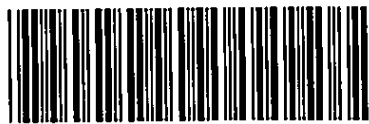


Company Number: 03821514

**BRITISH MARINE plc**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 JANUARY 2009**

MONDAY



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## **British Marine plc**

### **Contents**

	<b>Page</b>
Report of the Directors	2
Report of the Independent Auditors	6
Consolidated Profit and Loss Account	8
Consolidated Balance Sheet	9
Company Balance Sheet	10
Consolidated Cash Flow Statement	11
Notes to the Financial Statements	12

**British Marine plc**

**Directors**

Alan Bekhor  
Sunil Malhotra

**Secretary**

Harish Chikhliia

**Registered Office**

11 Manchester Square, London W1U 3PW

**Auditors**

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

**Report of the Directors**

The directors present their report and the audited financial statements of the Company and Group for the year ended 31 January 2009.

**Review of Activities and Business Review**

The principal activity of the Group during the year was that of vessel owning and operating. The Group also enters into forward freight agreements and derivative financial instruments to reduce exposure to bunker, interest rate and foreign exchange movements as part of its risk management procedures.

**Directors' report**

The group made a profit after tax for the year of U.S. \$41,854,000 (2008 U.S. \$60,593,000)

The year started well with a strong drybulk freight market. The Baltic Index average rate per day in the first quarter of the year was U.S. \$ 66,000 and U.S. \$ 53,500 for Panamax and Supramax vessels respectively.

However there was a collapse in the drybulk market in the last quarter of 2008. Baltic Index average daily rates fell to U.S. \$ 12,000 and U.S. \$ 13,000 per day for Panamax and Supramax vessels respectively. The worldwide recession continues to adversely affect both drybulk volumes and rates and it is likely that this will continue for some time.

Ship values have fallen in line with the collapse in demand. This has led to the Company having to renegotiate some of its loan covenants. This has been done successfully although it has led to an increase in the margin charged by the banks over US libor. The margin was previously 70 basis points and has been increased to 200 basis points from 1 January 2009.

The Company is confident that it can weather the current very difficult trading conditions. The Company should remain profitable but at a lower level than previously.

The Company carries out an impairment review of its fleet annually.

## **British Marine plc**

### **Review of Activities and Business Review (continued)**

The Company has prepared a discounted future cash flow forecast for its fleet of vessels and compared this to the net book value of the fleet at 31 January 2009. The discounted cash flows take into account the expected revenues, net of commissions, from the fleet, less operating costs and drydock expenditure, inflated at 3% per annum, over the remaining estimated life of the fleet. Expected revenues have been based on the average rates achieved by vessels similar to those in the fleet during the last seven year shipping cycle. Fleet utilisation has been assumed to be 350 days per annum taking into account drydocking and offhire time. The only provision required was for \$29m in respect of Trafalgar as evidenced by the loss on sale (see below).

The decision was taken to dispose of mainly older vessels and to date agreement has been reached to sell Salome, Miranda Rose, Trafalgar and London Bridge. Salome was sold in May 2009 for \$4.1m realising a loss of \$2.3m, Miranda Rose was sold in July 2009 for \$4.9m realising a profit of \$2.6m and London Bridge was sold in September 2009 for \$15.3m realising a profit of \$4.1m. These are not recognised in these financial statements. The sale of Trafalgar was completed in August 2009 for \$26.9m and realised a loss of \$29.4m which has been recognised in these financial statements as an exceptional impairment. During the year the Group prepared for a listing on the New York stock exchange but owing to problems in the capital markets the listing was postponed. The external costs of \$1.4m incurred during the year have been shown separately as an exceptional item.

### **Risks and Uncertainties**

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in the capital and credit markets both globally and in the UK, notwithstanding any potential economic stabilisation measures that may be put into place, there exist, as at the date these financial statements are authorised for issue, economic uncertainties surround the continual availability and cost of finance for current and future development.

The shipping market is not immune from the above mentioned problems in the capital and credit markets as the demand for shipping is dependent on the global economy. In recent months there has been a significant reduction in demand for shipping, which has resulted in lower charter rates, sales contract renegotiations, a decrease in vessel values and increased customer and derivative counterparty risk.

There is the potential for economic uncertainties to continue in the foreseeable future. This is likely to lead to lower charter rates, a fall in vessel values, and possibly the failure of counterparties of the business. From the Group's point of view this could adversely impact profitability and liquidity.

### **Results and Dividend**

The Group made a profit on ordinary activities before taxation of US\$ 41,640,000 for the year (2008: US\$61,793,000). The directors do not recommend the payment of a dividend (2008: \$30m).

### **Directors**

Mr. Alan Bekhor, Mr. Sunil Malhotra and Mr. Paul Gregory served as directors throughout the year. On 3 June 2009 Mr Paul Gregory resigned as a director and was not a director at the time of this report.

## **British Marine plc**

### **Report of the Directors (Continued)**

#### **Financial Risk Management**

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

The Group seeks to limit counterparty risk by conducting most of its banking activities with a limited number of major international banks and reputable derivative traders whose status is kept under review. The Group enters into a range of financial derivatives to hedge risk (see note 26).

#### *Foreign Exchange Risk*

The Group's activities are principally conducted in U.S. dollars. Approximately 90% of revenues and 90% of costs are in U.S. dollars, with the remainder of costs denominated in sterling, Indian rupees and Euros. The Group has committed to a new build ship with a Yen payable and has entered into forward exchange contract to hedge the risk. Overall exposure is kept under constant review and the Company will participate in currency hedging where considered appropriate. (see note 26)

#### *Liquidity Risk*

The Group finances its business from its cash flow from operations and, as necessary, loans from its bankers. Liquidity risk is the risk that the Group will encounter difficulties in meeting its loan obligations from its bankers. The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to be able to finance its operations and investments for the foreseeable future.

#### *Credit Risk*

No material exposure is considered to exist in respect of trade and other receivables. The Group reviews all new customers before accepting business and may require performance guarantees or other forms of security.

#### *Interest rate risk*

The Group enters into interest rate swap arrangements to hedge against fluctuations in interest rates on its borrowings. (See note 26)

#### *Cost base variation risk*

The Group hedges against variations in the cost of chartered in shipping which represents a significant portion of its cost base by the use of Forward Freight Affreightment contracts. (See note 26).

#### **Creditor Payment Policy**

The Company pays its suppliers in accordance with the maximum credit periods acceptable to the suppliers. The average number of days which trade and other creditors represent in relation to amounts payable to third party suppliers is 22 days (2008 is 16 days), and for the group is 26 days (2008 is 30 days).

## **British Marine plc**

### **Report of the Directors (Continued)**

#### **Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries and of the profit or loss of the group for that 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.

#### **Directors' Confirmation**

Each person who is director 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**

Moore Stephens LLP resigned on 13 May 2009 and Ernst & Young LLP were appointed in their place. 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: 10 September 2009

## **Independent Auditors' Report to the Members of British Marine plc**

We have audited the group and parent company financial statements (the "financial statements") of British Marine Plc for the year ended 31 January 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 32. 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 Report of the Directors and consider the implications for our report if we became aware of any apparent misstatements within it.

### **Basis of audit opinion**

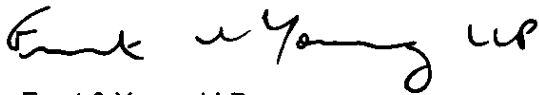
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 group's and the parent Company's affairs as at 31 January 2009 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.



Ernst & Young LLP  
Registered Auditors  
London

Date: 14 September 2009



**British Marine plc**

**Consolidated Profit and Loss Account  
For the year ended 31 January 2009**

	<u>Note</u>	<u>2009</u> U.S.\$000	<u>2008</u> U.S.\$000
<b>Turnover</b>	1q	418,409	466,163
Cost of sales - recurring		(327,373)	(391,020)
Cost of sales – impairment of fixed asset		(29,395)	-
Total cost of sales		(356,768)	(391,020)
<b>Gross profit</b>		61,641	75,143
Administrative expenses - recurring		(10,687)	(6,729)
Administrative expenses – IPO costs		(1,433)	-
Total administrative expenses		(12,120)	(6,729)
<b>Operating profit / (loss)</b>	2	49,521	68,414
Interest receivable and other income	4	598	2,936
Interest payable and similar charges	5	(8,479)	(9,557)
<b>Profit and ordinary activities before taxation</b>		41,640	61,793
Taxation on profit on ordinary activities	6	214	(1,200)
<b>Profit on ordinary activities after taxation</b>	17	41,854	60,593

All activities are continuing activities.


**Statement of consolidated total recognised gains and losses for the year ended 31 January 2009.**

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

**British Marine plc**  
**Consolidated Balance Sheet**  
**at 31 January 2009**

	<u>Note</u>	<u>2009</u> U.S \$000	<u>2008</u> U.S.\$000
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible assets	8	339,007	385,059
<b>Current assets</b>			
Stock	10	2,598	5,210
Debtors	11	28,536	34,468
Cash at bank and in hand	12	53,969	18,836
		<u>85,103</u>	<u>58,514</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(87,109)</u>	<u>(95,061)</u>
<b>Net current liabilities</b>		<u>(2,006)</u>	<u>(36,547)</u>
<b>Total assets less current liabilities</b>		337,001	348,512
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(193,639)</u>	<u>(247,004)</u>
<b>Net assets</b>		<u>143,362</u>	<u>101,508</u>
<b>Capital and reserves</b>			
Called up share capital	16	18,251	18,251
Share premium account	18	595	595
Profit and loss account	17	<u>124,516</u>	<u>82,662</u>
<b>Total equity</b>	19	<u>143,362</u>	<u>101,508</u>


The financial statements were approved by the Board on 10<sup>th</sup> September 2009 and signed on its behalf by:

  
A. BEKHOR  
Director

**British Marine plc**  
**Company Balance Sheet**  
**at 31 January 2009**

	<u>Note</u>	<u>2009</u> U.S.\$000	<u>2008</u> U.S.\$000
<b>Fixed assets</b>			
Tangible assets	8	3,264	3,250
Investment in subsidiaries	9	7,018	6,011
		<u>10,282</u>	<u>9,261</u>
<b>Current assets</b>			
Stock	10	-	2,293
Debtors	11	219,670	333,806
Cash at bank and in hand	12	48,647	9,926
		<u>268,317</u>	<u>346,025</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(100,162)</u>	<u>(116,993)</u>
<b>Net current assets</b>		<u>168,155</u>	<u>229,032</u>
<b>Total assets less current liabilities</b>		<u>178,437</u>	<u>238,293</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(179,060)</u>	<u>(207,421)</u>
<b>Net (liabilities)/ assets</b>		<u>(623)</u>	<u>30,872</u>
<b>Capital and reserves</b>			
Called up share capital	16	18,251	18,251
Share premium account	18	595	595
Profit and loss account	17	<u>(19,469)</u>	<u>12,026</u>
<b>Shareholders' (deficit) / funds</b>	19	<u>(623)</u>	<u>30,872</u>

The financial statements were approved by the Board on 10<sup>th</sup> September 2009 and signed on its behalf by:



A. BEKHOR  
Director

**British Marine plc**  
**Consolidated Cash Flow Statement**  
**for the year ended 31 January 2009**

	<u>Note</u>	<u>2009</u> U.S.\$000	<u>2008</u> U.S.\$000
<b>Net cash Inflow from operating activities</b>	20	86,857	131,823
Taxation paid		(952)	(1,200)
Returns on investments and servicing of finance	21	(7,881)	(6,621)
Equity dividends paid	7	-	(30,000)
Acquisitions and disposals	22	-	(74,466)
Capital expenditure and financial Investment	23	<u>(8,010)</u>	<u>(305,098)</u>
<b>Cash flow before financing</b>		70,014	(285,562)
<b>Financing</b>	24	<u>(32,927)</u>	<u>232,357</u>
<b>Increase/(Decrease) in Cash in the Year</b>		<u>37,087</u>	<u>(53,205)</u>

**Reconciliation of net cash flow to movement in net debt**  
**for the year ended 31 January 2009**

	<u>Note</u>	<u>2009</u> U.S.\$000	<u>2008</u> U.S.\$000
<b>Increase/(Decrease) in Cash in the Year</b>		37,087	(53,205)
Cash inflow from increase in debt and lease financing		32,927	(232,357)
New finance leases		-	(14,725)
Change in net debt resulting from cash flows		<u>70,014</u>	<u>(300,287)</u>
Loans from a related undertaking acquired		-	(4,466)
Other		<u>(306)</u>	<u>-</u>
<b>Movement in net debt</b>		69,708	(304,753)
Net debt at 1 February	25	<u>(234,666)</u>	<u>70,087</u>
<b>Net debt at 31 January</b>	25	<u>(164,958)</u>	<u>(234,666)</u>

## **British Marine plc**

### **Financial Statements for the year ended 31 January 2009**

#### **Notes**

#### **1. Principal accounting policies**

##### **(a) Basis of accounting**

The accompanying consolidated financial statements of the Company and Group are prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the historic cost convention.

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 currency of the Company.

The Group made a profit after tax of \$41,854k and is in a net asset position and holds unrestricted cash balances at the year end of \$24m. The group has a net current liability position of \$2m. However, the net current liabilities arise mainly from deferred income (see note 14) of \$23.8m which does not represent a liability that will result in cash outflows from the business.

As explained in the Directors' Report there was a collapse in the drybulk market in the last quarter of 2008. Baltic Index average daily rates fell to U.S. \$ 12,000 and U.S. \$ 13,000 per day for Panamax and Supramax vessels respectively from the highs experienced in the first quarter of the year of U.S. \$ 66,000 and U.S.\$ 53,500 for Panamax and Supramax vessels respectively. The global market conditions caused the market value of the Group's vessels to become uncertain without willing buyers and sellers which put the maintenance of loan to market value bank loan covenants at risk. The worldwide recession continues to adversely affect both drybulk volumes and rates and it is likely that this will continue for some time.

In recognition of this situation the group began negotiations with its lenders in December 2008 aimed at renegotiating its loan facilities and covenants to reflect the new economic reality, and in particular to agree new market value related covenants. A cash flow forecast has been prepared and approved by the Board that indicates that the Group will be able to meet its liabilities as they fall due for the foreseeable future. Based on this forecast, the Group successfully renegotiated its loan covenants. This process was finally concluded in early September 2009. At no point during this time did the group's lenders issue default notices under the loan arrangements in place.

The Directors consider the Group is well positioned to face the continuing significant downturn in the market by having in place revenue contracts with substantial counter parties who have continued to perform well. In addition market rates have firmed somewhat since the lows noted above.

On the basis of the situation explained above, the Directors conclude that it is appropriate to prepare the financial statements on a going-concern basis.

**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**1. Principal accounting policies (cont)**

**(b) Basis of consolidation**

The group financial statements consolidate the financial statements of British Marine plc and its subsidiary undertakings drawn up to 31 January 2009 except for Oceanic Transport Pte Limited, an Indian company that has made up its accounts to 31 March 2009. There is no significant difference between the results and position of this company at 31 January 2009 versus 31 March 2009. No profit and loss account is presented for British Marine plc as permitted by section 230 of the Companies Act 1985. The loss for the year for the company was \$31.4m (2008: profit \$10.0m).

**(c) Turnover**

Revenues are recorded when services are rendered, the Group has a signed charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. The Group primarily generates revenues from the transportation of cargo and the time charter of vessels. Estimated losses on voyage 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 (see note 14).

The Group employs its vessel on time charters, for which it receives a fixed hire 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 off hire when the vessel is unavailable to the charter.

**(d) Tangible fixed assets and depreciation**

Tangible fixed assets (mainly ships) 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 vessel, 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.

**(e) Drydocking costs**

Ships 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.

**(f) Investments**

Investments are included at cost less provision for impairment. Impairment is measured by comparing the carrying value of the fixed asset with its recoverable amount. Impairment losses are recognised in the profit and loss account. Dividends are paid by group companies when there are surplus profits available.

**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**1. Principal accounting policies (cont)**

**(g) 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 ships, stock under bond and food provisions.

**(h) 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.

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

**(i) Derivatives**

The group enters in to different types of derivatives to hedge specific aspects of the business. Forward freight agreements (FFA) are used to hedge shipping costs, bunker contracts are used to hedge vessel fuel costs, interest rate swaps to hedge interest fluctuations on borrowings, and foreign exchange contracts are used to hedge against fluctuations in foreign exchange rates.

Realised gains or losses on derivatives are recorded when the contract settles and an actual difference arises between the contracted price and the settlement rate on the date that the contract settles. Gains and losses on derivatives are recognised in the profit and loss account when they are realised. Where an estimated loss is not anticipated to be offset by future profits on the underlying transaction, the unrealised loss is treated as an onerous contract and provision for the loss is made at the time such loss becomes evident.

**(j) Cash and cash equivalents**

Cash and short term deposits in the balance sheet comprise cash at banks and at hand and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement cash and cash equivalents consist of cash and cash equivalents as defined above net of outstanding bank overdrafts.

**(k) Debt issuance costs**

The cost incurred in raising debt finance is capitalised and deducted from the corresponding debt and written off over the life of the debt.

**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**1. Principal accounting policies (cont)**

**(l) Leasing**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

**(m) Taxation**

The Company and all but two of its subsidiaries are resident in the United Kingdom. The two subsidiaries not resident in the United Kingdom are resident in India and Singapore. The Group 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, India and Singapore outside the tonnage tax regime are taxed under normal corporation tax rules.

Due to the majority of the Group's profits arising under the tonnage tax regime no significant timing differences and therefore deferred taxation arises.

**(n) Related parties**

The group claims exemption in respect of transactions with wholly owned subsidiaries under FRS8.

**(o) Pensions and other post-retirement benefits**

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

**(p) Segment reporting**

The Group's owned and chartered-in vessels move between countries in international waters and as a result disclosure of geographic information is impractical.



**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**2. Operating profit**

Operating profit is stated after charging:	<u>2009</u>	<u>2008</u>
	<i>U.S.\$000</i>	<i>U.S.\$000</i>
Depreciation of owned tangible fixed assets	23,104	11,489
Depreciation of tangible fixed assets held under finance leases	1,514	1,360
Payment to auditors – audit remuneration	157	142
– taxation services	-	67
– other services	-	143
Operating lease rentals – property	388	427
– hired-in vessels	195,960	260,415
Foreign exchange differences	70	34
Fixed asset impairment (note 8)	29,395	-
	<hr/>	<hr/>

**3. Directors and employees**

	<u>2009</u>	<u>2008</u>
	<i>U.S.\$000</i>	<i>U.S.\$000</i>
Wages and salaries	8,296	8,222
Social security costs	224	142
Pension costs	79	52
	<hr/>	<hr/>
	8,599	8,416
	<hr/>	<hr/>

The average monthly number of employees during the year was made up as follows:

	<u>2009</u>	<u>2008</u>
	<i>No.</i>	<i>No.</i>
Administrative	26	40
Operations	278	269
	<hr/>	<hr/>
	304	309
	<hr/>	<hr/>

**British Marine plc**  
**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**3. Directors and employees (cont)**

Directors' remuneration is summarised as follows:

	<u>2009</u> U.S.\$'000	<u>2008</u> U.S.\$'000
Directors' emoluments	884	538
Pension costs	40	17
	<u>924</u>	<u>555</u>

Remuneration of the highest paid director, excluding pension contributions, was U.S. \$321,000 (2008 U.S. \$ 239,000). Pension contributions in respect of the highest paid director are U.S. \$11,000 (2008 U.S. \$15,000).

During the year there were 2 directors (2008: 2) accruing pension benefits under the Group's money purchase pension scheme.

**4. Interest receivable and similar income**

	<u>2009</u> U.S. \$'000	<u>2008</u> U.S.\$'000
Bank interest receivable	587	2,851
Other income	11	85
	<u>598</u>	<u>2,936</u>

**5. Interest payable and similar charges**

	<u>2009</u> U.S. \$'000	<u>2008</u> U.S.\$'000
Bank interest payable	7,727	6,423
Other interest	-	1,936
Finance lease charges	752	1,198
	<u>8,479</u>	<u>9,557</u>

**6. Taxation on profit on ordinary activities**

The Group 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 that the Company earns in the United Kingdom, India and Singapore outside the tonnage tax regime are taxed under normal corporation tax rules.

The Company's Indian operations are subject to transfer pricing regulations set by the Indian tax authorities and corporation income taxes at a rate of 33% on imputed profits.

**British Marine plc**  
**Financial Statements for the year ended 31 January 2009**  
**Notes (Continued)**

**6. Taxation on profit on ordinary activities (cont)**

	<u>2009</u> U.S. \$'000	<u>2008</u> U.S.\$'000
Corporation tax charge for the year	281	1,115
Over provision in previous years	(545)	-
Overseas taxation	50	85
Current tax (credit)/charge	<u>(214)</u>	<u>1,200</u>

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

The effective rate of tax is lower than the standard rate of corporation tax in the UK: 28.32% (2008: 28%).

The differences are explained below:

	<u>2009</u> U.S. \$'000	<u>2008</u> U.S.\$'000
Profit on ordinary activities before tax	41,640	61,793
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.32% (2008: 28%)	11,792	17,302
Non taxable profit	(11,494)	(16,187)
Other differences	(17)	-
Overprovisions in respect of prior periods	(545)	-
Overseas taxation	50	85
Current tax (credit)/charge	<u>(214)</u>	<u>1,200</u>

**7. Dividends on equity shares**

	<u>2009</u> U.S.\$'000	<u>2008</u> U.S.\$'000
Dividends on equity shares US\$2.04 per class 'B' ordinary share in 2008	<u>-</u>	<u>30,000</u>

**British Marine plc**  
**Financial Statements for the year ended 31 January 2009**  
**Notes (Continued)**

**8. Tangible fixed assets**

<b>Group</b>						
	<u>Vessels</u>	<u>Dry docking Costs</u>	<u>Assets under Construction</u>	<u>Office Property</u>	<u>Office Equipment</u>	<u>Total</u>
	<u>U.S.\$000</u>	<u>U.S.\$000</u>	<u>U.S.\$000</u>	<u>U.S.\$000</u>	<u>U.S.\$000</u>	<u>U.S.\$000</u>
<b>Cost</b>						
At 1 February 2008	402,862	5,579	3,264	-	409	412,114
Additions	-	1,391	-	6,337	282	8,010
Disposals	-	(700)	-	-	(257)	(957)
<b>At 31 January 2009</b>	<b>402,862</b>	<b>6,270</b>	<b>3,264</b>	<b>6,337</b>	<b>434</b>	<b>419,167</b>
<b>Depreciation</b>						
At 1 February 2008	24,765	1,965	-	-	325	27,055
Charge for the year	22,157	2,295	-	-	166	24,618
Impairment loss	29,395	-	-	-	-	29,395
Disposals	-	(736)	-	-	(172)	(908)
<b>At 31 January 2009</b>	<b>76,317</b>	<b>3,524</b>	<b>-</b>	<b>-</b>	<b>319</b>	<b>80,160</b>
<b>Net book value</b>						
At 31 January 2009	326,545	2,746	3,264	6,337	115	339,007
<b>At 31 January 2008</b>	<b>378,097</b>	<b>3,614</b>	<b>3,264</b>	<b>-</b>	<b>84</b>	<b>385,059</b>

The group sold Trafalgar in August 2009 at a loss of \$29m. This has been reflected above as an impairment loss. The office property was acquired in India during the year and fitting out is due to be completed by December 2009. Assets under construction represent a vessel under construction, see note 27.

**Company**

	<u>Assets Under Construction</u>	<u>Total</u>
	<u>U.S.\$000</u>	<u>U.S.\$000</u>
<b>Cost</b>		
At 1 February 2008	3,250	3,250
Additions	14	14
Disposal	-	-
<b>At 31 January 2009</b>	<b>3,264</b>	<b>3,264</b>

Assets under construction represent a vessel under construction, see note 27.

**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**8. Tangible fixed assets (cont)**

Following an impairment review (see Directors' Report) it was concluded that only Trafalgar, for which there has been an agreement to sell the ship at a loss, is subject to impairment. The loss of \$29,395,000 is disclosed as an exceptional impairment.

Details of the Group's owned vessels are as follows:

<u>Vessel Name</u>	<u>dwt</u>	<u>Year built</u>
Marylebone	48,377	2001
Britannia	48,337	2001
Salome	44,969	1983
Aquitania	55,932	2006
Miranda Rose	43,686	1984
London Bridge	45,708	1994
Clementine	50,248	2004
Gwendolen	50,248	2004
Gloriana	52,056	2001
Trafalgar	76,392	2001
Volumnia	76,015	2002
Excalibur	73,796	1999

Included in the above table are two vessels, *Clementine* and *Gwendolen* that are subject to long-term leases which have been accounted for as finance leases from 20 March 2007. As at 31 January 2009, the cost of the vessels under finance leases was \$ 32,904,000 (2008 Period \$ 32,723,000) and the depreciation charge for the year was \$1,514,000 (2008: \$1,360,000).

**9. Investments in subsidiaries**

<u>Company</u>	<u>2009</u> <u>U.S.\$000</u>	<u>2008</u> <u>U.S.\$000</u>
Shares in subsidiary companies:		
Cost		
At 1 February	6,011	6,002
Additions	1,007	9
At 31 January	<u>7,018</u>	<u>6,011</u>

The addition shown above is in respect of an investment in Britmar Asia Pte Limited.

**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**9. Investments in subsidiaries (cont)**

The following companies were subsidiaries during the year. All the companies are registered in England, except Oceanic Transport Private Limited which is registered in India and British Marine (Asia) Pte Limited which is registered in Singapore.

<u>Name</u>	<u>Percentage Shareholding (Ordinary shares)</u>	<u>Principal Activity</u>
Oceanic Transport Limited	100%	Shipowner
Flagships Limited	100%	Shipowner
Anglia Shipping Limited	100%	Shipowner
Pride Shipping Limited	100%	Shipowner
Oceanic Transport Private Limited	99% *	Property owner
L Bridge Limited	100%	Shipowner
Miranda Rose Limited (incorporated 23 November 2006)	100%	Shipowner
Meridian Navigator Limited (incorporated 23 November 2006)	100%	Shipowner
Gloriana Limited (incorporated 10 April 2007)	100%	Shipowner
Trafalgar Seaways Limited (incorporated 28th June 2007)	100%	Shipowner
Volumnia Shipping Limited (incorporated 10 October 2007)	100%	Shipowner
Excalibur Shipping Limited (incorporated 7 November 2007)	100%	Shipowner
BR Ships Limited (incorporated 28 November 2006)	100%	Shipowner
British Marine (Asia) Pte Limited (incorporated 20 March 2008)	100%	Ship Operator

\* The remaining 1% is held by a related undertaking, owned by Mr A. Bekhor.

**10. Stock**

Stocks consist of the following:

	<u>2009 Group U.S.\$000</u>	<u>2008 Group U.S.\$000</u>	<u>2009 Company U.S.\$000</u>	<u>2008 Company U.S.\$000</u>
Bunkers	1,395	3,990	-	2,293
Lubricating oil	1,065	1,053	-	-
Stock under bond	138	167	-	-
	<u>2,598</u>	<u>5,210</u>	<u>-</u>	<u>2,293</u>

**British Marine plc**  
**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**11. Debtors**

	<i>2009</i> <i>Group</i> <i>U.S.\$000</i>	<i>2008</i> <i>Group</i> <i>U.S.\$000</i>	<i>2009</i> <i>Company</i> <i>U.S.\$000</i>	<i>2008</i> <i>Company</i> <i>U.S.\$000</i>
Trade debtors	22,372	27,011	12,466	22,340
Amounts due from subsidiary undertakings	-	-	206,761	224,207
Amounts due from parent company	464	4,466	151	85,596
Amounts due from related undertakings	70	-	53	-
Other debtors and prepayments	5,419	1,607	111	279
Corporation tax	-	-	128	-
Prepaid hire	211	1,384	-	1,384
	<u>28,536</u>	<u>34,468</u>	<u>219,670</u>	<u>333,806</u>

The Company provides short term financing to its subsidiaries and related companies. The loans are unsecured, interest free and repayable on demand.

**12. Cash at bank and in hand**

Cash at bank and in hand includes the following amounts:

	<i>2009</i> <i>Group</i> <i>U.S.\$000</i>	<i>2008</i> <i>Group</i> <i>U.S.\$000</i>	<i>2009</i> <i>Company</i> <i>U.S.\$000</i>	<i>2008</i> <i>Company</i> <i>U.S.\$000</i>
Cash at bank	23,829	16,475	19,748	9,926
Restricted cash at bank	30,140	2,361	28,899	-
	<u>53,969</u>	<u>18,836</u>	<u>48,647</u>	<u>9,926</u>

Restricted amounts are funds held in Group bank accounts as collateral for financial derivatives.

**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**13. Creditors: Amounts falling due within one year**

	<u>2009</u> <u>Group</u> <u>U.S.\$000</u>	<u>2008</u> <u>Group</u> <u>U.S.\$000</u>	<u>2009</u> <u>Company</u> <u>U.S.\$000</u>	<u>2008</u> <u>Company</u> <u>U.S.\$000</u>
Bank overdraft	-	1,954	-	1,954
Bank loans (note 15)	27,167	29,167	27,167	29,167
Trade creditors	20,508	19,973	15,022	14,718
Other creditors	188	1,493	-	162
Amounts due to related companies	319	-	319	-
Amounts due to subsidiary companies	-	-	51,737	66,207
Finance lease payments (note 15)	1,249	1,181	-	-
Corporation tax	-	1,200	-	785
Accruals	13,922	6,776	5,917	4,000
Deferred income (note 14)	23,756	33,317	-	-
	<u>87,109</u>	<u>95,061</u>	<u>100,162</u>	<u>116,993</u>

Subsidiary Companies, registered in England, provided short term loans to the Company. The loans are unsecured, interest free and repayable on demand.

**14. Deferred income**

	<u>2009</u> <u>U.S \$000</u>	<u>2008</u> <u>U.S.\$000</u>
Included in creditors amounts falling due within one year	23,756	33,317
Included in creditors falling due after more than one year	3,128	26,883
Deferred income	<u>26,884</u>	<u>60,200</u>

During the year ended 31 January 2008 the Group acquired three vessels with existing below market time charters for which the Group received compensation from the vendor. For the Trafalgar, the Group received \$11m compensation which was recorded as deferred revenue of which \$2,498,000 has been included in revenue for the year ended 31 January 2008, \$6,744,000 has been included in 2009 and \$1,758,000 will be included in 2010. For the Volumnia, the Group received \$24m of which \$1,824,000 has been included in revenue for the year ended 31 January 2008, \$9,537,000 has been included in 2009, \$9,511,000 will be included in 2010 and \$3,128,000 in 2011. For the Excalibur, the Group received \$28m of which \$1,832,000 has been included in revenue for the year ended 31 January 2008, \$13,682,000 will be included in 2009 and \$12,486,000 will be included in 2010. The balance of compensation received not yet included in revenue is included in deferred income.



**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**15. Creditors: amounts falling due after more than one year**

Amounts falling due in more than one year are as follows:

	<u>2009</u> <u>Group</u> <u>U.S.\$000</u>	<u>2008</u> <u>Group</u> <u>U.S.\$000</u>	<u>2009</u> <u>Company</u> <u>U.S.\$000</u>	<u>2008</u> <u>Company</u> <u>U.S.\$000</u>
Financing				
Loan Agreements				
\$85,000 DSB loan agreement	75,000	81,667	75,000	81,667
\$110,000 Nordea loan agreement	90,000	106,000	90,000	106,000
\$50,000 DVB loan agreement	42,000	50,000	42,000	50,000
Finance Leases	12,700	13,881	-	-
Deferred financing costs	(773)	(1,079)	(773)	(1,079)
	<hr/>	<hr/>	<hr/>	<hr/>
Total long-term debt	218,927	250,469	206,227	236,588
Less current portion	(28,416)	(30,348)	(27,167)	(29,167)
	<hr/>	<hr/>	<hr/>	<hr/>
	190,511	220,121	179,060	207,421
Deferred income (Note 14)	3,128	26,883	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	193,639	247,004	179,060	207,421
	<hr/>	<hr/>	<hr/>	<hr/>

**Bank loans**

\$85m DSB loan agreement. On each of 24 May 2007 and 27 July 2007, the Company drew down \$40m and on 23 November 2007 the Company drew down the remaining \$5m under a \$85m loan facility with Deutsche Schiffsbank Atiengesellschaft, ("DSB") that is repayable in eighteen semi-annual instalments of \$3.333m commencing November 24, 2007 with a final instalment of \$25m due 24 May 2017. The loan bears interest at LIBOR plus 0.7% and is secured by the Marylebone, Britannia and Aquitania vessels. On 2 January 2008, the Company entered into an agreement with DSB to convert its DSB loan facility into a \$85m revolving credit facility.

In September 2009 the Company completed the renegotiation of the loan covenants and other loan terms. This new agreement set new covenants and waived the original covenants from the beginning of January 2009.

\$110m Nordea loan agreement. On 31 July 2007 the Company drew down \$50m under a \$50m loan facility with Nordea Bank Finland plc ("Nordea") repayable in twenty-seven quarterly instalments of \$1.563m commencing 31 October 2007, and a final instalment of \$7.813m due 31 July 2014. The loan bore interest at LIBOR plus 0.7% and was secured by the Gloriana, London Bridge and Miranda Rose vessels.

On 24 August 2007, the Company entered into an agreement with Nordea to refinance its \$50m loan facility into a \$110m credit facility. The vessel owning subsidiaries of the Gloriana, Miranda Rose, London Bridge, Trafalgar and Salome borrowed under the revolving credit facility with Nordea, \$96m to convert the \$50m loan agreement with Nordea and to partially fund the purchase of the Trafalgar, a 76,392 dwt drybulk carrier which was delivered to the Company in August 2007. On 7 November 2007 the Company borrowed the remaining \$14m under this facility. The credit facility is repayable in 20 consecutive quarterly instalments consisting of an initial 12 instalments in the amount of \$4m each, the following seven instalments of \$3m each and the final instalment of a balloon payment of

**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**15. Creditors: amounts falling due after more than one year (continued)**

\$41m. The loan is secured by mortgages on the Gloriana, Miranda Rose, London Bridge, Trafalgar, and Salome vessels and bears interest at LIBOR plus 0.7% per annum. The balance of the loans may be used for borrowings that are applied to corporate and working capital purposes. The credit facility with Nordea also provided the Company with a ability to issue guarantees and letters of credit in the amount of up to \$20m, to the extent that the facility is not fully drawn.

In July 2009 the Company completed the renegotiation of the facility and in particular the loan covenants. This new agreement set new covenants and waived the original covenants from the beginning of January 2009. There are scaled margins on US libor to the extent that the company meets the more relaxed covenants.

\$50m DVB loan agreement. On 24 October 2007, the Company signed a term sheet in connection with a loan facility of \$50m from DVB Bank AG. The facility is secured by first priority mortgages over the Clementine and Gwendolen vessels and the corporate guarantee of the Company. The facility is repayable in 32 consecutive quarterly instalments consisting of 4 instalments of \$1.625m followed by 4 instalments of \$1.5m, 4 instalments of \$1.375m, 8 instalments of \$1.125m, 11 instalments of \$575,000 and the final instalment of a balloon payment of \$16.675m. Interest is at LIBOR plus 0.7% per annum. On 16 November 2007, the Company borrowed \$50m under this facility.

In July 2009 the Company completed the renegotiation of the facility to modify the leasing arrangements of Clementine and Gwendolen and also the loan covenants. This new agreement set new covenants and waived the original covenants from the beginning of January 2009.

The Company re-entered into a series of interest rate swap agreements with Nordea and DSB to partially fix the interest rates at on the principal amounts outstanding under the various credit agreements.

As of 31 January 2009, the Company had the following swap contracts outstanding:

Notional amount	Fixed interest rate	Swap period
50,000	4.70%	March 3, 2008 – March 3, 2009
25,000	3.79%	March 3, 2008 – March 3, 2009
25,000	2.83%	March 3, 2008 – March 3, 2009
50,000	2.95%	March 3, 2008 – March 3, 2009
25,000	3.27%	March 3, 2009 – March 3, 2010
25,000	3.12%	March 3, 2009 – March 3, 2010
50,000	2.77%	March 3, 2009 – March 3, 2010
25,000	3.86%	March 3, 2009 – March 3, 2013
25,000	3.88%	March 3, 2009 – March 3, 2013
25,000	3.38%	March 3, 2010 – March 3, 2011
25,000	2.60%	November 24, 2008 – November 24, 2009
10,000	3.33%	November 24, 2009 – November 24, 2010
45,000	4.17%	April 30, 2010 – April 29, 2011
50,000	4.51%	April 29, 2011 – April 30, 2012
55,000	4.62%	April 30, 2012 – October 1, 2012
35,000	4.76%	October 1, 2012 – August 30, 2013

**British Marine plc**  
**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**15. Creditors: amounts falling due after more than one year (continued)**

Under each of the loan agreements there are covenants that the Company must meet that include the value of the security, the ratio of total equity to total assets, minimum liquid assets and change of control.

**Finance Leases**

As discussed in note 8, on 20 March 2007, the Group restructured the operating leases of the Gwendolen and Clementine vessels and as a result the leases are now characterized as finance leases and the Group is required to make quarterly payments of \$483,000 per quarter until 14 April 2017. The Group has the option to terminate the leases for the then existing outstanding principal amounts with no penalty.

The leases are secured against the Clementine and Gwendolen vessels.

Future principal maturities of long-term debt and finance leases as at 31 January 2009 are as follows:

<u>Year ending</u> <u>31 January</u>	<u>Loan Facilities</u> <u>U.S.\$000</u>	<u>Finance</u> <u>Leases</u> <u>U.S. \$000</u>	<u>Total</u> <u>U.S. \$000</u>
2010	27,167	1,249	28,416
2011	27,167	1,320	28,487
2012	23,167	1,395	24,562
2013	44,516	1,474	45,990
Thereafter	71,333	7,262	78,595
	<u>193,350</u>	<u>12,700</u>	<u>206,050</u>
Less current portion	(27,167)	(1,249)	(28,416)
	<u>166,183</u>	<u>11,451</u>	<u>177,634</u>

The following table sets out the finance lease commitments as at 31 January 2009:

<u>Year ending</u> <u>31 January</u>	<u>Finance</u> <u>Lease</u> <u>Payments</u> <u>2009</u> <u>U.S. \$000</u>	<u>Finance</u> <u>Lease</u> <u>Payments</u> <u>2008</u> <u>U.S. \$000</u>
2009	-	1,932
2010	1,932	1,932
2011	1,932	1,932
2012	1,932	1,932
2013	1,932	1,932
2014	1,932	1,932
Thereafter	6,276	6,754
Total minimum payments	15,936	18,346
Less amounts representing interest at 5.58%	(3,236)	(4,465)
Present value of obligations under finance leases	<u>12,700</u>	<u>13,881</u>

**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**16. Share capital**

	<u>2009</u> U.S.\$000	<u>2008</u> U.S.\$000
Authorised		
12,500,000 Class 'A' ordinary shares of £1 each	18,855	18,855
125,000,000,000 Class 'B' ordinary shares of U.S. \$0.0001 each	<u>12,500</u> 31,355	<u>12,500</u> 31,355
Issued and fully paid		
12,288,998 class 'A' ordinary shares of £1 each	18,250	18,250
14,719,788 Class 'B' ordinary shares of U.S. \$0.0001 each	<u>1</u> 18,251	<u>1</u> 18,251

The "A" shares of £1 each have no right to any dividend or distribution, no right to attend or vote at any general meeting of the Company, and limited rights of participation in the capital of the Company upon winding up, namely one cent for every U.S. \$100,000 of capital returned, after all share capital (including any premium) on the "B" shares in issue has been paid. The non-voting, non-participating shares carry no conversion, redemption or pre-emptive rights.

The "B" shares of U.S. \$0.0001 per share are entitled to one vote per share on all matters submitted to a vote of shareholders. Holders of the "B" shares are entitled to receive dividends. Upon dissolution, liquidation or sale of all or substantially all of the Company's assets, after payment in full of all amounts required to be paid to creditors, if any, "B" shareholders are entitled to receive pro rata the Company's remaining assets available for distribution. Holders of "B" shares do not have conversion, redemption or pre-emptive rights.

**17. Profit and loss account**

	<u>2009</u> <u>Group</u> U.S.\$000	<u>2008</u> <u>Group</u> U.S.\$000	<u>2009</u> <u>Company</u> U.S.\$000	<u>2008</u> <u>Company</u> U.S.\$000
At 1 February	82,662	52,069	12,026	32,039
Profit/(loss) for the financial year	41,854	60,593	(31,495)	9,987
Dividends paid (note 7)	-	(30,000)	-	(30,000)
At 31 January	<u>124,516</u>	<u>82,662</u>	<u>(19,469)</u>	<u>12,026</u>

**British Marine plc**  
**Financial Statements for the year ended 31 January 2009**  
**Notes (Continued)**

**18. Share premium account**

	U.S.\$000
At 31 January 2008 and 2009	595

**19. Movement in shareholder's funds**

	<u>2009</u> <u>Group</u> U.S.\$000	<u>2008</u> <u>Group</u> U.S.\$000	<u>2009</u> <u>Company</u> U.S.\$000	<u>2008</u> <u>Company</u> U.S.\$000
At 1 February	101,508	70,915	30,872	50,885
Profit /(Loss) for the financial year	41,854	60,593	(31,495)	9,987
Dividends paid (note 7)	-	(30,000)	-	(30,000)
At 31 January	<u>143,362</u>	<u>101,508</u>	<u>(623)</u>	<u>30,872</u>

**20. Reconciliation of operating profit to net cash inflow from operating activities**

	<u>2009</u> U.S.\$000	<u>2008</u> U.S.\$000
Operating profit for the year	49,521	68,414
Depreciation and amortisation	24,618	13,579
Impairment	29,396	-
Deferred finance costs	306	-
Decrease/(Increase) in inventories	2,612	(857)
Decrease/ (Increase) in debtors	5,932	(21,111)
Decrease / (Increase) in creditors	7,788	16,976
(Decrease)/Increase in deferred revenue	<u>(33,316)</u>	<u>54,822</u>
	<u>86,857</u>	<u>131,823</u>

**21. Returns on investments and servicing of finance**

	<u>2009</u> U.S.\$000	<u>2008</u> U.S.\$000
Interest received	598	2,936
Interest paid	(8,479)	(9,557)
Net cash outflow	<u>(7,881)</u>	<u>(6,621)</u>

**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**22. Acquisitions and disposals**

In the prior year, payments of \$74.466m were made to shareholders following the reorganisation of the British Marine Group. No such payments were made in the current year.

**23. Capital expenditure and financial investment**

	<u>2009</u> U.S.\$'000	<u>2008</u> U.S.\$'000
Purchase of tangible fixed assets	(1,673)	(301,834)
Expenditure on assets under construction	-	(3,264)
Expenditure on property asset	(6,337)	-
Net cash outflow	<u>(8,010)</u>	<u>(305,098)</u>

During the year the Group acquired a property interest in India for \$6.337m.

**24. Financing**

	<u>2009</u> U.S.\$'000	<u>2008</u> U.S.\$'000
Term funding recovered from/(paid to) related undertakings	-	(4,466)
Secured loans drawn down	-	245,000
Repayment of secured loans	(31,746)	(7,333)
Repayment of finance leases	(1,181)	(844)
Net cash (outflow)/ inflow	<u>(32,927)</u>	<u>232,357</u>

**25. Analysis of net debt**

	At 1 February <u>2008</u> U.S.\$'000	<u>Cash Flow</u> U.S.\$'000	<u>Non-cash</u> <u>Movements</u> U.S.\$'000	At 31 January <u>2009</u> U.S.\$'000
Cash at bank and in hand	18,836	35,133	-	53,969
Bank overdraft	(1,954)	1,954	-	-
	<u>16,882</u>	<u>37,087</u>	<u>-</u>	<u>53,969</u>
Debt within 1 year	(30,348)	1,932	-	(28,416)
Debt after 1 year	(222,279)	30,995	-	(191,284)
Deferred financing cost	1079	-	(306)	773
	<u>(234,666)</u>	<u>70,014</u>	<u>(306)</u>	<u>(164,958)</u>

**British Marine plc**  
**Financial Statements for the year ended 31 January 2009**  
**Notes (Continued)**

**26. Derivatives**

Realised loss/(gain) on derivatives

**(i) Forward freight agreements ("FFA")**

The Group 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 Group expects to carry out in the normal course of its shipping business.

The Group's net realised losses from FFAs amounted to \$17m (2008: \$2.08m).

**(ii) Vessel fuel (bunker) futures**

The Group 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 Group enters into forward purchase contracts to hedge its exposure to, and manage the volatility associated with vessel fuel prices by locking in the price for a portion of future foreseeable bunker requirement.

The Group's net realised gain from bunker futures amounted to \$593k (2008: \$335k gain).

**(iii) Interest rate swaps**

The Group is exposed to the impact of interest rate changes on its variable rate debt. Accordingly, the Group enters into interest rate swap agreements to manage the exposure to interest rate variability to lock in future interest rate payments on its variable loans.

The Group's net realised loss from interest rate swaps amounted to \$1.144m in the year (2008: \$ Nil).

**(iv) Foreign exchange future contracts**

On 29 November 2007, the Company entered into a participating forward currency agreement with Wachovia Bank under which the Company has agreed to purchase Yen 1,634,375,000 on 30 September 2011 at an exchange rate to the dollar of 95:1. As part of the agreement there is also a participating option that allows the Company to purchase an additional Yen 558,125,000 at the same dollar exchange rate of 95:1 on 30 September 2011.

**British Marine plc**  
**Financial Statements for the year ended 31 January 2009**  
**Notes (Continued)**

**26. Derivatives (cont)**

Unrealised (loss)/gain on derivatives

The unrecognised open derivative positions at fair value can be summarised as follows:

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
FFA liabilities	(99,783)	(9,457)
Bunker hedges (liabilities)/ assets	(20,415)	1,269
Interest rate hedge liabilities	(8,448)	(1,879)
Foreign exchange assets / (liabilities)	2,440	(216)
	<hr/> (126,206) <hr/>	<hr/> (10,283) <hr/>

**27. Commitments and contingencies**

The Group is involved in various disputes and arbitration proceedings arising in the ordinary course of business. Provisions are recognised in the consolidated financial statements for all such proceedings where the Group believes that a liability is probable, and for which the amounts are reasonably estimable, based upon facts known at the date the consolidated financial statements were prepared. In the opinion of management, the ultimate disposition of these matters is immaterial and will not adversely affect the Group's consolidated financial position, results of operations or liquidity.

The Group, in the normal course of business, has entered into contracts to time charter in and to time charter out vessels for future periods, as well as COAs and voyage commitments.

The Group enters into indemnification agreements in the ordinary course of business. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Group maintains what it believes is appropriate liability insurance that reduces its exposure and enables the Group to recover future amounts paid up to the maximum amount of the insurance coverage, less any deductible amounts pursuant to the terms of the respective policies, the amounts of which are not considered material.

As at 31 January 2009, the Group has a commitment to purchase an aggregate of 49,220 metric tons of bunker fuel covering its forward COA commitments for 2009 to 2011 at prices ranging between \$449 to \$494 per ton lasting through 31 December 2010.



**British Marine plc**  
**Financial Statements for the year ended 31 January 2009**  
**Notes (Continued)**

**27. Commitments and contingencies (cont)**

On April 26, 2007, the Company contracted to purchase a 56,000 dwt supramax drybulk carrier from Mitsui Engineering and Shipbuilding Limited a Japanese shipbuilder, to be delivered in 2011. The contract price of the vessel is 3,884 million yen of which the Company paid 388 million yen (\$3,264,000) representing 10% of the purchase price in July 2007. The remaining balance of 3,496 million yen \$38,842k as of January 31, 2009 exchange rates is expected to be paid in 2010 and 2011. The Company has entered into a participating forward currency agreement to hedge a portion of the foreign exchange fluctuation risk associated with this contract.

As at 31 January 2009, the Company had the following obligations under operating leases for its offices in London, Mumbai and New Delhi: year ending 31 January 2010 - \$319,000, 2011 - \$270,000, 2012 - \$196,000, and 2013 - \$174,000.

As at 31 January 2009 the Company has \$13,650,000 of outstanding letters of credit issued under the Nordea Loan Agreement.

**28. Charters and contracts of affreightment**

As at 31 January 2009 the Company had 6 chartered-in vessels (2008: 16 chartered-in vessels). These charters are accounted for as time charters and at 31 January 2009 the contracted future commitments, net of commissions for vessel charters in, were \$ 408,000 for the year ended 31 January 2010 (2008: \$40,148,000 for the year ended 31 January 2009). No existing minimum charters are for more than one year.

As at 31 January 2009 the contracted minimum revenues expected to be earned on non-cancellable time charters, voyage charters and contracts of affreightment ("COAs") are as follows:

<i>Year ending 31 January</i>	<i><u>Charters</u> U.S.\$'000</i>	<i><u>COAs</u> U.S.\$000</i>	<i><u>Total</u> U.S.\$'000</i>
2010	55,472	37,716	93,188
2011	18,871	31,678	50,549
2012	6,569	25,430	31,999
2013	4,651	22,049	26,700
Thereafter	-	6,124	6,124
Total	85,563	122,997	208,560

**British Marine plc**  
**Financial Statements for the year ended 31 January 2009**  
**Notes (Continued)**

**28. Charters and contracts of affreightment (cont)**

As at 31 January 2008 the contracted minimum revenues expected to be earned on non-cancellable time charters, voyage charters and contracts of affreightment ("COAs") are as follows:

<i>Year ending 31 January</i>	<i>Charters U.S.\$'000</i>	<i>COAs U.S.\$'000</i>	<i>Total U.S.\$'000</i>
2009	82,351	120,802	203,153
2010	63,569	69,294	132,863
2011	15,518	59,630	75,148
2012	6,567	52,465	59,032
2013	2,053	39,398	41,451
Thereafter	-	4,536	4,536
<b>Total</b>	<b>170,058</b>	<b>346,125</b>	<b>516,183</b>

**29. Related party transactions**

Related parties of the Group comprise the principal direct and indirect owners of the Company and companies controlled by them.

On 31 January 2007, the Company entered into a fixed rate management and administrative services agreement with, Auckland Shipping Ltd., or Auckland, a Company controlled by the Company's Chief Executive Officer.

Auckland is a U.K. Company established in 2000, which owned and operated a handysize drybulk carrier, the Meridian Navigator.

Under the terms of the agreement, the Company provides Auckland with technical and commercial management services, including arranging and overseeing crewing, maintenance, repair, capital improvements, drydocking, payment of vessel taxes, insurance and acting as its exclusive representative in all commercial negotiations. The Company also provides Auckland with general administrative support services. In addition to Auckland reimbursing the Company for all costs incurred on its behalf which include the settlement of FFA contracts and ship operating costs, Auckland pays the Company a 1.25% fee on freight revenues. This agreement has economic effect as of 1 February 2007. For the year ended 31 January 2009 the Company earned \$269k under this agreement which is included in other income in the accompanying consolidated statement of operations. Charter revenues from the Meridian Navigator were received directly by Auckland.

Auckland entered into an agreement to sell the Meridian Navigator on 1 July 2008 with delivery of the vessel to its purchaser on 3 November 2008. With the completion of the sale, Auckland exited the shipping business.

No dividends were paid to the ultimate parent company, Britmar (UK) Limited (2008: \$30m).

**British Marine plc**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**30. Subsequent Events**

The decision was taken to dispose of mainly older vessels and to date agreement has been reached to sell Salome, Miranda Rose, Trafalgar and London Bridge. Salome was sold in May 2009 for \$4.1m realising a loss of \$2.3m, Miranda Rose was sold in July 2009 for \$4.9m realising a profit of \$2.6m and London Bridge was sold in September 2009 for \$15.3m realising a profit of \$4.1m. These are not recognised in these financial statements. The sale of Trafalgar was completed in August 2009 for \$26.9m and realised a loss of \$29.4m which has been recognised in these financial statements as an exceptional impairment. During the year the Group prepared for a listing on the New York stock exchange but owing to problems in the capital markets the listing was postponed. The external costs of \$1.4m incurred during the year have been shown separately as an exceptional item.

As noted in note 15, since the year end the group successfully renegotiated its loan arrangements and covenants.

**31. Ultimate parent undertaking**

The Company's immediate parent undertaking is British Marine Corporation (a Marshall Islands corporation). The ultimate parent undertaking is Britmar (UK) Limited, a company incorporated in England, which was the holding company of the largest and smallest group.

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

**32. Ultimate controlling party**

Mr Alan Bekhor is the ultimate controlling party of the Company.