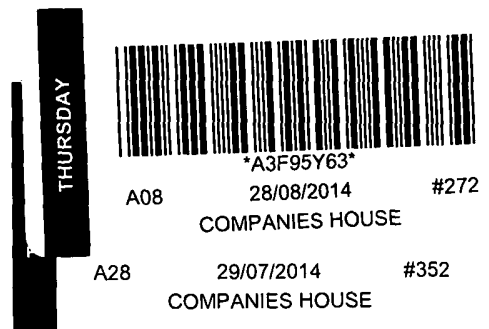




## Directors' Report and Accounts



31 March 2014

# Contents

## Page

Board – Directors and Secretary	1
Committees for 2013/2014	1
Directors' and Senior Management Biographies	2
Panel Reporting Companies	4
Chairman's Statement	5
Chief Executive's Report	7
Directors' Report	9
Report on Directors' Remuneration	12
Directors' Responsibilities Statement	13
Independent Auditor's Report	14
Consolidated Profit and Loss Account	15
Consolidated Balance Sheet	16
Consolidated Cash Flow Statement	17
Notes on the Accounts	18
Company Balance Sheet	26
Notes on the Company Balance Sheet	27
Notice of Meeting	29

# Board – Directors and Secretary

## Committees for 2013/2014

### Directors

The Baltic Exchange Limited  
 Q B Soanes (*Chairman*)  
 G M Campbell FICS (*Vice-Chairman*)  
 S Albertijn  
 A C Carroll  
 D C Dragazis FICS  
 D L Dunn  
 H J Fafalios  
 H G Liddell FICS  
 J Lollesgaard  
 C J Nolan  
 J Tsatsas\*  
 L C Varnavides  
 A J Westbrook\*  
 A R Wooldridge FICS  
 \*Ballot Director

Baltic Exchange Derivatives Trading Limited  
 P C Over (*Chairman*)  
 D W T Bain  
 G M Campbell  
 J Foyle (*Independent Non-Executive*)  
 J Penn  
 P Stuart-Smith  
 N Tipple (*Independent Non-Executive*)

Baltic Exchange Information Services Limited  
 G M Campbell (*Chairman*)  
 S Albertijn  
 D C Dragazis  
 D L Dunn  
 H J Fafalios  
 H G Liddell  
 J Lollesgaard  
 C J Nolan

Chief Executive and Secretary  
 J Penn (*Chief Executive*)  
 D W T Bain FCA (*Company Secretary*)

Up to twelve Directors of the Exchange are elected by the shareholders and up to three are elected by representatives of member companies.

All Directors are non-executive and direct the work of the Exchange through the committees (which are set out above) and the staff of the Exchange. The Board had 9 meetings for 2013/2014 with an average attendance of 89%.

### Committees 2013/2014

Finance and Corporate Affairs and Charities  
 D C Dragazis (*Chairman*)  
 J Tsatsas  
 L C Varnavides  
 A R Wooldridge  
 Secretary: D W T Bain  
 4 meetings  
 Average attendance by Directors: 88%

Freight Indices and Futures  
 G M Campbell (*Chairman*)  
 S Albertijn  
 D L Dunn  
 H J Fafalios  
 H G Liddell  
 J Lollesgaard

Ex-officio and by invitation:  
 Chairman – FMIUG-Dry  
 Chairman – FMIUG-Tankers  
 Chairman – FFABA-Dry  
 Chairman – FFABA-Tankers  
 Secretary: R King  
 7 meetings  
 Average attendance by Directors: 85%

Membership and Member Services  
 C J Nolan (*Chairman*)  
 A C Carroll  
 A J Westbrook  
 By invitation:  
 R H Goodall  
 E B Mavroleon  
 Secretary: J A Harrison  
 11 meetings  
 Average attendance by Directors: 95%

Remuneration  
 Q B Soanes (*Chairman*)  
 G M Campbell  
 D C Dragazis  
 C J Nolan  
 1 meeting  
 Attendance: 100%

# Directors' and Senior Management Biographies

## Directors

### Stefan Albertijn (38)

Stefan joined the Board in 2012 having been FMIUG Chairman in 2009-2010. He joined Deutsche Bank AG in 1999 holding various corporate and investment banking positions in Germany and Belgium before joining ADM's Alfred C Toepfer International GmbH shipping department in 2005, becoming its Global Head of Risk Management in 2010. He has been a Guest Lecturer in ship finance at Hamburg University since 2009, is a member of various shipping, financial and grain trading associations in Belgium and Germany, and is actively engaged in the alumni groups Alechia and VEUK. Stefan studied Economics at the Universities of Antwerp and Konstanz and has authored various publications on ship finance and financial derivatives.

### Guy Campbell (47)

He joined the Board as a Shareholder Director in 2009. He is General Manager (Atlantic) at the China Navigation Company, the deep sea ship owning and operating arm of the Swire Group. He has been a member of the Baltic Exchange since 1991 having worked for J E Hyde & Co Ltd, Koch Carbon LLC and Clarksons plc prior to joining China Navigation. His shipping career has included dry cargo broking, chartering, operations and freight trading activities.

### Anthony Carroll (58)

He is Head of Business Development at maritime intelligence, investigations and asset protection services provider, Gray Page Ltd. He was elected to the Baltic board in 2012. He became a member of the exchange in 1976 for P & O

shipbroking subsidiary Anderson Hughes. His whole career has been spent in the shipbroking and shipping services industry, primarily in the dry cargo sector, in a variety of roles and ownership.

### Demetrius Dragazis (67)

He joined the Board in 2008. He served as a director and managing director of John S. Latsis (London) Ltd and Latsco (London) Ltd, a British Tonnage Tax company specialising in product tankers and LPG vessels. He is a Fellow of the Institute of Chartered Shipbrokers, Vice-Chairman of the Greek Shipping Cooperation Committee and serves on other industry committees.

### Duncan Dunn (50)

He was elected a Shareholder Director of the Baltic in 2009. He joined SSY Futures Ltd in 2004 and is now a senior director, responsible for business development and marketing. He has worked principally in the derivatives industry since 1986 in both broking and fund management roles at companies including Rudolf Wolff Fund Management, Union PLC and Man Financial.

### Haralambos Fafalios (53)

He joined the Board in 2006. He has worked with his family company as a Baltic shipbroker for 29 years and is actively engaged in chartering on a daily basis. He has worked in marine insurance, banking and all aspects of shipbroking (dry, wet, sale and purchase, research). He has also served at sea. He presently sits on various industry committees and is Chairman of the Greek Shipping Cooperation Committee.

### Henry Liddell (50)

He joined the Board in 2013 and is currently CEO at ICAP Shipping. Henry was a founder partner of Capital Shipbrokers in 1993 and prior to that worked at Giles Pritchard-Gordon as a tanker broker. He started his shipping career at Killick Martin followed by 3 years as a ship operator at Fednav. Henry is a Fellow of the Institute of Chartered Shipbrokers.

### Jesper Lollesgaard (49)

Jesper joined the Board in 2013 and has been a member of the Baltic Exchange since 1985. He has worked in the shipping industry in England, Canada and France. He has held senior positions with ship owners, operators and diversified mining companies and been engaged both in the physical and the derivatives markets. Jesper has run his own broking company since 1998, currently representing a rapidly growing ship owner/operator.

### Colm Nolan (64)

He joined the Board in 2010 and has been a member of the exchange since 1974. He represented Agelef Shipping London as the dry cargo chartering manager for some 20 years and since retiring from Agelef operates as a sole trader and consultant to various shipping companies. As well as acting as an expert witness he is also vice chairman of the London Shipowners and Shipbrokers Benevolent Society.

#### Quentin Soanes (59)

He joined the Board in 2005. He has been working in the shipbroking and shipping services industry since 1977 specialising in the sale and purchase market. He was a founder of Braemar Shipbrokers Ltd which became the publicly-quoted Braemar Shipping Services plc where he was Managing Director of the Shipbroking Division and led their diversification into logistics, technical and environmental services. He is currently Chairman of Sterling Shipping Services Ltd.

#### John Tsatsas (69)

He rejoined the Board as a Ballot Director in 2013 having previously served as a Shareholder Director (2007-2011) and a Ballot Director (2001 -2003). With over 50 years experience in shipping he has occupied senior executive positions on the boards of UK companies. He is a practising arbitrator, full member and, between 2008 and 2011, the past President of the London Maritime Arbitrators' Association (LMAA). He was a BIMCO director between 1979 and 1985 and was Chairman of the documentary committee and member of the executive committee and board between 2003 and 2009. He is a Chartered Arbitrator and a panel arbitrator in Hong Kong, Korea, Singapore, China and Greece and a trained mediator. He is a fellow of the Institute of Chartered Shipbrokers, the Chartered Institute of Logistics and Transport, the Chartered Management Institute and the Chartered Institute of Arbitrators. He is a Liveryman of the Worshipful Company of Shipwrights.

#### Lambros Varnavides (64)

He was elected to the Baltic Board as a Shareholder Director in 2009. He has worked for The Royal Bank of Scotland Group since 1974,

having previously studied at University College, London and then the London School of Economics. He has a BSc(Econ), MSc(Econ) and M.Phil in Economics. Apart from a short interval in Credit Control, he has stayed in the Shipping Division of the Bank for his entire career. In 1998 he was appointed Director of Shipping with responsibility for all of the Bank's shipping business. Since the merger with ABN in 2007 he has been managing director and Global Head of Shipping. He is a member of the Court of the Worshipful Company of Shipwrights and a Trustee of Lloyd's Register Foundation. He also lectures on ship finance at the City University Business School in London.

#### Tony Westbrook (63))

He was first elected as a member of the Baltic Exchange in 1972, representing Howard Houlder and Partners until 1976 when he joined Simpson, Spence and Young. In 1981 he joined Maersk Broker, working in both London and Athens until 2013 when he left to become a member of a new Athens office for Lorentzen and Stemoco/LSS. He was elected to the Board as a Ballot Director in 2007 and was re-elected in 2011.

#### Adrian Wooldridge (43)

He is the Chief Commercial Officer of Navios Maritime Acquisition Corporation. Prior to joining Navios he was the Freight Trading Manager for Shell Trading, Barbados, having also worked for Shell Trading in London engaged in tanker chartering and derivative trading. He started his career in 1989 with the G P Livanos group. He is a Fellow of the Institute of Chartered Shipbrokers and holds an MBA from Warwick Business School. He joined the board in 2011.

## Senior Management

#### Jeremy Penn (55)

He joined the Baltic in 2003 as Chief Executive elect. He has over 30 years' experience of general management, marketing and product development relating to financial information and associated technology products. He spent 20 years with Reuters Group PLC, during which time he lived and worked in Zimbabwe, Morocco, Hong Kong, Australia, Singapore and the USA as well as the UK. He was appointed to Reuters executive committee in 1997. He is a Director of Maritime London and serves on the board of Maritime UK.

#### Duncan Bain (62)

He joined the Baltic in 2006 as Company Secretary. He qualified as a chartered accountant in 1976 and spent 14 years in corporate finance at Lloyds Merchant Bank before becoming finance director of Bourne End Properties PLC a quoted property investment company. Prior to joining the Baltic he held a similar position at The Iveagh Trustees Limited, the Guinness family's financial services business.

# Panel Reporting Companies

## CAPESIZE INDEX PANELLISTS

Arrow Chartering (UK) Ltd  
 Banchero-Costa & C s.p.a.  
 Barry Rogliano Salles (London)  
 Clarksons  
 Fearnleys A/S  
 E A Gibson Shipbrokers Ltd  
 Howe Robinson & Co Ltd  
 Ifchor SA  
 Ildo Chartering Corporation  
 LSS SA, Antwerp  
 Simpson Spence & Young Ltd  
 Thurlstone Shipping Ltd

## PANAMAX INDEX PANELLISTS

Acropolis Chartering & Shipping Inc  
 Arrow Chartering (UK) Ltd  
 Banchero-Costa & C s.p.a.  
 Chinica Shipbrokers Ltd  
 Clarksons  
 Fearnleys A/S  
 E A Gibson Shipbrokers Ltd  
 Hai Young International Co Ltd  
 Howe Robinson & Co Ltd  
 ICAP Shipping Ltd  
 Ifchor SA  
 LSS SA, Geneva  
 Maersk Broker (UK) Ltd  
 Optima Chartering  
 Thurlstone Shipping Ltd  
 Simpson Spence & Young Ltd  
 Yamamizu Shipping Co Ltd

## BALTIC PANAMAX ASIA PANELLISTS

Arrow Asia Shipbrokers Pte Ltd  
 Chinica Shipbrokers Ltd  
 Clarksons Asia (Singapore)  
 Howe Robinson Shipbrokers  
 Singapore Pte Ltd  
 Icap Shipping (Singapore) Pte Ltd  
 Ifchor Hong Kong  
 Simpson Spence & Young (Asia)  
 Thurlstone Shipping Singapore Pte Ltd  
 Yamamizu Shipping Co Ltd

## SUPRAMAX INDEX PANELLISTS

Arrow Chartering (UK) Ltd  
 Ausea Shipping Beijing  
 Barry Rogliano Salles (France)  
 Clarksons  
 Hartland Shipping  
 Howe Robinson & Co Ltd  
 ICAP Shipping Ltd  
 John F Dillon & Co  
 Lightship Chartering A/S  
 Maersk Broker (UK) Ltd  
 Rigel Shipping Ltd  
 Simpson Spence & Young Ltd  
 Yamamizu Shipping Co Ltd

## BALTIC SUPRAMAX ASIA

PANELLISTS  
 ACM Shipping Endeavour PTY Ltd  
 Ausea Shipping Beijing  
 Clarksons Asia (Singapore)  
 Galbraith's Ltd (Shanghai)  
 Howe Robinson (HK) Ltd  
 ICAP Shipping Ltd (Singapore)  
 Ildo Chartering Corporation  
 Interocean New Delhi  
 Simpson Spence & Young (Singapore)  
 Yamamizu Shipping Co Ltd

## BALTIC EXCHANGE HANDYSIZE

INDEX PANELLISTS  
 Ausea Shipping Beijing  
 Barry Rogliano Salles (France)  
 Braemar Seascope (Singapore)  
 Clarksons Asia (Singapore)  
 Clarksons Geneva  
 Doric Shipbrokers S.A.  
 Hartland Shipping  
 Howe Robinson & Co Ltd  
 Lightship Chartering A/S  
 Rigel Shipping Ltd  
 Simpson Spence & Young Ltd  
 Simpson Spence & Young Singapore  
 H. Vogemann GmbH  
 Yamamizu Shipping Co Ltd

## BALTIC INTERNATIONAL TANKER

ROUTES PANELLISTS  
 A C M Shipping Ltd  
 Barry Rogliano Salles (France)  
 Bassoe (P.F.) A/S & Co  
 Braemar Seascope Ltd  
 Bravo Tankers s.r.l.  
 Charles R Weber Company Inc  
 Clarksons  
 Clarksons Asia (Singapore)  
 Clarksons Geneva  
 Eastport Chartering Pte Ltd  
 Fearnleys A/S  
 Galbraith's Ltd  
 E A Gibson Shipbrokers Ltd  
 ICAP Shipping Ltd  
 ICAP Shipping (Singapore) Ltd  
 Mallory Jones Lynch Flynn  
 & Assoc. Inc  
 McQuilling Brokerage Partners Inc  
 (New York)  
 McQuilling Brokerage Partners Asia  
 Odin Marine (Singapore) Pte Ltd  
 Poten & Partners NY  
 Simpson Spence & Young Ltd  
 Simpson Spence & Young Ltd  
 (Singapore)  
 SSY Tankers New York LLC  
 True North Chartering NY

## BITR ASIA PANELLISTS

ACM Shipping Asia Pte Ltd  
 Eastport Chartering Pte Ltd  
 Clarksons Asia (Singapore)  
 ICAP Shipping (Singapore) Ltd  
 McQuilling Brokerage Partners Asia  
 Odin Marine (Singapore) Pte Ltd  
 Simpson Spence & Young Ltd  
 (Singapore)  
 Taipan Shipbrokers Pte Ltd

## BALTIC LIQUIFIED PETROLEUM

GAS ROUTE PANELLISTS  
 ACM Shipping Ltd  
 Braemar Seascope Ltd  
 Clarksons  
 Fearnleys A/S  
 E A Gibson Shipbrokers Ltd  
 Lorentzen & Stemoco AS  
 Poten & Partners (UK) Ltd  
 Inge Steensland AS

## BALTIC SALE AND PURCHASE

ASSESSMENT PANELLISTS  
 Arrow Chartering (UK) Ltd  
 Banchero-Costa & C. s.p.a.  
 Barry Rogliano Salles (France)  
 Compass Maritime Services LLC  
 Fearnleys A/S  
 Lorentzen & Stemoco AS  
 Mallory Jones Lynch Flynn & Assoc. Inc  
 Optima Chartering Ltd  
 R S Platou Shipbrokers AS  
 Simpson Spence & Young Ltd  
 Yamamizu Shipping Co Ltd

## BALTIC DEMOLITION PANELLISTS

Clarksons  
 Compass Maritime Services  
 J V Shipping  
 Optima Chartering Ltd  
 Simpson Spence & Young Ltd

## BALTIC FORWARD ASSESSMENT

PANELLISTS  
 ACM-GFI  
 BRS Futures Ltd  
 Clarkson Securities Ltd  
 Freight Investor Services Ltd  
 GFI Brokers Ltd  
 ICAP Shipping Derivatives Ltd  
 Marex Spectron  
 Pasternak, Baum & Company Inc  
 SSY Futures Ltd

## BALTIC OPTIONS

ASSESSMENT PANELLISTS  
 Clarkson Securities Ltd  
 Freight Investor Services Ltd  
 GFI Brokers Ltd  
 SSY Futures Ltd

# Chairman's Statement

Shareholders will not be surprised to learn that Board deliberations during the past year have been dominated by the issue of what to do with Baltex. The instinct to close a heavily loss-making business is a normal and sound one. However there have been many complicating factors which I discuss more fully below.

## Financial performance

Overall profit for the year after tax stands at £901,809. This compares with £1,196,833 in the prior year, a figure which included net investment gains of £796,445, compared with £397,450 in this year, so the figures are very similar before the effect of the net investment gains.

In the Operations area (the business excluding Property and Investments) the key impact is once again from Baltex. Before the effect of Baltex we saw a profit in Operations of £534,488 compared with £729,640 in the prior year on the same basis. The effect of Baltex on this figure is a loss of £636,830, which is slightly lower than the prior year at £682,093, though this does not reflect any material change in the business position of Baltex. Operations including Baltex therefore recorded a loss of £102,342.

Revenue before investment income held up well at £5,562,669 compared to £5,447,132 in the prior year. Costs however were significantly higher at £5,412,584, which is £279,186 higher than last year. This variance is partly accounted for by the write-back of around £100,000 of provisions in the prior year, but also by our commitment to an office in Shanghai and increased staff costs in the Freight Market Department.

Our building at 38 St Mary Axe earned a pre-tax profit of £436,620, which is very much in line with the prior year. The building remains fully let and we have regular enquiries about space. However, as the time passes since the last major refurbishment your Board is aware that substantial expenditures on the building will be needed within the next few years and is examining alternative strategies.

The investment portfolio has performed well, albeit in a benign environment recognising our relatively recent switch to holding more equities. Total returns, after fund management fees were 7.9%, compared with last year's rather exceptional figure of 12.4%.

## Dividend

Your Board again recommends that dividends remain in line with recent history, with a final payment of £1.75 per share and a total for the year of £2.15. This reflects the fact that we consider the impact of Baltex to be a short term concern.

## Baltex

At the last AGM we stated that the position with Baltex would not remain unchanged for the year. Since then we have continued to struggle to build any significant

activity on the system, despite a number of efforts and considerable support from specific principals in the market. However, as we had predicted, the regulatory changes promised at the G20 meeting of 2010, have now started to have an impact on OTC derivatives markets, although they have been much slower in coming than had been anticipated. At the time of this report going to press we are finalising arrangements with LCH.Clearnet, which clears about 70% of the dry bulk FFA market, to enable them to transform OTC derivatives into futures in response to certain rule changes. This is expected to generate revenues which will as a minimum substantially offset Baltex costs and in the best scenario would put the system into profit. Your Board has been unwilling to close the system while this opportunity remained a possibility. It enables Baltex, because of its regulatory status, to provide a real facility for the FFA market and it also positions Baltex soundly at the heart of the market. The Board expects there will be opportunities to develop other income streams from this activity. We believe that this project will shortly reward the patience of both Board and shareholders by placing Baltex in a position to meet the requirements of the market and our members. I hope to be in a position to provide a positive update at the AGM.

## Corporate matters

We propose an ordinary resolution at the AGM to simplify the Baltic Rules on the new member application process which needs to be passed by a simple majority of shareholders at the meeting. This is intended mainly to permit Directors and Representatives to propose and second new members. The distinction between a Principal and a Representative is not one which members in today's era find easy to grasp, or are willing to take an interest in. However, as you will read below, now is not the time for a wholesale effort at revising our Rules, so the Board has opted for a modest mechanical change which will reduce the complexity of bringing in new members.

More broadly the Board has been concerned for some time that it should define more clearly the purpose of the Baltic Exchange and consequently its objectives. This will be of considerable assistance to shareholders in understanding our future plans and to management in executing the plans of the Board.

My successor as Chairman, Guy Campbell and his Vice-chairman Lambros Varnavides will be carrying this work forward and will be consulting with many of you in the next few months. By making this a team effort, without a deadline for the production of proposals, we hope to come up with comprehensive plans around which we can build a strong consensus of support. This will move us away from the somewhat piecemeal proposals for reform of the last few years which have often not obtained the necessary 75% shareholder support.

# Chairman's Statement

However, as I step down from my position I would highlight to you that the Baltic is a broad church and ask that even if the eventual proposals do not exactly reflect your personal view, you provide support if you possibly can to your Board which is charged by you with applying its best judgement as to the way forward. I can assure you that if the Baltic is to thrive in the next era, much more clarity is needed regarding our role, the relationship between members and shareholders, and the relationship between profitability, dividends and service to the shipping market.

## Market benchmarks and regulation

The Chief Executive has committed considerable time in the last year or so to participation in the various consultations which have arisen from the desire to regulate or legislate away the problems which arose with LIBOR, FX, gold, and oil benchmarks. The current position is that the International Organisation of Securities Commissions (IOSCO) has produced a series of Principles to guide the production of market benchmarks and we have been asked by the FCA to confirm our compliance with these Principles by July this year, a target we intend to achieve. This has necessitated the redrafting of our long-standing Manual for Panellists to ensure we are compliant and to include a number of procedural changes. The EU has also spent the last 12 months negotiating a formal regulation for market benchmarks and we have been heavily engaged in that process. However, finalisation of the Regulation has now slipped into the next parliament.

On a final note though I would add that with this activity, together with some of the issues raised by the Market Abuse Directive, as well as the changing scene for FFAs, we are seeing a broad encroachment of regulation into the daily activities of our marketplace, which though generally unwelcome, is unavoidable.

The Chief Executive covers more fully the extensive efforts made during the year towards updating our various routes and ships to ensure we are both in line with the market and IOSCO compliant.

## Member relationships

On behalf of all our members and other market participants I thank once again the Baltic panellists who contribute to our benchmarks. Their diligence, expertise and commitment are the bedrock of our business and reputation. They have also played a key role in resolving with us how to move forward with changes to the Capesize Index and will be called upon this year to work with us on both the Supramax and the Panamax indices.

Philippe Van Den Abeele is stepping down as Chairman of the Freight Market Information Users' Group (dry) at the start of July and we are most grateful to him for his support over the last 3 years. He is succeeded by

Michael Queally of ADM Intermare. Glen Huniche of Noble Group has taken over from Duncan Farmer of Trafigura as Chairman of the tanker Users' Group. Richard Hayes took over from Ed Ratcliffe as Chairman of the FFABA (dry) and James Ronan of GFI took over from Nils Arnesen of Marex-Spectron as Chairman of the FFABA (wet). We are well aware of the benefit to the Baltic of the engagement from these member groups and the support they provide, and we are most grateful to them.

The Membership Committee, now chaired by Colm Nolan, has continued its excellent work in collecting money owed to members and posting the names of malefactors. This is an important service for members which has yielded payments in the financial year of \$1.25 million. In addition to the Directors on the Committee, Richard Goodall and Basil Mavroleon have continued to contribute their time and expertise and we are most grateful to them.

## External relationships

It is important for the Baltic to be seen to occupy a leading role in the industry within the UK and internationally. We have therefore continued our support for Maritime London, with the Chief Executive serving on the Board and acting as Treasurer. He also serves on the Board of Maritime UK, which brings together the lobby efforts of the shipping industry in the UK and played the leading role in developing the very successful London International Shipping Week (LISW). The Chief Executive will chair the steering group for LISW 2015.

## Baltic charities

The Baltic Charitable Fund and the Bonno Krull Fund are supervised on behalf of the Board by the Finance Committee. In addition to supporting the charitable activities of members, the charities support various educational endeavours, especially those of a maritime nature and a number of other shipping-related charities and causes. Last year the Baltic Charitable Fund distributed £53,981 and the Bonno Krull Fund £20,065.

## Directors and staff

I step down from the Board at the AGM and thank you the shareholders for your support as well as my fellow directors and the staff of the Baltic. We also say farewell to Haralambos Fafalios who has served 8 years on the Board. I thank him for his excellent contribution and strong support for the Baltic. During the year Charles Fowle resigned from the Board for personal reasons. We were sorry to see him go and remain grateful for his contribution.

Q B Soanes  
*Chairman*  
10 June 2014



# Chief Executive's Report

## Business performance

At the end of March 2014 the number of corporate members stood at 627, compared with 602 a year earlier. This success is especially pleasing recognising the substantial attrition of established members closing or consolidating and aiming to reduce costs. Making Baltic membership a "must have" is a challenge. Many of the new members are from Asia and from Athens where we have been making vigorous efforts for some years. As a result revenue from member subscriptions and access to freight market information rose from £2,312,763 to £2,411,125, an increase of 4.25%.

As predicted in last year's report, we have seen a continuing slowdown in the use of our data in the wider financial market, with revenue from information vendors dropping from £1,012,748 to £925,287. The downward trend seems to have slowed recently but an upturn probably depends on the shipping story and interest in trading and investing returning to the mainstream financial markets. By contrast the recovery in revenue from clearing houses is a reflection of the pickup in FFA volumes at the tail end of last year which has been sustained through the start of this year. On line subscriptions to freight market information declined slightly from £329,965 to £316,947, but the downward trend is cause for concern. This revenue is driven by publicity around the BDI and the shipping market story, which has not been as high profile in the recent past.

The average number of logons to our website was 35,765 per month (2013: 33,218), while the number of firms accessing our data via an automated feed grew from 50 to 57.

Costs have increased in a number of areas. We have increased staff levels in the key freight market information department. In the technical area costs have increased as we enjoyed a £100,000 write-back of provisions in 2012-2013. Expenditures in Asia have also increased as we set up a Shanghai office to help us build the relationships and membership base we need in China for the long term. We also retained the services of a consultant in Brussels to help us with the market benchmark Regulation proposals.

## Baltex

Our inability to generate significant trading volume on Baltex has been very disappointing and the Board has kept the matter under attentive and continuous review. The opportunity set out in the Chairman's statement has the potential to dramatically change the fortunes of Baltex, albeit by relying on a rather different business model from the one we originally intended.

In the meantime we have continued to keep costs to a minimum, with only three staff currently working full time on Baltex. The revenue earned by Baltex was a mere £17,303, compared with £33,881 in the prior year. Various initiatives generated periods of increased activity, but we have not at any stage been able to sustain this for any significant period. Costs for Baltex are somewhat lower at £654,133 compared with £715,974 in the prior year. Cost cutting opportunities are limited by the need to provide proper resourcing and reliable systems for what is a regulated entity. The sum of money capitalised in respect of the trading platform has reduced to £59,068 with the original cost of this asset being depreciated over four years.

## Index production and marketing

We resolved the many issues surrounding the update of our capesize ship definition for timecharter purposes and started trial reporting of the new vessel and route combinations at the turn of the year. In May 2014 the new TC average officially went live and the BCI was rebalanced to reflect current trade patterns more accurately. We agreed to continue reporting the old TC average for settlement purposes until no further FFA and options contracts need to settle, but with the caveat that the dates are not extended by new business. Our next objective in this field is to resolve the upgrade of the Supramax ship to ensure that panellists are reporting on a vessel they see routinely fixed in the market. As with the cape market, we are also taking the opportunity to review the routes we report on in order to be confident we have a representative index. Following the Supramax we will review where to go with the Panamax vessel and subsequently the Handysize.

The discussion process on these changes is lengthy since they require input from panellists and physical market users as well as the FFA market, including clearing houses. Transitions are also complicated by the many uses to which our data is put and the very clear obligations we have to the FFA market.

It is important to keep our ships and routes in line with the market as this offers assurance as to the accuracy of the panel reporting. However, it is also an important component of the International Organisation of Securities Commissions (IOSCO) Principles, with which we are committed to comply. This means we are in the process of adopting a revised version of the long-standing Manual for Panellists, now known as the Guide to Market Benchmarks. Among a number of improvements, and very much in line with the IOSCO Principles, this document clarifies the management processes for the indices and the responsibilities of the Board of Baltic Exchange Information Services Limited and the FIFC.

# Chief Executive's Report

We have also spent considerable time in the last 12 months working to ensure that legislation on benchmarks being drafted in Brussels does not create new liabilities for panellists or impose unacceptable changes on our core index methodology. At the present time the legislative process is suspended and the Regulation is unlikely to take effect before early 2018. Nonetheless this process will continue to absorb time for the next 9-12 months, followed by in all likelihood some implementation effort thereafter.

Following almost 2 years of work we finally rolled out our new website in April. This provides us with a more modern presentation of the Baltic, a better user interface for content management and most importantly, more reliable and modern infrastructure for the collection, review and processing of our indices. The costs for this project have been capitalised and amount to £275,000. They will be depreciated over 4 years.

During the year we opened a Representative Office in Shanghai, staffed by Marcus Lee who agreed to relocate from Singapore. Having run long beyond the theoretical time limit we upgraded the Singapore operation from a Representative Office to a full subsidiary. Philip Williams retired and was replaced by Chris Jones. This, together with the representation we have in Athens, means we are now in a good position to show that the Baltic properly serves the global shipping market.

## Catering

The dining room has now been closed for casual use but remains available for pre-booked parties. The food and drink offer in the bar has improved considerably and we have seen a pick-up in use.

## Building and investments

The building at 38 St Mary Axe continues to be fully let with a rental yield of 7.6%. However, we are increasingly aware of the age of the building and the need for significant refurbishment in the near future. We have established that we could create substantially better space on the first and second floors and are likely to make a listed buildings consent application while working on a business plan which will establish the financial viability of the investment.

The investment portfolio has again performed well and we have benefited from the recent run up in equities following the restructuring of the portfolio in the previous financial year. Overall the portfolio produced a total return of 7.9% (2013: 12.4%).

## Sports and social

The Cricket Club, Sailing Association, Golf Society, Sub-aqua Club and the YBA have all received financial help this year and no doubt this will continue. The Football Club has also enjoyed a revival and has participated in a number of tournaments, where we have helped with funding. The go-karting club has been re-formed. It is reasonable to state therefore that the sports and social side of the Baltic is thriving.

The David Bradley Trophy has returned to AM Nomikos following a vigorous competition across four disciplines to which go-karting will be added this year.

The Chairman's Cocktail party in May was once again a successful and well attended event.

J Penn  
*Chief Executive*  
10 June 2014

# Directors' Report

The Directors of the Company have pleasure in presenting their one hundred and thirteenth Annual Report and the audited accounts for the year ended 31 March 2014.

This Directors' Report has been prepared in accordance with the special provisions relating to small companies under section 415A of the Companies Act 2006.

## Directors

The Directors of the Company at 31 March 2014 are shown on page 1. All have been Directors for the whole year ended on that date, with the exception of Mr H G Liddell, Mr J Lollesgaard and Mr J Tsatsas who took office on 4 July 2013.

Mr C A Fowle resigned as a Ballot Director on 22 October 2013. Ms C Bacon has been elected to serve as a Ballot Director from 10 July 2014.

In accordance with the Articles of Association Mr Q B Soanes and Mr H J Fafalios will retire as Shareholder Directors at the Annual General Meeting on 10 July 2014. Nominations have been received from Ms B F Goodall of H Clarkson & Company Limited, Mr J M Hadjipateras of John C Hadjipateras & Sons Ltd and P B Kerr-Dineen of Howe Robinson & Company Limited for the two Shareholder Director vacancies and an election is being held with the result announced at the Annual General Meeting. Voting papers are being distributed with the Annual Report.

## Holdings of the Directors in the Shares of the Company

The interests of the Directors of the Company in the ordinary shares of the Company at 1 April 2013 (or if later the date of appointment as a Director) and at 31 March 2014 were:

Shareholdings	At 1 April 2013, or date of appointment as a Director	At 31 March 2014
	Ordinary 50p Shares	Ordinary 50p Shares
S Albertijn	1,340	1,340
G M Campbell	50	50
A C Carroll	50	50
D C Dragazis	480	480
D L Dunn	500	500
H J Fafalios	1,800	1,800
C A Fowle	100	100
H G Liddell	–	–
J Lollesgaard	1,825	1,825
C J Nolan	50	50
Q B Soanes	500	500
J Tsatsas	500	500
L C Varnavides	50	50
A J Westbrook	50	50
A R Wooldridge	50	50

# Directors' Report

## Activities

The principal activities of the Group are to provide a self-regulated market, freight market information and facilities, including a Multilateral Trading Facility regulated by The Financial Conduct Authority for the trading of forward freight agreements, for its members who together constitute the principal world marketplace for bulk freight and who trade derivatives and commodities.

## Results and future prospects

Revenue for the year of £5,562,669 is £115,537 higher than last year. Costs increased by £279,186 to £5,412,584. Income from investments was £546,208 (2013: £394,794). Profits from the sale of investments, offset by increases in provisions, to write-down the book value of certain investments to market value at 31 March 2014 where market value is below cost, totalled £397,450 (2013: £796,445). Overall, profits on ordinary activities before taxation are £1,093,743 compared to £1,568,610 for last year. There is a tax charge of £191,934 (2013: £371,777).

It is your Directors' policy that the services which are provided to members should, over the long-term, continue to be profitable.

Directors are committed to the long-term future of the Exchange and are very conscious of its role as a membership organisation and the social facilities it provides.

## Dividends

An interim dividend of £0.40 per ordinary share was paid to shareholders on 29 January 2014. The Directors now recommend that a final dividend of £1.75 per ordinary share is paid on 24 July 2014 to shareholders on the Company's Register of Members at the close of business on 9 July 2014. In accordance with the requirements of Financial Reporting Standard 21, dividends are now accounted for in the year of payment.

Dividends paid during the year totalled £1,040,299 (2013: £1,040,299).

## Membership

At the end of March 2014 there were 627 organisations in membership of the Exchange compared with 602 last year. The total number of people representing those organisations at the end of March 2014 was 2,514 as compared with 2,451 at the end of March 2013.

## Donations

During the year the Group made charitable donations of £7,798 (2013: £nil).

## Going concern

The Directors of The Baltic Exchange Limited, having made appropriate enquiries, consider that adequate resources exist to continue in operational existence for the foreseeable future and, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2014.

# Directors' Report

## Fixed assets

In the opinion of the Directors, the current open market value of the interest in land and buildings exceeds the book value of £10.0 million.

At 31 March 2013 the freehold property was valued at £16.0 million by CBRE Ltd, Chartered Surveyors. The valuation was carried out on the basis of Market Value as defined in the RICS Valuation – Professional Standards (2012) ("the Red Book"). If the accounts reflected the increase, there would be a revaluation adjustment of £6.0 million.

## Financial risk management

The Group does not use derivatives to manage its financial risks. The most important components of financial risk are currency risk, credit risk, interest rate risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Group's business and the assets and liabilities contained within the Group's balance sheet, the financial risk the Directors consider most relevant to the Group is market risk in relation to the investment portfolio which is mitigated by the Group's investment strategy.

## Auditor

A resolution to re-appoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

## Statement as to disclosure of information to auditor

Each of the persons who is a Director of the Company 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 ought to have taken as a Director in order to make himself 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 s418 of the Companies Act 2006.

By Order of the Board  
D W T Bain  
Company Secretary



The Baltic Exchange  
St. Mary Axe  
London EC3A 8BH  
10 June 2014

# Report on Directors' Remuneration

At the Extraordinary General Meeting of the Company held on 19 April 2007, shareholders approved a resolution establishing the requirement to present a report on Directors' remuneration to the Annual General Meeting each year for adoption by shareholders.

The total remuneration of the Board of Directors of The Baltic Exchange Limited is fixed by the Articles and was last increased to £47,000 per year in 2008.

Directors may also receive remuneration for additional services provided to the Baltic.

This report has been approved by the Board and signed on its behalf by Q B Soanes. A resolution to approve this report will be proposed at the Company's Annual General Meeting to be held on 10 July 2014.

For the year ended 31 March 2014, the remuneration of the Directors was as follows:

S Albertijn	£1,500
S C Baldey	£375
G M Campbell	£7,500
A C Carroll	£1,500
D C Dragazis	£1,500
D L Dunn	£1,500
H J Fafalios	£1,500
C A Fowle	£750
A J Francis	£375
H G Liddell	£1,125
J Lollesgaard	£1,125
C J Nolan	£1,500
W M Robson	£375
Q B Soanes	£20,000
J Tsatsas	£1,125
L C Varnavides	£1,500
A J Westbrook	£1,500
A R Wooldridge	£1,500
Total	£46,250

*Mr A J Francis waived his remuneration entitlement as a Director of Baltic Exchange Derivatives Trading Limited.  
Mr S C Baldey, Mr A J Francis and Mr W M Robson resigned as Directors on 4 July 2013.  
Mr C A Fowle resigned as a Director on 22 October 2013.*

# Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Group 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.

Q B Soanes  
*Director*

10 June 2014

# Independent Auditor's Report

to the Members of The Baltic Exchange Limited

We have audited the financial statements of The Baltic Exchange Limited for the year ended 31 March 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 22. 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 Auditor

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. 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 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 Group's and the Parent 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.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of the

audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2014 and of the Group's 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.

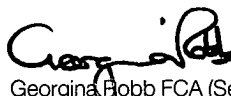
## Opinion on other matter prescribed by the Companies Act 2006

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; or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report.



Georgina Hobbs FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
10 June 2014



# Consolidated Profit and Loss Account

for the year ended 31 March 2014

	Note	2014 £	2013 £
<b>Turnover</b>	2	<b>5,562,669</b>	5,447,132
Total cost of sales and administrative expenses		(5,412,584)	(5,133,398)
<b>Operating profit</b>	3	<b>150,085</b>	313,734
Income from investments	4	546,208	394,794
Closure of dividend bank account		–	63,637
Profit after other income		696,293	772,165
Amounts (provided)/released against investments		(200,023)	(37,596)
Profit from sale of investments		597,473	834,041
Net profit from investments		397,450	796,445
<b>Profit on ordinary activities before taxation</b>	2	<b>1,093,743</b>	1,568,610
Tax on profit on ordinary activities	6	(191,934)	(371,777)
<b>Profit on ordinary activities after taxation</b>	14	<b>901,809</b>	1,196,833

Profit on ordinary activities after taxation includes all recognised gains or losses, therefore no statement of total recognised gains and losses has been prepared.

There are no discontinued or acquired operations as defined by Financial Reporting Standard 3.

There is no difference between the profit on ordinary activities before taxation stated above and the historical cost equivalent.

# Consolidated Balance Sheet

as at 31 March 2014

	Note	2014 £	2014 £	2013 £	2013 £
<b>Fixed assets</b>					
Tangible fixed assets	8		10,125,328		10,387,964
Investments	9		15,191,837		15,144,304
			25,317,165		25,532,268
<b>Current assets</b>					
Debtors	10	1,276,460		1,391,412	
Cash at bank and in hand		909,725		604,956	
		2,186,185		1,996,368	
<b>Creditors</b>					
Amounts falling due within one year	11	(1,851,398)		(1,738,194)	
Net current assets			334,787		258,174
Net assets			25,651,952		25,790,442
<b>Capital and reserves</b>					
Called up share capital	13		241,930		241,930
Share premium account	14		5,030		5,030
Capital redemption reserve	14		28,070		28,070
Profit and loss account	14		25,376,922		25,515,412
Shareholders' funds			25,651,952		25,790,442

The financial statements of The Baltic Exchange Limited (Company registration number 64795) were approved by the Board of Directors and authorised for issue on 10 June 2014.

Signed on behalf of the Board of Directors.

Q B Soanes  
Director



# Consolidated Cash Flow Statement

for the year ended 31 March 2014

	Note	2014 £	2014 £	2013 £	2013 £
<b>Net cash inflow from operating activities</b>	15		<b>869,627</b>		<b>174,838</b>
<b>Returns on investment and servicing of finance</b>					
Interest received		132,424		90,550	
Dividends received		425,079		287,157	
<b>Net cash inflow from returns on investment and servicing of finance</b>			<b>557,503</b>		<b>377,707</b>
<b>Dividend bank account</b>			<b>-</b>		<b>193,029</b>
<b>Taxation</b>			<b>(325,691)</b>		<b>(53,510)</b>
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(106,288)		(259,437)	
Payments to acquire fixed asset investments		(3,417,171)		(6,490,285)	
Receipts from sales of fixed asset investments		3,767,088		6,507,845	
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>			<b>243,629</b>		<b>(241,877)</b>
<b>Equity dividends paid</b>	7		<b>(1,040,299)</b>		<b>(1,040,299)</b>
<b>Net cash inflow/(outflow) before use of liquid resources</b>			<b>304,769</b>		<b>(590,112)</b>
<b>Increase/(decrease) in cash</b>	16		<b>304,769</b>		<b>(590,112)</b>

# Notes on the Accounts

for the year ended 31 March 2014

## 1. Accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Companies Act on a going concern basis. These have been applied consistently in the current and preceding year. The particular accounting policies adopted are described below.

- a) **The accounts** are prepared under the historical cost convention.
- b) **Basis of consolidation.** The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2014. Intra-group transactions are eliminated fully on consolidation.
- c) **Turnover** represents amounts receivable for the sale of shipping data, membership fees and rental income at invoiced amounts excluding value added tax. Turnover from shipping data and memberships is recognised on a straight-line basis over the period to which it pertains. Rental income is recognised in the Profit and Loss Account on a straight-line basis over the term of the lease. Amounts received in advance are included in deferred income.
- d) **Fixed asset investments** are stated at cost less provision for any permanent diminution in value. Premiums paid on the acquisition of securities that are held to maturity are amortised over the remaining life of the investments. Included in fixed asset investments are short-term deposits held for future investment.
- e) **Tangible fixed assets** are stated at cost net of depreciation and any provision for impairment. Depreciation is calculated to write off the assets to their residual value on a straight-line basis during their expected normal lives at varying rates depending on the type of asset.

The principal annual rates of depreciation used for this purpose are freehold buildings 1%, building plant 4%, other plant and equipment 25%, fittings 10% and furniture 25%. An annual rate of depreciation of 25% is applied on the Baltex platform assets. No depreciation is provided on freehold land.
- f) **Taxation** is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.
- g) **Pensions.** The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company. The pension cost charge represents contributions payable by the Company under the rules of the scheme and contributions made in the alternative to the private pension plans of certain members of staff. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

## 2. Analysis of turnover and profit on ordinary activities before taxation

Turnover comprises amounts receivable excluding Value Added Tax by the Group for services provided.

All the turnover shown below was earned in the United Kingdom except for £487,713 earned in Singapore (2013: £nil). Property income represents income receivable from rents and service charges.

The contributions to turnover and profit before taxation are set out below:

	Turnover		Profit before taxation	
	2014 £	2013 £	2014 £	2013 £
Membership activities	4,342,127	4,272,954	(102,342)	47,546
Property	1,220,542	1,174,178	436,620	437,030
Investment income	–	–	362,015	223,952
	<b>5,562,669</b>	<b>5,447,132</b>	<b>696,293</b>	<b>708,528</b>
Net profit from investments	–	–	397,450	796,445
Closure of dividend bank account	–	–	–	63,637
	<b>5,562,669</b>	<b>5,447,132</b>	<b>1,093,743</b>	<b>1,568,610</b>

## 3. Operating profit

	2014 £	2013 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	368,924	377,576
Fees payable to the Company's auditors for the audit of the Company's annual accounts	31,000	20,500
Fees payable to the Company's auditors and their associates for other services to the Group		
– Tax	21,050	25,250
– Other services	1,400	1,350
Directors' fees	46,250	59,916

# Notes on the Accounts

## 4. Income from investments

	2014 £	2013 £
Income from fixed asset investments	545,611	393,827
Other interest receivable and similar income	597	967
	<b>546,208</b>	<b>394,794</b>

## 5. Employee information

a) The average number of people employed by the Company during the year was 29 (2013: 29). At the year end there were 28 staff (2013: 28).

b) Employment costs of all employees included above, but excluding Directors, comprised:

	2014 £	2013 £
Gross wages and salaries	2,133,254	2,063,754
Employer's national insurance and state pension contributions	227,811	228,784
Employer's pension contributions	149,418	130,335
	<b>2,510,483</b>	<b>2,422,873</b>

## 6. Tax on profit on ordinary activities

	2014 £	2013 £
The tax charge on ordinary activities is calculated as follows:		
<b>Current tax</b>		
Corporation tax	(255,043)	(325,691)
Adjustment in respect of prior years	20,609	51,874
	<b>(234,434)</b>	<b>(273,817)</b>
<b>Deferred tax</b>		
Current year	37,727	(108,466)
Prior year adjustments	4,773	10,506
	<b>(191,934)</b>	<b>(371,777)</b>

Factors affecting the tax charge for the current period: The tax assessed for the period is lower than the standard rate of corporation tax in the UK – 23% (2013: 24%) and this is due to the factors set out below:

	2014 £	2013 £
Notional charge at standard rate of tax	251,561	361,194
Expenses not deductible for tax purposes	31,022	26,149
Depreciation in excess of capital allowances	29,396	46,873
Movement in short term timing differences	(85)	(89)
Different tax rates applicable in other jurisdictions	2,010	–
Non-taxable income	(41,468)	(58,660)
Capital losses utilised	(17,393)	(49,776)
Prior year adjustments	(20,609)	(51,874)
Current tax charge for period	234,434	273,817

The Budget announced by the Chancellor on 20 March 2013 included changes to the main rate of corporation tax for UK companies. The standard rate of corporation tax will be reduced from 23% to 21% from 1 April 2014 and there will be a further reduction to 20% with effect from 1 April 2015. The Finance Act 2013 received Royal Assent on 17 July 2013, with these rate reductions being substantively enacted from 2 July 2013. The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 20%.

## 7. Dividends

	2014 £	2013 £
Amounts recognised as distributions during the year:		
Final dividend for year ended 31 March 2013 of £1.75 per ordinary share paid on 18 July 2013 (2012: £1.75 per ordinary share)	846,755	846,755
Interim dividend for the year ended 31 March 2014 of £0.40 per ordinary share paid on 29 January 2014 (2013: £0.40 per ordinary share)	193,544	193,544
	1,040,299	1,040,299
Proposed final dividend for year ended 31 March 2014 of £1.75 per ordinary share (2013: £1.75 per ordinary share)	846,755	846,755

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements, in line with FRS 21 "Events after the Balance Sheet date".

# Notes on the Accounts

## 8. Tangible fixed assets

	Freehold land and buildings £	Building plant £	Other plant and equipment £	Furniture and fittings £	Baltex platform £	Total £
Cost						
At 31 March 2013	9,953,269	4,382,536	943,220	550,073	190,616	16,019,714
Additions	–	–	97,961	8,327	–	106,288
At 31 March 2014	9,953,269	4,382,536	1,041,181	558,400	190,616	16,126,002
Depreciation						
At 31 March 2013	1,539,380	2,914,578	686,355	407,543	83,894	5,631,750
Charged to profit and loss account	84,900	187,478	14,017	34,875	47,654	368,924
At 31 March 2014	1,624,280	3,102,056	700,372	442,418	131,548	6,000,674
Net Book Value						
At 31 March 2014	8,328,989	1,280,480	340,809	115,982	59,068	10,125,328
At 31 March 2013	8,413,889	1,467,958	256,865	142,530	106,722	10,387,964

At 31 March 2013 the freehold property was valued at £16.0 million by external valuers, CBRE Ltd, St. Martins Court, 10 Paternoster Row, London EC4M 7HP, Chartered Surveyors. The valuation was carried out on the basis of Market Value as defined in the RICS Valuation – Professional Standards (2012) (“the Red Book”). If the accounts reflected the increase, there would be a revaluation adjustment of £6.0 million.

All fixed assets are owned by the parent company with the exception of the Baltex platform, elements of which are owned by Baltic Exchange Derivatives Trading Limited.



## 9. Investments held as fixed assets

	£
Cost	
At 31 March 2013	15,365,241
Additions	3,417,171
Disposals	(3,169,615)
At 31 March 2014	15,612,797
Provisions	
At 31 March 2013	220,937
Provided in year	200,023
At 31 March 2014	420,960
Net book value	
<b>At 31 March 2014</b>	<b>15,191,837</b>
At 31 March 2013	15,144,304

	2014 £	2013 £
Cost		
Investments quoted on a recognised investment exchange	12,761,957	12,440,053
Investments quoted on other exchanges	2,030,886	1,802,926
Short-term deposits	398,994	901,325
	<b>15,191,837</b>	15,144,304
Market value		
Investments quoted on a recognised investment exchange	15,481,767	14,623,063
Investments quoted on other exchanges	2,625,430	2,366,509
Short-term deposits	398,994	901,325
	<b>18,506,191</b>	17,890,897

## 10. Debtors

	2014 £	2013 £
Trade debtors	381,903	506,222
Other debtors	774,425	755,855
Prepayments and accrued income	120,132	129,335
	<b>1,276,460</b>	1,391,412

# Notes on the Accounts

## 11. Creditors: Amounts falling due within one year

	2014 £	2013 £
Trade creditors	180,660	40,843
Other creditors:		
Unclaimed dividends	163,848	129,392
Taxation and social security	426,524	688,577
Accruals and deferred income	1,080,366	879,382
	<b>1,851,398</b>	<b>1,738,194</b>

The creditor for taxation and social security includes UK corporation tax payable amounting to £173,829 (2013: £265,086).

## 12. Deferred taxation

	2014 £	2013 £
Movement on deferred taxation balance in the period:		
Opening balance	159,084	61,124
(Credit)/charge to profit and loss account	(42,500)	97,960
Closing balance	<b>116,584</b>	<b>159,084</b>
Analysis of deferred tax balance:		
Fixed assets	170,287	220,842
Trading losses	(48,337)	(55,588)
Short-term timing differences	(5,366)	(6,170)
Provision for deferred tax	<b>116,584</b>	<b>159,084</b>

During the year the remaining capital losses of £75,623 were utilised to offset capital gains. No deferred tax was previously recognised on these capital losses due to uncertainty over the ability to utilise them in the foreseeable future.

## 13. Called up share capital

	Number	£
Authorised ordinary shares of 50p each		
At 1 April 2013 and at 31 March 2014	<b>540,000</b>	<b>270,000</b>
Allotted and fully paid ordinary shares of 50p each		
At 1 April 2013 and at 31 March 2014	<b>483,860</b>	<b>241,930</b>

#### 14. Capital and reserves

	Share capital £	Share premium £	Capital redemption reserve fund £	Profit and loss £	Total £
At 31 March 2013	241,930	5,030	28,070	25,515,412	25,790,442
Profit on ordinary activities after taxation	–	–	–	901,809	901,809
Dividends paid (Note 7)	–	–	–	(1,040,299)	(1,040,299)
At 31 March 2014	241,930	5,030	28,070	25,376,922	25,651,952

#### 15. Reconciliation of operating profit to net cash inflow from operating activities

	2014 £	2013 £
Operating profit	150,085	313,734
Depreciation charge	368,924	377,576
Decrease/(increase) in debtors	103,658	(507,422)
Increase/(decrease) in creditors and deferred income	246,960	(9,050)
Net cash inflow from operating activities	869,627	174,838

#### 16. Reconciliation of net cash flow to movements in net funds

	Note	2014 £	2013 £
Increase/(decrease) in cash in the year		304,769	(590,112)
Net funds at 31 March 2013		604,956	1,195,068
Net funds at 31 March 2014	17	909,725	604,956

#### 17. Analysis of net funds

	Note	2014 £	2013 £
Cash at bank and in hand and net funds	16	909,725	604,956

#### 18. Insurance claim

The Company has received an unquantified claim for Asbestos Mesothelioma from a former employee which is being handled by the Company's brokers and employers' liability insurers. Directors are unable, at present, to determine whether any liability arising from this claim will fall upon the Company.

# Company Balance Sheet

as at 31 March 2014

	Note	2014 £	2014 £	2013 £	2013 £
<b>Fixed assets</b>					
Tangible fixed assets	8		10,066,263		10,281,242
Investments	9		15,191,837		15,144,304
Investment in subsidiaries	19		2,632,925		1,996,425
			27,891,025		27,421,971
<b>Current assets</b>					
Debtors	20	1,417,067		1,401,661	
Cash at bank and in hand		380,107		146,130	
		1,797,174		1,547,791	
<b>Creditors</b>					
Amounts falling due within one year	21	(2,180,137)		(1,722,936)	
Net current (liabilities)/assets			(382,963)		(175,145)
Net assets			27,258,062		27,246,826
<b>Capital and reserves</b>					
Called up share capital	13		241,930		241,930
Share premium account	14		5,030		5,030
Capital redemption reserve	14		28,070		28,070
Profit and loss account	22		26,983,032		26,971,796
Shareholders' funds			27,258,062		27,246,826

The Company has taken the exemption from preparing a company only profit and loss account under the provisions of s408 of the Companies Act 2006.

The financial statements of The Baltic Exchange Limited (Company registration number 64795) were approved by the Board of Directors and authorised for issue on 10 June 2014.

Signed on behalf of the Board of Directors.

Q B Soanes  
Director



# Notes on the Company Balance Sheet

for the year ended 31 March 2014

## 19. Investment in subsidiaries

Particulars of subsidiary undertakings are as follows:

	2014 £	2013 £
<b>Name of company</b>		
Baltic Exchange Derivatives Trading Limited	2,632,424	1,996,424
Baltic Exchange Information Services Limited	1	1
The Baltic Exchange (Asia) Pte. Ltd	500	–

All companies are wholly owned by The Baltic Exchange Limited.

Baltic Exchange Derivatives Trading Limited operates a multi-lateral trading facility, regulated by The Financial Conduct Authority, to allow users to trade freight derivatives.

Baltic Exchange Information Services Limited produces and distributes bulk freight market information.

The Baltic Exchange (Asia) Pte. Limited was incorporated in Singapore on 25 February 2013 and commenced trading on 1 April 2013.

## 20. Debtors

	2014 £	2013 £
Trade debtors	186,176	229,305
Other debtors	615,888	644,920
Prepayments and accrued income	120,132	127,436
Amount due from subsidiaries	494,871	400,000
	<b>1,417,067</b>	<b>1,401,661</b>

The Company has provided a loan of £400,000 to Baltic Exchange Derivatives Trading Limited as an eligible capital substitute in accordance with the Financial Conduct Authority's rule IPRU(INV) 3-63. The loan is repayable when Baltic Exchange Derivatives Trading Limited is no longer undertaking a regulated activity. The loan is interest free.

# Notes on the Company Balance Sheet

## 21. Creditors: Amounts falling due within one year

	2014 £	2013 £
Trade creditors	121,362	40,843
Amounts due to subsidiaries	668,019	395,824
Other creditors:		
Taxation and social security	435,109	562,226
Accruals and deferred income	791,799	594,651
Unclaimed dividends	163,848	129,392
	<b>2,180,137</b>	<b>1,722,936</b>

Amounts due to subsidiaries arise from normal trading activities between the Company and its subsidiaries. All such balances are of a short term nature. No interest is charged on such balances.

## 22. Profit and loss account

	2014 £
At 31 March 2013	26,971,796
Profit on ordinary activities after taxation	1,051,535
Dividends paid (Note 7)	(1,040,299)
At 31 March 2014	<b>26,983,032</b>

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the one hundred and thirteenth Annual General Meeting of The Baltic Exchange Limited will be held at The Baltic Exchange, St. Mary Axe, London EC3A 8BH on 10 July 2014 at 1200 for the following purposes:

## ORDINARY BUSINESS

1. To report the retirement and election of Directors.
2. Ordinary Resolution 1  
To receive the Directors' Report and Independent Auditors' Report and Accounts for the year ended 31 March 2014 and to declare a dividend.
3. Ordinary Resolution 2  
To approve the Report on Directors' Remuneration (as set out on page 12 of the Directors' Report and Accounts) for the year ended 31 March 2014.
4. Ordinary Resolution 3  
To re-appoint Deloitte LLP as auditor and to authorise the Directors to fix their remuneration.
5. Ordinary Resolution 4  
To replace Rule 5.3 (a) of the Baltic Rules with:
  - (a) written references from two Principals or Representatives, being independent of the applicant and holding appropriate authority within their Member company, as to the suitability of:
    - (i) the applicant; and
    - (ii) (save where the applicant is a person who is also the only Relevant Employee) the person nominated by the applicant to be its Principal for the purposes of Rule 5.3(d).

By Order of the Board  
D W T Bain  
*Company Secretary*

The Baltic Exchange  
St. Mary Axe  
London EC3A 8BH  
10 June 2014

A shareholder entitled to attend and vote at the Meeting may appoint one or more proxies (in the alternative) to attend in his or her stead and to vote on his or her behalf only in the event of a poll. A proxy need not be a shareholder of the Company. The proxy form must be deposited at the registered office of the Company at St. Mary Axe, London EC3A 8BH by midnight on 8 July 2014.

Any Corporation which is a shareholder should, by resolution of its Directors or other governing body, authorise such person as it thinks fit to act as its representative at the Meeting.