statements of the Company for the year ended 31 January 2010 All amounts are shown ın U S dollars, unless otherwıse stated

Results and dividends

The Company made a profit on ordınary actıvıtıes before taxatıon of $4,306,581 for the year (2009 $10,858,943)

The dırectors approved an ınterım dıvıdend of $8,300,000 durıng the year but do not recommend the payment of a final dıvıdend (2009 $Nıl)

Review of activities and review of the business

The prıncıpal actıvıty of the Company durıng the year was that of vessel ownıng and operatıon

The vessel ıs employed on tıme and voyage charters

The Company's key financıal and other performance ındıcators durıng the year were as follows

	2010	*2009*	*Change*
	$'000	*$'000*	*%*
Turnover	6,938	17,136	(59 5)
Total operatıng profit	4,307	10,859	(60 3)
Profit after tax	4,296	10,931	(60 7)
Freıght rates (annual average Supramax per day)	$19,206	$37,309	(48 5)

The Company made a profit for the year, after taxatıon, of $4,296,285 (2009 $10,930,534)

There was a declıne ın Supramax rates ın 2009, partıcularly ın the last quarter, followed by a gradual ımprovement ın rates over the course of 2010 although the average for the 2010 at $19,206 per day remaıned substantıally lower than the prıor year of $37,309 per day The combınatıon of these produced lower turnover and profit ın the year compared to 2009

The year saw a strong recovery ın the dry freıght market throughout the fiscal year wıth Baltıc Supramax rates ıncreasıng from $11,551 per day ın February 2009 to $25,289 per day ın January 2010 There contınues to be strong rates of ındustrıal growth and hıgh demand for commodıtıes most especıally from Chına, Indıa and other emergıng markets As far as the dry freıght market ıs concerned, thıs development has more than compensated for sluggısh or zero growth ın the economıes of Western countrıes

The Company ıntends to contınue ıts actıvıty of vessel ownıng and operatıon and consıders ıtself ın a strong posıtıon to maıntaın ıts profitable busıness ın the comıng years

Principal risks and uncertainties

The dırectors have ıdentıfied the need to manage the Company's materıal financıal rısks, ıncludıng foreıgn exchange, lıquıdıty and credıt rısks These rısks are monıtored by the dırectors on a contınuous basıs

The Company seeks to lımıt counterparty rısk by conductıng most of ıts bankıng actıvıtıes wıth a lımıted number of major ınternatıonal banks, whose status ıs kept under revıew

Registered No 06012453

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

Mr Alan Bekhor, Mr Sunil Malhotra served as directors throughout the year Mr Peter Johnson was appointed as a director on 19 January 2010

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 Ernst & Young LLP as the Company's auditors will be put to the forthcoming annual general meeting

By Order of the Board
H CHIKHLIA
Secretary
Date 23 October 2010

Statement of directors' responsibilities

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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 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, 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 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 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 year ended 31 January 2010 which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 16 These financial statements have been prepared on the basis of the accounting policies set out therein

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 set out on page 5, 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 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 Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on the 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 January 2010 and of its profit for the year 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 matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year 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

Ernst & Young LLP
David Wilkinson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 29 October 2010

Profit and loss account

for the year ended 31 January 2010

	Note	*2010* *$*	*2009* *$*
Turnover	1(b)	6,938,481	17,136,360
Cost of sales		(2,353,044)	(5,816,137)
Gross profit		4,585,437	11,320,223
Administrative expenses		(278,856)	(461,344)
Operating profit	2	4,306,581	10,858,879
Interest payable and similar charges	4	-	64
Profit on ordinary activities before taxation		4,306,581	10,858,943
Taxation on profit on ordinary activities	5	(10,296)	71,591
Profit on ordinary activities after taxation	11,12	4,296,285	10,930,534

All activities are continuing activities

Statement of total recognised gains and losses for the year ended 31 January 2010.

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

Balance sheet
at 31 January 2010

	Note	2010 $	2009 $
Fixed assets			
Tangible fixed assets	6	12,660,244	12,972,901
Current assets			
Stock	7	124,876	87,680
Debtors	8	3,039,449	7,457,374
		3,164,325	7,545,054
Creditors. amounts falling due within one year	9	(609,527)	(1,299,198)
Net current assets		2,554,798	6,245,856
Net assets		15,215,042	19,218,757
Capital and reserves			
Called up share capital	10	1,906	1,906
Profit and loss account	11	15,213,136	19,216,851
Shareholders' funds	12	15,215,042	19,218,757

The financial statements were approved by the Board on 28 October 2010 and signed on its behalf by

A R Bekhor
Chief Executive Officer

P G Johnson
Chief Financial Officer

Notes to financial statements
at 31 January 2010

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

(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 year 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

(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

Notes to financial statements
at 31 January 2010

1 **Accounting policies** (continued)

(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 January 2010

2. Operating profit

Operating profit is stated after charging

	2010	*2009*
	$	*$*
Depreciation of tangible fixed assets	705,194	735,266
Foreign exchange differences	11,262	2,984

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 year (2009 Nil)

Staff costs during the year were as follows

	2010	*2009*
	$	*$*
Wages and salaries	422,681	414,891

The average monthly number of employees during the year was 22 (2009 21), all employed in an operations capacity

4. Interest payable and similar charges

	2010	*2009*
	$	*$*
Interest payable	-	64

Notes to financial statements
at 31 January 2010

5. 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

	2010 $	2009 $
UK corporation tax	10,296	10,803
Adjustments in respect of prior periods	-	(82,394)
Total tax charge / (credit)	10,296	(71,591)

Factors affecting the taxation charge / (credit) for the year

The effective rate of tax is lower than the standard rate of corporation tax in the UK 28% (2009 28 32%)

The differences are explained below

	2010 $	2009 $
Profit on ordinary activities before tax	4,306,581	10,858,943
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28 32%)	1,205,843	3,075,253
Profits attributable to tonnage tax	(1,195,992)	(3,064,450)
Adjustments in respect of prior periods	445	(82,394)
Current tax charge / (credit)	10,296	(71,591)

Notes to financial statements
at 31 January 2010

6. Tangible fixed assets

	Vessels $	*Dry docking costs* $	*Total* $
Cost			
At 1 February 2009	18,705,314	330,887	19,036,201
Additions	-	392,536	392,536
Disposals	-	(330,887)	(330,887)
At 31 January 2010	18,705,314	392,536	19,097,850

	Vessels $	*Dry docking costs* $	*Total* $
Depreciation			
At 1 February 2009	5,743,862	319,437	6,063,299
Charge for the year	602,152	103,042	705,194
Disposals	-	(330,887)	(330,887)
At 31 January 2010	6,346,014	91,592	6,437,606
Net book value			
At 31 January 2010	12,359,300	300,944	12,660,244
At 31 January 2009	12,961,451	11,450	12,972,901

7. Stock

Stocks consist of the following

	2010 $	*2009* $
Lubricating oil	112,281	79,120
Stock under bond	12,595	8,560
	124,876	87,680

Notes to financial statements
at 31 January 2010

8. Debtors

	2010	2009
	$	$
Trade debtors	13,694	963,142
Amount owed by parent company	2,739,533	5,298,407
Amount owed by group undertakings	-	1,001,932
Corporation tax	126,229	48,885
Other debtors	24,518	5,026
Prepayments and accrued income	135,475	139,982
	3,039,449	7,457,374

9. Creditors: amounts falling due within one year

	2010	2009
	$	$
Trade creditors	303,626	889,204
Other creditors	17,153	14,587
Accruals and other creditors	288,748	395,407
	609,527	1,299,198

10. Issued share capital

Allotted, called-up and fully paid	2010	2009
	$	$
1,000 ordinary shares of £1 each	1,906	1,906

11. Profit and loss account

	2010	2009
	$	$
At 1 February	19,216,851	8,286,317
Profit for the year	4,296,285	10,930,534
Interim dividend paid	(8,300,000)	-
At 31 January	15,213,136	19,216,851

Notes to financial statements
at 31 January 2010

12. Movement in shareholder's funds

	2010	*2009*
	$	*$*
At 1 February	19,218,757	8,288,223
Profit for the year	4,296,285	10,930,534
Interim dividend paid	(8,300,000)	-
At 31 January	15,215,042	19,218,757

13. Commitments and contingencies

The Company, in the normal course of business, has entered into contracts to time charter out its vessel for future periods

14. 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

15. 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

16. Ultimate controlling party

Mr Alan Bekhor is the ultimate controlling party of the Company