

**BRITISH MARINE PLC
(FORMERLY VERNEY SERVICES LIMITED)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2008

WEDNESDAY



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**British Marine Plc
(formerly Verney Services Limited)**

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**British Marine Plc
(formerly Verney Services Limited)**

Directors

Alan Bekhor
Sunil Malhotra
Paul Gregory
Rodney Lenthall (appointed 1 February 2008)

Secretary

Harish Chikhlia

Registered Office

11 Manchester Square, London W1U 3PW

Auditors

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

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 2008. All amounts shown are in thousands of US dollars.

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.

With economic effect from 1 February 2007, the shareholders of the Company combined their shipping activities, which had previously been carried out by companies which they controlled. The Company entered into asset purchase agreements pursuant to which it acquired the businesses and net assets of the companies which included three vessels, MV Marylebone, MV Miranda Rose and MV Salome as well as the operations and net assets of Ocean Bulk Carriers Limited, a company that performed vessel chartering operations and commercial and technical management services for the shipping operations of companies controlled by Mr. Bekhor. The consideration paid was U.S.\$74,446 which was equal to their net book value at 31 January 2007. The accounting impact of the group reorganisation has been to include assets, liabilities and results of the merged businesses from 1 February 2006.

On 20 March 2007, the Group restructured the operating leases of the MV Gwendolen and MV Clementine and as a result the leases are now characterized as finance leases. The Group paid premium payments totalling US\$17,998 and entered into finance leases under which the Group is required to make quarterly payments of \$483 per quarter until 14 April 2017. The Group has the option to terminate the leases for the existing outstanding principal amounts with no penalty. The leases are secured against the MV Clementine and MV Gwendolen.

The MV Britannia, owned by the Company, was transferred to a wholly owned subsidiary of the Company on 3 May 2007 at its historical cost net book value at 31 January 2007 so that the transfer takes economic effect from 1 February 2007.

**British Marine Plc
(formerly Verney Services Limited)**

Report of the Directors (Continued)

Review of Activities and Business Review (continued)

On 13 April 2007 the Company changed its name to British Marine Limited and on 3 July 2007 it converted to Plc status.

On 26 April 2007 the Group contracted for a new building of a 56,000 dwt supramax dry bulk carrier from Mitsui Engineering and Shipbuilding Co. Limited. The cost of the vessel is 3,865 million Japanese yen. The vessel is scheduled to be delivered in 2011.

On 29 May 2007 the Group purchased MV Gloriana, a 52,000 dwt, 2001 built, drybulk carrier costing US\$45,300. A new wholly owned subsidiary, Gloriana Limited, was incorporated on 10 April 2007 and became the owner of the vessel.

On 18 May 2007 the Group agreed to a bank loan totaling US\$85,000 to provide additional financing to the group. The facility is repayable by 18 consecutive semi annual instalments of US\$3,333 and a final balloon payment of US\$25,000. The loan is secured against three of the Group's vessels. Interest is at LIBOR plus 70 basis points. On 2 January 2008 the loan was converted into a revolving credit facility.

On 31 July 2007 the Group agreed to a bank loan totaling US\$50,000 which was converted on 24 August 2007 into a US\$110,000 revolving credit facility. The facility is repayable in 20 consecutive quarterly instalments consisting of an initial 12 instalments of US\$4,000 each, 7 instalments of US\$3,000 each and a final balloon payment of US\$41,000. The loan is secured against five of the Group's vessels. Interest is at LIBOR plus 70 basis points.

On 24 August 2007 the Group took delivery of MV Trafalgar, a 76,392 dwt., 2001 built, drybulk carrier costing US\$62,000. A new wholly owned subsidiary, Trafalgar Seaways Limited, was incorporated on 28 June 2007 and became the owner of the vessel.

On 24 October 2007 the Group agreed to a bank loan of US\$50,000. The facility is repayable by varying quarterly instalments over 8 years with a final balloon payment of US\$16,100. The loan is secured by mortgages on two of the group's vessels. Interest is at LIBOR plus a margin of 70 basis points.

On 22 November 2007 the Group took delivery of MV Volumnia, a 76,015 dwt., 2002 built, drybulk carrier costing US\$86.25 million. A new wholly owned subsidiary, Volumnia Shipping Limited, was incorporated on 10 October 2007 and became the owner of the vessel.

On 13 December 2007 the Group took delivery of MV Excalibur, a 73,976 dwt, 1999 built, drybulk carrier costing US\$87.25 million. A new wholly owned subsidiary Company, Excalibur Shipping Limited, was incorporated on 7 November 2007 and became the owner of the vessel.

The Group has had a successful year, which has benefited from the improvement in its freight markets. This is demonstrated by the increase in the time charter equivalent earned by our owned and operated vessels employed during the year, which has increased from U.S.\$21,862 in the year ended 31 January 2007 to U.S.\$39,524 in the year ended 31 January 2008

The Group has also benefited from the increase in its fleet with ownership days increasing from 2,367 days in the year to 31 January 2007 to 3,442 days in the year to 31 January 2008, mainly as a result of the vessel acquisitions referred to above. Vessel utilisation, which is the number of days that the company's owned vessels were operational and revenue earning, also remained high at approximately 99%.

The Group has also benefited from its operating business with chartered in vessel days of 6,846 in the year to 31 January 2008 (2007: 3,536).

**British Marine Plc
(formerly Verney Services Limited)**

Report of the Directors (Continued)

Review of Activities and Business Review (continued)

The drybulk market has suffered a downturn in the period since 31 January 2007. However, because of hedging arrangements the Company is confident that profitability should remain high in the current financial year.

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, liquidity and compliance with its banking covenants. The directors believe that as of the date of approval of these financial statements they are in compliance with the majority of their banking covenants. It is, however, difficult due to the very limited activity in the vessel sale and purchase market to assess the current value of the Group's fleet and confirm its compliance with its covenant to maintain the value of its fleet at the required level of its outstanding loans.

Results and Dividend

The Group made a profit on ordinary activities before taxation of US\$61,793 for the year (2007 US\$36,840). The directors approved a dividend of US\$30,000 during the year which was paid on 31 July 2007.

Directors

Mr. Alan Bekhor, Mr. Sunil Malhotra and Mr. Paul Gregory served as directors throughout the year. Mr. Rodney Lenthall was appointed a non executive director on 1 February 2008.

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, whose status is kept under review.

British Marine Plc
(formerly Verney Services Limited)

Report of the Directors (Continued)

Foreign Exchange Risk

The Group's activities are principally conducted in US dollars. 100% of revenues and approximately 97% of costs are in US dollars, with the remainder of costs denominated in £ sterling and Indian rupees. Overall exposure is kept under continuous review and the Group will participate in currency hedging where appropriate as, for example, in connection with the Japanese new building contract referred to above, where the Company has carried out a foreign exchange hedge covering approximately 60% of the contracted yen price.

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.

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 16 days (2007: 62 days), and for the group is 30 days (2007: 30 days).

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.

**British Marine Plc
(formerly Verney Services Limited)**

Report of the Directors (Continued)

Directors' Confirmation

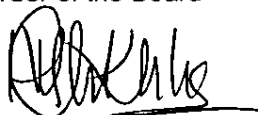
Each person who is director at the time when this report is approved has confirmed that:

- 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

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

By Order of the Board



H. CHIKHLIA

Secretary

Independent Auditors' Report to the Shareholders 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 2008 which are set out on pages 7 to 34. 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 2008 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.

St Paul's House
Warwick Lane
LONDON EC4M 7BP

20 January 2008

Moore Stephens LLP

Moore Stephens LLP
Registered Auditors
Chartered Accountants

British Marine Plc
(formerly Verney Services Limited)

Consolidated Profit and Loss Account
For the year ended 31 January 2008

(Expressed in U.S.\$000)

| | <u>Note</u> | <u>2008</u> | <u>2007</u> |
|--|-------------|------------------|------------------|
| Turnover | 2 | 466,163 | 160,036 |
| Cost of sales | | <u>(391,020)</u> | <u>(124,091)</u> |
| Gross Profit | | 75,143 | 35,945 |
| Administrative expenses | | <u>(6,729)</u> | <u>(2,660)</u> |
| Operating Profit | 3 | 68,414 | 33,285 |
| Interest receivable and other income | 5 | 2,936 | 3,555 |
| Interest payable and similar charges | 6 | <u>(9,557)</u> | <u>-</u> |
| Profit on Ordinary Activities before Taxation | | 61,793 | 36,840 |
| Taxation on profit on ordinary activities | 7 | <u>(1,200)</u> | <u>(1,640)</u> |
| Profit on Ordinary Activities after Taxation | 18 | <u>60,593</u> | <u>35,200</u> |

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

British Marine Plc
(formerly Verney Services Limited)

Consolidated Balance Sheet – 31 January 2008

(Expressed in U.S.\$000)

| | <u>Note</u> | <u>2008</u> | <u>2007</u> |
|--|-------------|------------------|-----------------|
| Fixed Assets | | | |
| Tangible assets | 9 | 385,059 | 77,061 |
| Current Assets | | | |
| Stock | 11 | 5,210 | 4,353 |
| Debtors | 12 | 35,547 | 11,222 |
| Cash at bank and in hand | 13 | 18,836 | 70,087 |
| | | <u>59,593</u> | <u>85,662</u> |
| Creditors: amounts falling due within one year | 14 | <u>(95,061)</u> | <u>(91,808)</u> |
| Net Current Liabilities | | <u>(35,468)</u> | <u>(6,146)</u> |
| Total Assets Less Current Liabilities | | 349,591 | 70,915 |
| Creditors: amounts falling due after more than one year | 16 | <u>(248,083)</u> | <u>-</u> |
| Net Assets | | <u>101,508</u> | <u>70,915</u> |
| Capital and Reserves | | | |
| Called up share capital | 17 | 18,251 | 18,251 |
| Share premium account | 19 | 595 | 595 |
| Profit and loss account | 18 | 82,662 | 52,069 |
| Shareholders' Funds | 20 | <u>101,508</u> | <u>70,915</u> |

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

A. BEKHOR

Director

5 January 2009

British Marine Plc
(formerly Verney Services Limited)

Company Balance Sheet – 31 January 2008

(Expressed in U.S.\$000)

| | <u>Note</u> | <u>2008</u> | <u>2007</u> |
|--|-------------|--------------------|--------------------|
| Fixed Assets | | | |
| Tangible assets | 9 | 3,250 | 14,576 |
| Investment in subsidiaries | 10 | 6,011 | 6,002 |
| | | <hr/> 9,261 | <hr/> 20,578 |
| Current Assets | | | |
| Stock | | 2,293 | 103 |
| Debtors | 12 | 334,885 | 16,185 |
| Cash at bank and in hand | 13 | 9,926 | 16,537 |
| | | <hr/> 347,104 | <hr/> 32,825 |
| Creditors: amounts falling due within one year | 14 | <hr/> (116,993) | <hr/> (2,518) |
| Net Current Assets | | <hr/> 230,111 | <hr/> 30,307 |
| Total Assets Less Current Liabilities | | <hr/> 239,372 | <hr/> 50,885 |
| Creditors: amounts falling due after more than one year | 16 | <hr/> (208,500) | <hr/> - |
| Net Assets | | <hr/> <hr/> 30,872 | <hr/> <hr/> 50,885 |
| Capital and Reserves | | | |
| Called up share capital | 17 | 18,251 | 18,251 |
| Share premium account | 19 | 595 | 595 |
| Profit and loss account | 18 | 12,026 | 32,039 |
| Shareholders' Funds | | <hr/> <hr/> 30,872 | <hr/> <hr/> 50,885 |

The financial statements were approved by the Board on 5 January 2009
and signed on its behalf by

A. BEKHOR

Director

British Marine Plc
(formerly Verney Services Limited)

Consolidated Cash Flow Statement
For the year ended 31 January 2008

(Expressed in U.S.\$000)

| | <u>Note</u> | <u>2008</u> | <u>2007</u> |
|--|-------------|-------------|-------------|
| Net Cash Inflow from Operating Activities | 21 | 131,823 | 40,982 |
| Taxation paid | | (1,200) | (1,640) |
| Returns on investments and servicing of finance | 22 | (6,621) | 3,555 |
| Equity dividends paid | 8 | (30,000) | - |
| Acquisitions and disposals | 23 | (74,466) | 6,137 |
| Capital expenditure and financial Investment | 24 | (305,098) | (31,356) |
| Cash flow before Financing | | (285,562) | 17,678 |
| Financing | 25 | 232,357 | - |
| (Decrease)/Increase in Cash in the Year | | (53,205) | 17,678 |

Reconciliation of Net Debt
For the year ended 31 January 2008
 (Expressed in U.S.\$000)

| | | |
|---|-----------|--------|
| (Decrease)/increase in cash | (53,205) | 17,678 |
| Cash inflow from increase in debt and lease financing | (236,823) | - |
| New finance leases | (14,725) | - |
| Movement in net debt | (304,753) | 17,678 |
| Net debt at 1 February 2007 | 70,087 | 52,409 |
| Net debt at 31 January 2008 | 26 | 70,087 |

**British Marine Plc
(formerly Verney Services Limited)**

Financial Statements for the year ended 31 January 2008

Notes

(Expressed in U.S.\$000)

1. Background and Trading Activities

Verney Services Limited was incorporated in the United Kingdom on 3 August 1999 and commenced trading on 17 April 2001 when the Company took delivery of the MV Britannia.

The principal activities of the Group during the period were shipowning and operating. The Group's principal place of business is located in London.

On 28 April 2004 two subsidiary companies entered into bareboat charter arrangements with a third party to charter in two 50,000 dwt drybulk carriers for an initial period of 7 years. On March 2007 the Group restructured these bareboat charter arrangements. The vessels are now subject to 10 year finance leases from April 2007 following the payment of premiums of U.S.\$17,998 and annual commitments under the terms of the finance leases of U.S.\$1,931.

Subsidiary companies took delivery of a new building 55,000 dwt drybulk carrier MV Aquitania, on 12 December 2006 and MV London Bridge, a dwt, 1984 built handymax drybulk carrier on 9 January 2007.

As part of a restructuring of the shipping interests of the Company's shareholders, subsidiaries of the Company acquired the net assets of all their shipping interests held outside the group. The transaction had economic effect from 1 February 2007. As a result the Group acquired MV Miranda Rose, MV Marylebone and MV Salome and their related net assets, together with the combined shipping activities the technical and commercial management of the group's fleet and charter-in operations previously carried out by a company controlled by the shareholders.

During the year subsidiary companies also took delivery of MV Gloriana, a 52,000 dwt, 2001 built, drybulk carrier, MV Trafalgar, a 76,392 dwt, 2001 built drybulk carrier, MV Volumnia, a 76,015 dwt, 2002 built drybulk carrier and MV Excalibur, a 73,976 dwt, 1999 built drybulk carrier.

The Company changed its name to British Marine plc on 3 July 2007.

The vessels are employed on time and voyage charters, including contracts of affreightment.

British Marine Plc
(formerly Verney Services Limited)

Financial Statements for the year ended 31 January 2008

Notes (Continued)

(Expressed in U.S.\$000)

2. 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.

The financial statements are stated in US Dollars.

Due to the restructuring of shipping activity with effect from 1 February 2007, the transfer of business and net assets of Britmar Limited and its subsidiaries, Ocean Bulk Carriers Limited and OBC International Limited has been accounted for as a group reorganisation under Financial Reporting Standard No. 6, and dealt with on a merger basis, as the transfer involved no change to the ultimate owners or their respective rights.

This represents a departure from the Companies Act 1985 conditions for merger accounting since there is no issue of shares. The Directors consider that, since there has been no change in the owners, or their respective rights, treating this transaction as an acquisition would not give a true and fair view.

For the year ended 31 January 2008, the comparatives show a retrospective effect to the internal group reorganisation and reflect the consolidated balance sheet, profit and loss account and cash flows of the Company's predecessor companies. As a result of this retrospective effect, net assets have decreased by \$5,436 and retained profit for the financial year has increased by \$16,380.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated. The results of Companies acquired or disposed of are included in the consolidated profit and loss account from the date of acquisition to the date of disposal.

No Company profit and loss account for British Marine plc has been presented as permitted by Section 230 of the Companies Act 1985. The Company made a profit after taxation of U.S.\$9,987 for the year (2007: profit U.S.\$6,036 profit).

(c) Segment reporting

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

British Marine Plc
(formerly Verney Services Limited)

Financial Statements for the year ended 31 January 2008

Notes (Continued)

(Expressed in U.S.\$000)

2. Principal Accounting Policies (Continued)

(d) Foreign exchange translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet dates. Revenues earned and expenses paid in foreign currencies are recorded at the rate of exchange at the transaction date.

(e) Cash at bank and in hand

Cash at bank and in hand consist of cash on hand and demand deposits with banks.

(f) Restricted cash

Restricted cash is cash that is committed for a particular purpose and not immediately available for application as working capital of the Company.

(g) Trade debtors

The Company includes its trade debtors at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its trade debtors and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current credit conditions. At 31 January 2007 and 2008, no allowance was required by the Company.

(h) Stock

Stocks consist of lubricants and bunkers onboard vessels and are valued at the lower of cost or net realisable value on a first-in first-out basis.

(i) Finance and operating leases

The present value of assets held under finance leases is included under tangible fixed assets and depreciation is provided so as to write off the present value over the lease term. The interest cost is charged over the lease term on an actuarial basis, and the capital element of future lease payments is included in creditors. The costs of operating leases are charged as incurred.

**British Marine Plc
(formerly Verney Services Limited)**

Financial Statements for the year ended 31 January 2008

Notes (Continued)

(Expressed in U.S.\$000)

2. Principal Accounting Policies (Continued)

(j) Fixed assets and assets under construction

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

Vessel cost consists of the contract price for the vessel and any material expenditure incurred during its construction (i.e., improvements and delivery expenses and on-site supervision costs incurred during the construction period). Material expenditures that extend the useful life of the vessel incurred in improvements to the vessel are also capitalised.

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

Interest payable directly attributable to finance newbuildings under construction, which are assets that necessarily take a substantial period of time to get ready for their intended use, is added to the cost of those newbuildings, until such time as the newbuildings are ready for their intended use and are delivered to the group. All other borrowing cost are recognised in the profit and loss account in the period in which they are incurred.

Depreciation is computed using the straight line method over the estimated useful life of the vessels, after considering the estimated residual values, commencing when the vessel is ready for its intended use. Management estimates the useful life of the Company's vessels to range between 20 to 28 years from the vessel's original construction.

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

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

(k) Derivatives

The Group uses derivative financial instruments to reduce exposure to freight, interest rate, bunker and foreign currency movements. The Group does not hold or issue derivative financial instruments for speculative properties. Gains and losses of derivatives are dealt with in the profit and loss account when they are realised. Where an estimated loss is not anticipated to be offset by the future profits on the underlying transaction, then the unrealised loss is treated as an onerous contract and provision for the loss is made in full at the time such loss become evident.

British Marine Plc
(formerly Verney Services Limited)

Financial Statements for the year ended 31 January 2008

Notes (Continued)

(Expressed in U.S.\$000)

2. Principal Accounting Policies (Continued)

(k) Derivatives (continued)

(i) Forward freight agreements ("FFA")

Realised gains or losses on FFA trading are recorded when the FFA contract settles and an actual difference arises between the FFA contracted price and the settlement rate on the date that the contract settles. The realised gain or loss is credited or charged to the profit and loss account as realised gains or losses on derivatives on the date the contract settles.

(ii) Bunker hedging

Realised gains and losses on bunker futures are recorded when the contract settles and an actual difference arises between the contracted price and the market rate on the date that delivery is taken or the contract is settled. The realised gain or loss is credited or charged to the profit and loss account on the date of delivery when the contract is settled.

(iii) Interest rate hedging

The Group enters into interest rate swap agreements to manage the exposure to interest rate variability. All realised gains or losses are reflected in the profit and loss account on the date the contract is settled.

(iv) Foreign currency hedging

The Group is exposed to fluctuations in foreign exchange rates and in certain circumstances will enter into foreign currency future contracts. All realised gains or losses are reflected in the profit and loss account on the date the contract is settled.

(l) Pensions

Pension costs consist of company contributions towards the pension funds of directors and employees, and are charged to profit and loss account as they accrue.

(m) 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 voyages are provided for in full at the time such losses become evident.

British Marine Plc
(formerly Verney Services Limited)

Financial Statements for the year ended 31 January 2008

Notes (Continued)

(Expressed in U.S.\$000)

2. Principal Accounting Policies (Continued)

(n) Deferred Revenue

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.

The Group acquired three vessels during the year that had existing time charters at less than market rates. Compensation was received from the vendor and this has been included within deferred revenue. The deferred revenue is being recognised within the profit over the remaining time charter period.

(o) Taxation

The Company and all but one of its subsidiaries are resident in the United Kingdom. The one subsidiary that is not resident in the United Kingdom is resident in India. 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 and India outside the tonnage tax regime are taxed under normal United Kingdom and Indian corporation tax rules.

3. Operating Profit

| Operating profit is stated after charging: | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|--|---------------------------|---------------------------|
| Depreciation | 12,849 | 4,809 |
| Payment to auditors | 142 | 88 |
| - audit remuneration | 67 | 66 |
| - taxation services | 143 | - |
| - other services | 427 | 2,172 |
| Operating lease rentals - property | <u>427</u> | <u>2,172</u> |

4. Directors and Employees

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|-----------------------|---------------------------|---------------------------|
| Wages and salaries | 8,222 | 3,001 |
| Social security costs | 141 | 85 |
| Pension costs | 52 | 48 |
| | <u>8,415</u> | <u>3,134</u> |

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4. Directors and Employees (Continued)

The Group employed 309 employees during the year (2007: 226).

Directors' remuneration is summarised as follows:

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|-----------------------|---------------------------|---------------------------|
| Directors' emoluments | 538 | 352 |
| Pension costs | 17 | 16 |
| | <u>555</u> | <u>368</u> |

Remuneration of the highest paid director, excluding pension contributions, was U.S.\$239 (2007: U.S.\$198). Pension contributions in respect of the highest paid director are U.S.\$15 (2007: U.S.\$15).

During the year there were 2 directors (2007: 2) accruing pension benefits under the Group's money purchase pension scheme.

5. Interest Receivable and Similar Income

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|--------------------------|---------------------------|---------------------------|
| Bank interest receivable | 2,851 | 2,637 |
| Other income | 85 | 918 |
| | <u>2,936</u> | <u>3,555</u> |

6. Interest Payable and Similar Charges

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|--------------------------|---------------------------|---------------------------|
| Bank interest payable | 6,423 | - |
| Other interest (note 32) | 1,936 | - |
| Finance lease charges | 1,198 | - |
| | <u>9,557</u> | <u>-</u> |

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7. 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 outside the tonnage tax regime are taxed under the normal U.K. 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. The Indian operations also had a ship-owning subsidiary, which sold its vessel and ceased operations in January 2007.

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|-------------------------------------|---------------------------|---------------------------|
| Corporation tax charge for the year | 1,115 | 851 |
| Under provision in previous years | - | 189 |
| Overseas taxation | 85 | 600 |
| | <u>1,200</u> | <u>1,640</u> |

Factors affecting the taxation charge for the year:

The effective rate of tax is lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|---|---------------------------|---------------------------|
| Profit on ordinary activities before tax | 61,793 | 36,840 |
| Less profits assessable under tonnage tax | (59,476) | (34,803) |
| | <u>2,317</u> | <u>2,037</u> |
| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% | 695 | 611 |
| Tonnage tax for the year at 30% | 420 | 240 |
| Under provision in previous years | - | 189 |
| Taxation on profit from Indian operations at 33% | 85 | 600 |
| | <u>1,200</u> | <u>1,640</u> |

8. Dividends on Equity Shares

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|---|---------------------------|---------------------------|
| Dividends on equity shares US\$ 2.04 per class 'B' ordinary share (2007: Nil) | 30,000 | - |

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9. Tangible Fixed Assets

| Group | <u>Vessels</u> U.S.\$'000 | <u>Drydocking</u> <u>Costs</u> U.S.\$'000 | <u>Assets under</u> <u>Construction</u> U.S.\$'000 | <u>Office</u> <u>Equipment</u> U.S.\$'000 | <u>Total</u> U.S.\$'000 |
|-----------------------|------------------------------|---|--|---|----------------------------|
| Cost | | | | | |
| At 1 February 2007 | 88,806 | 3,802 | - | 327 | 92,935 |
| Additions | 314,056 | 3,445 | 3,264 | 82 | 320,847 |
| Disposals | - | (1,668) | - | - | (1,668) |
| At 31 January 2008 | 402,862 | 5,579 | 3,264 | 409 | 412,114 |
| Depreciation | | | | | |
| At 1 February 2007 | 14,564 | 1,061 | - | 249 | 15,874 |
| Charge for the year | 10,201 | 2,572 | - | 76 | 12,849 |
| Disposals | - | (1,668) | - | - | (1,668) |
| At 31 January 2008 | 24,765 | 1,965 | - | 325 | 27,055 |
| Net book value | | | | | |
| At 31 January 2008 | 378,097 | 3,614 | 3,264 | 84 | 385,059 |
| At 31 January 2007 | 74,262 | 2,741 | - | 78 | 77,061 |

| Company | <u>Vessels</u> U.S.\$'000 | <u>Drydocking</u> <u>Costs</u> U.S.\$'000 | <u>Assets Under</u> <u>Construction</u> U.S.\$'000 | <u>Total</u> U.S.\$'000 |
|-----------------------|------------------------------|---|--|----------------------------|
| Cost | | | | |
| At 1 February 2007 | 18,706 | 319 | - | 19,025 |
| Additions | - | - | 3,250 | 3,250 |
| Disposal | (18,706) | (319) | - | (19,025) |
| At 31 January 2008 | - | - | 3,250 | 3,250 |
| Depreciation | | | | |
| At 1 February 2007 | 4,297 | 152 | - | 4,449 |
| Disposals | (4,297) | (152) | - | (4,449) |
| At 31 January 2008 | - | - | - | - |
| Net book value | | | | |
| At 31 January 2008 | - | - | 3,250 | 3,250 |
| At 31 January 2007 | 14,409 | 167 | - | 14,576 |

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9. Tangible Fixed Assets (Continued)

On 20 March 2007, the Group restructured its operating leases on *Clementine* and *Gwendolen*. Under the terms of the restructured leases, the Group paid a premium of \$17,998 and financed the remainder of the purchase price with two ten year finance leases aggregating \$14,725, not including interest.

On 1 February 2007, under the group reorganisation described in note 1, the Group took delivery of six vessels; *Salome*, a 1983 Japanese built handymax drybulk carrier with dwt of 44,969; *Britannia*, a 2001 Japanese built handymax drybulk carrier with dwt of 48,337; *London Bridge*, a 1994 Japanese built handymax drybulk carrier with dwt of 45,708; *Marylebone*, a 2001 Japanese built handymax drybulk carrier with dwt of 48,377; *Miranda Rose*, a 1984 Japanese built handymax drybulk carrier with dwt of 43,686 and *Aquitania*, a 2006 built supramax drybulk carrier with dwt of 55,932.

On 29 May 2007, the Group took delivery of *Gloriana*, a 2001 Japanese built supramax drybulk carrier with dwt of 52,056. The cost of the vessel was \$45,156 which included \$5,500 to buy out the existing charter relating to the vessel.

On 28 August 2007, the Group took delivery of *Trafalgar*, a 2001 Japanese built Panamax drybulk carrier with dwt of 76,392. The cost of the vessel was \$62,000, which was paid net of \$11,000 compensation from the seller for the transfer of an existing below market time charter. The compensation has been accounted for as deferred revenue.

On 22 November 2007 the Group took delivery of *Volumnia*, a 2002 built Panamax drybulk carrier with dwt of 76,015. The cost of the vessel was \$86,250, which was paid net of \$24,000 compensation from the seller for the transfer of an existing below market time charter. The compensation has been accounted for as deferred revenue.

On 13 December 2007 the Group took delivery of *Excalibur*, a 1999 built Panamax drybulk carrier with dwt of 73,976. The cost of the vessel was \$87,250, which was paid net of \$28,000 compensation from the seller for the transfer of an existing below market time charter. The compensation has been accounted for as deferred revenue.

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 |

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9. Tangible Fixed Assets (Continued)

Included in the above table are two vessels, *Clementine* and *Gwendolen*, that are subject to long-term leases that have been accounted for as finance leases from 20 March 2007. As of 31 January 2008, the cost of the vessels under finance leases was \$32,723 and the accumulated depreciation was \$1,167.

10. Investments in Subsidiaries

Company

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|---------------------------------|---------------------------|---------------------------|
| Shares in subsidiary companies: | | |
| Cost | | |
| At 1 February 2007 | 6,002 | 2 |
| Additions | 9 | 6,000 |
| At 31 January 2008 | <u>6,011</u> | <u>6,002</u> |

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.

| <u>Name</u> | Percentage Shareholding (Ordinary shares) | Principal Activity |
|---|--|-----------------------|
| Oceanic Transport Limited | 100% | Shipowner |
| Flagships Limited | 100% | Shipowner |
| Anglia Shipping Limited | 100% | Shipowner |
| Pride Shipping Limited | 100% | Shipowner |
| Oceanic Transport Private Limited | 99% * | Shipowner |
| 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 |

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

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11. Stock

Stocks consist of the following:

| | 2008 <u>Group</u> U.S.\$'000 | 2007 <u>Group</u> U.S.\$'000 | 2008 <u>Company</u> U.S.\$'000 | 2007 <u>Company</u> U.S.\$'000 |
|------------------|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Bunkers | 3,990 | 3,565 | 2,292 | - |
| Lubricating oil | 1,053 | 739 | - | 93 |
| Stock under bond | 167 | 49 | - | 10 |
| | <u>5,210</u> | <u>4,353</u> | <u>2,292</u> | <u>103</u> |

12. Debtors

| | 2008 <u>Group</u> U.S.\$'000 | 2007 <u>Group</u> U.S.\$'000 | 2008 <u>Company</u> U.S.\$'000 | 2007 <u>Company</u> U.S.\$'000 |
|--|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Trade debtors | 27,011 | 5,724 | 22,340 | 65 |
| Amounts due from subsidiary undertakings | - | - | 224,207 | 3,147 |
| Amounts due from related undertakings | - | - | - | 12,888 |
| Other debtors and prepayments | 1,607 | 1,259 | 279 | 85 |
| Deferred financing costs | 1,079 | - | 1,079 | - |
| Prepaid hire | 1,384 | 4,239 | 1,384 | - |
| Amount due from parent company | 4,466 | - | 85,596 | - |
| | <u>35,547</u> | <u>11,222</u> | <u>334,885</u> | <u>16,185</u> |

The Company provides short term loans to its subsidiaries and parent company. The loans are unsecured, interest free and repayable on demand.

13. Cash at Bank and in Hand

Cash at bank and in hand includes the following amounts:

| | 2008 <u>Group</u> U.S.\$'000 | 2007 <u>Group</u> U.S.\$'000 | 2008 <u>Company</u> U.S.\$'000 | 2007 <u>Company</u> U.S.\$'000 |
|--------------------|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Cash at bank | 16,475 | 58,943 | 9,926 | 16,537 |
| Restricted amounts | 2,361 | 11,144 | - | - |
| | <u>18,836</u> | <u>70,087</u> | <u>9,926</u> | <u>16,537</u> |

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14. Creditors: Amounts falling due within one year

| | 2008 <u>Group</u> U.S.\$'000 | 2007 <u>Group</u> U.S.\$'000 | 2008 <u>Company</u> U.S.\$'000 | 2007 <u>Company</u> U.S.\$'000 |
|---|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Bank overdraft | 1,954 | - | 1,954 | - |
| Bank loans (note 16) | 29,167 | - | 29,167 | - |
| Trade creditors | 19,973 | 5,420 | 14,718 | 1,788 |
| Other creditors | 1,493 | - | 162 | 170 |
| Amounts due to subsidiary undertakings | - | - | 66,207 | - |
| Amounts due to ultimate shareholder (note 32) | - | 74,466 | - | - |
| Finance lease payments (note 16) | 1,181 | - | - | - |
| Corporation tax | 1,200 | 1,471 | 785 | 103 |
| Accruals | 6,776 | 10,451 | 4,000 | 457 |
| Deferred income (note 15) | 33,317 | - | - | - |
| | <u>95,061</u> | <u>91,808</u> | <u>116,993</u> | <u>2,518</u> |

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

15. Deferred Income

| | 2008 U.S.\$'000 | 2007 U.S.\$'000 |
|--|--------------------|--------------------|
| Deferred income | 60,200 | - |
| Included in creditors amounts falling due within one year | <u>33,317</u> | <u>-</u> |
| Included in creditors falling due after more than one year | <u>26,883</u> | <u>-</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 \$11,000 compensation which was recorded as deferred revenue of which \$2,498 has been included in revenue for the year ended 31 January 2008, \$6,744 will be included in 2009 and \$1,758 in 2010. For the *Volumnia*, the Group received \$24,000 of which \$1,824 has been included in revenue for the year ended 31 January 2008, \$9,537 will be included in 2009, \$9,511 in 2010 and \$3,128 in 2011. For the *Excalibur*, the Group received \$28,000 of which \$1,832 has been included in revenue for the year ended 31 January 2008, \$13,682 will be included in 2009 and \$12,486 in 2010. The balance of compensation received not yet included in revenue is included in deferred income.

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16. Creditors: amounts falling due after more than one year

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

| | 2008 <u>Group</u> U.S.\$'000 | 2007 <u>Group</u> U.S.\$'000 | 2008 <u>Company</u> U.S.\$'000 | 2007 <u>Company</u> U.S.\$'000 |
|---------------------------------|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Financing | | | | |
| Loan agreements | | | | |
| \$85,000 DSB loan agreement | 81,667 | - | 81,667 | - |
| \$110,000 Nordea loan agreement | 106,000 | - | 106,000 | - |
| \$50,000 DVB loan agreement | 50,000 | - | 50,000 | - |
| Finance leases | 13,881 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total long-term debt | 251,548 | - | 237,667 | - |
| Less current portion | (30,348) | - | (29,167) | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 221,200 | - | 208,500 | - |
| Deferred income (Note 14) | 26,883 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 248,083 | - | 208,500 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

\$85,000 DSB loan agreement. On each of 24 May 2007 and 27 July 2007, the Company drew down \$40,000 and on 23 November 2007 the Company drew down the remaining \$5,000 under a \$85,000 loan facility with Deutsche Schiffsbank Atiengesellschaft, ("DSB") that is repayable in eighteen semi-annual instalments of \$3,333 commencing November 24, 2007 with a final instalment of \$25,000 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 \$85,000 revolving credit facility.

\$110,000 Nordea loan agreement. On 31 July 2007 the Company drew down \$50,000 under a \$50,000 loan facility with Nordea Bank Finland plc ("Nordea") repayable in twenty-seven quarterly instalments of \$1,563 commencing 31 October 2007, and a final instalment of \$7,813 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 \$50,000 loan facility into a \$110,000 credit facility. The vessel owning subsidiaries of the *Gloriana*, *Miranda Rose*, *London Bridge*, *Trafalgar* and *Salome* borrowed under the revolving credit facility with Nordea, \$96,000 to convert the \$50,000 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 \$14,000 under this facility. The credit facility is repayable in 20 consecutive quarterly instalments consisting of an initial 12 instalments in the amount of \$4,000 each, the following seven instalments of \$3,000 each and the final instalment of a balloon payment of \$41,000. 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 provides the Company with a ability to issue guarantees and letters of credit in the amount of up to \$20,000, to the extent that the facility is not fully drawn.

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

\$50,000 DVB loan agreement. On 24 October 2007, the Company signed a term sheet in connection with a loan facility of \$50,000 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 \$1,625 followed by 4 instalments of \$1,500, 4 instalments of \$1,375, 8 instalments of \$1,125, 11 instalments of \$575 and the final instalment of a balloon payment of \$16,675. Interest is at LIBOR plus 0.7% per annum. On 16 November 2007, the Company borrowed \$50,000 under this facility.

During the year ended 31 January 2008 the Company entered into a series of interest rate swap agreements with Nordea and DSB to partially fix the interest rates on the principal amounts outstanding under the various credit agreements. The Company has fixed \$150,000 for the period from 3 March 2008 to 3 March 2009 at a weighted average of 4.35%, \$150,000 for the period from 3 March 2009 to 3 March 2010 at a weighted average rate of 3.90%, \$75,000 for the period 3 March 2010 to 3 March 2011 at a weighted average rate of 4.41% and \$50,000 for the period from 3 March 2011 to 3 March 2013 at a weighted average rate of 4.57%. These interest rates include the 0.7% LIBOR premium.

On 6 February 2008 the Company fixed an additional \$45,000 for the period from 25 February 2008 to 24 November 2008 at 3.38%, \$25,000 for the period from 25 November 2008 to 24 November 2009. These interest rates include the 0.7% LIBOR premium.

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. As at 31 January 2008 the Company was in compliance with all its debt covenants.

Finance Leases. As discussed in Note 9, 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 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.

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

Future principal maturities of long-term debt and finance leases as at 31 January 2008 are as follows:

| <u>Year ending</u> <u>31 January</u> | <u>Loan Facilities</u> U.S.\$'000 | <u>Finance Leases</u> U.S.\$'000 | <u>Total</u> U.S.\$'000 |
|---|--------------------------------------|-------------------------------------|----------------------------|
| 2009 | 29,167 | 1,181 | 30,348 |
| 2010 | 28,667 | 1,249 | 29,916 |
| 2011 | 27,166 | 1,320 | 28,486 |
| 2012 | 23,167 | 1,395 | 24,562 |
| 2013 | 58,167 | 1,474 | 59,641 |
| Thereafter | 71,333 | 7,262 | 78,595 |
| | <hr/> 237,667 | <hr/> 13,881 | <hr/> 251,548 |
| Less current portion | (29,167) | (1,181) | (30,348) |
| | <hr/> 208,500 | <hr/> 12,700 | <hr/> 221,200 |

The following table sets out the finance lease commitments as at 31 January 2008:

| <u>Year ending</u> <u>31 January</u> | <u>Finance</u> <u>Lease</u> <u>Payments</u> U.S.\$'000 |
|---|---|
| 2009 | 1,932 |
| 2010 | 1,932 |
| 2011 | 1,932 |
| 2012 | 1,932 |
| 2013 | 1,932 |
| Thereafter | 8,686 |
| Total minimum payments | <hr/> 18,346 |
| Less amounts representing interest at 5.58% | (4,465) |
| Present value of obligations under finance leases | <hr/> 13,881 |

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17. Share Capital

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|---|---------------------------|---------------------------|
| Authorised | | |
| 12,500,000 Class "A" 50,000 ordinary shares of £1 each | 18,855 | 18,855 |
| 125,000,000,000 Class "B" ordinary shares of U.S.\$0.0001 each | 12,500 | 12,500 |
| | <u>31,355</u> | <u>31,355</u> |
| 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 | 1 | 1 |
| | <u>18,251</u> | <u>18,251</u> |

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.

18. Profit and Loss Account

| | <u>2008</u> <u>Group</u> U.S.\$'000 | <u>2007</u> <u>Group</u> U.S.\$'000 | <u>2008</u> <u>Company</u> U.S.\$'000 | <u>2007</u> <u>Company</u> U.S.\$'000 |
|---|---|---|---|---|
| At 1 February 2007 | 52,069 | 31,713 | 32,039 | 26,003 |
| Profit for the financial year | 60,593 | 35,200 | 9,987 | 6,036 |
| Dividends paid (note 8) | (30,000) | - | (30,000) | - |
| Amounts due to shareholder (note 32) | - | (14,844) | - | - |
| At 31 January 2008 | <u>82,662</u> | <u>52,069</u> | <u>12,026</u> | <u>32,039</u> |

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Notes (Continued)

(Expressed in U.S.\$000)

19. Share Premium Account

U.S.\$'000

At 31 January 2007 and 2008 595

20. Movement in Shareholder's Funds

| | <u>2008</u> <u>Group</u> U.S.\$'000 | <u>2007</u> <u>Group</u> U.S.\$'000 | <u>2008</u> <u>Company</u> U.S.\$'000 | <u>2007</u> <u>Company</u> U.S.\$'000 |
|--------------------------------------|---|---|---|---|
| At 1 February 2007 | 70,915 | 50,559 | 50,885 | 44,849 |
| Profit for the financial year | 60,593 | 35,200 | 9,987 | 6,036 |
| Dividends paid (note 8) | (30,000) | - | (30,000) | - |
| Amounts due to shareholder (note 32) | - | (14,844) | - | - |
| At 31 January 2008 | <u>101,508</u> | <u>70,915</u> | <u>30,782</u> | <u>50,885</u> |

21. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|---|---------------------------|---------------------------|
| Operating profit for the year | 68,414 | 33,285 |
| Depreciation and amortisation | 13,579 | 4,809 |
| Loss on sale of investments | - | (918) |
| Increase in inventories | (857) | (2,435) |
| Increase in debtors | (21,111) | (1,799) |
| Increase in creditors | 16,976 | 7,246 |
| Increase in deferred revenue | 54,822 | 794 |
| Net cash inflow from operating activities | <u>131,823</u> | <u>40,982</u> |

22. Returns on Investments and Servicing of Finance

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|---------------------------|---------------------------|---------------------------|
| Interest received | 2,936 | 3,555 |
| Interest paid | (9,557) | - |
| Net cash (outflow)/inflow | <u>(6,621)</u> | <u>3,555</u> |

23. Acquisitions and disposals

On the reorganisation of the British Marine Group set out in note 1, payments were made of U.S.\$74,466 to the shareholders.

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Notes (Continued)

(Expressed in U.S.\$000)

24. Capital Expenditure and Financial Investment

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|--|---------------------------|---------------------------|
| Purchase of tangible fixed assets | (301,834) | (31,356) |
| Expenditure on assets under construction | (3,264) | - |
| Net cash (outflow) | <u>(305,098)</u> | <u>(31,356)</u> |

During the year, the Group entered into finance leases to acquire MV Gwendolen and MV Clementine. The Group paid premium payments of \$17,998, of which \$14,725 was acquired by means of finance lease.

25. Financing

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|---|---------------------------|---------------------------|
| Term funding repaid to related undertakings | (4,466) | - |
| Secured loans drawn down | 245,000 | - |
| Repayment of secured loans | (7,333) | - |
| Repayment of finance leases | (844) | - |
| Net cash inflow | <u>232,357</u> | <u>-</u> |

26. Analysis of Net Debt

| | At 1 February <u>2007</u> U.S.\$'000 | <u>Cash flow</u> U.S.\$'000 | Non-cash <u>Changes</u> U.S.\$'000 | At 31 January <u>2008</u> U.S.\$'000 |
|--------------------------|--|--------------------------------|--|--|
| Cash at bank and in hand | 70,087 | (51,251) | - | 18,836 |
| Bank overdraft | - | (1,954) | - | (1,954) |
| | <u>70,087</u> | <u>(53,205)</u> | <u>-</u> | <u>16,882</u> |
| Debt within 1 year | - | (29,167) | (1,181) | (30,348) |
| Debt after 1 year | - | (207,656) | (13,544) | (221,200) |
| | <u>70,087</u> | <u>(290,028)</u> | <u>(14,725)</u> | <u>(234,666)</u> |

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27. Derivative Trading

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 \$2,080 and \$39,851 for the years ended 31 January 2007 and 2008, respectively.

(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 gains from bunker futures amounted to \$335 and \$1,527 in the years ended 31 January 2007 and 2008.

(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.

There were no realised gains or losses on interest rates swaps in the year ended 31 January 2007 and 2008.

(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.

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Notes (Continued)

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27. Derivative Trading (Continued)

Unrealised (loss)/gain on derivatives

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

| | <u>2008</u> U.S.\$'000 | <u>2007</u> U.S.\$'000 |
|--------------------------------|---------------------------|---------------------------|
| FFA liabilities | (9,457) | (7,366) |
| Bunker hedges assets | 1,269 | - |
| Interest rate hedges liability | (1,879) | - |
| Foreign exchange liabilities | (216) | - |
| | <hr/> | <hr/> |
| Unrealised Loss | (10,283) | (7,366) |
| | <hr/> | <hr/> |

28. 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 2008, the Group has a commitment to purchase an aggregate of 67,783 metric tons of bunker fuel at prices ranging between \$0.354 to \$0.494 per ton lasting through 31 December 2010.

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Notes (Continued)

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28. Commitments and Contingencies (Continued)

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) representing 10% of the purchase price in July 2007. The remaining balance of 3,496 million yen (\$32,765 as of January 31, 2008 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 2008, the Company had the following obligations under operating leases for its offices in London, Mumbai and New Delhi: year ending 31 January 2009 - \$423, 2010 - \$426, 2011 - \$365, 2012 - \$273, and 2013 - \$243.

29. Charters and Contracts of Affreightment

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

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:

| <u>Year ending</u> <u>31 January</u> | <u>Charters</u> <u>US\$'000</u> | <u>COAs</u> <u>US\$'000</u> | <u>Total</u> <u>US\$'000</u> |
|---|------------------------------------|--------------------------------|---------------------------------|
| 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 |
| Total | 170,058 | 346,125 | 516,183 |

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30. Related Party Transactions

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

The Company's controlling stockholder, Mr. Alan Bekhor, also acts as the Chief Executive Officer and Director of the Company and in this capacity is providing significant services to the Company for which he has not received any compensation.

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 owns and operates 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 2008 the Company earned \$85 under this agreement which is included in other income in the accompanying consolidated statement of operations. Charter revenues from the *Meridian Navigator* are 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 expected prior to the end of November 2008. On the completion of the sale, Auckland will exit the shipping business which is why the Company did not acquire Auckland and or its assets or operations as part of its 2007 Internal Reorganization.

A company, controlled by Mr. Bekhor and his wife, OBC (Europe) Limited, owns the property occupied by the Company as its office facility in London until 11 January 2008. On 11 July 2007 Ocean Bulk Carriers Limited, a predecessor of the Company, entered into a two-year lease agreement with OBC (Europe) Limited, which was assigned to the Company on July 31, 2007. The rent remained unchanged at approximately \$71 per annum. The Company vacated this property on 11 January 2008 with no residual liability.

From time to time the Company pays expenses on behalf of its parent and the parent also may pay expenses on behalf of the Company. The balances are cleared regularly and do not bear interest.

On 21 December 2007 the Company entered into a sublease from its parent company for a period of five years. The offices are based at 11 Manchester Square, London W1U 3PW. The annual rent for the area occupied by the Company for the five year period is approximately \$273 (calculated at the British pound to dollar exchange rate of 1.99:1.0 as at 31 January 2008).

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30. Related Party Transactions (continued)

Dividends of \$30,000 were paid in the year to the company's parent, Britmar (UK) Limited, a company which is controlled by A. Bekhor, a director of the company.

31. Subsequent Events

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 counter-parties of the business. From the Group's point of view this could adversely impact profitability, liquidity and compliance with its banking covenants. The directors believe that as of the date of approval of these financial statements they are in compliance with the majority of their banking covenants. It is however difficult due to the very limited activity in the vessel sale and purchase market to assess the current value of the Group's fleet and confirm its compliance with its covenant to maintain the value of its fleet at the required level of its outstanding loans.

32. Group Reorganisation

As described in Note 2(a), all shipping activities previously carried on by companies controlled by the ultimate shareholder were sold to the Group with economic effect from 1 February 2007. For the purposes of these consolidated financial statements, it has been assumed that his sale and the Company's 2007 Internal Reorganization took place on 1 February 2006. The amount due to the ultimate shareholder of \$74,466 as a result of the sales to the Company is included as Amounts due to ultimate shareholder in the accompanying consolidated balance sheet and is based on the net assets of those companies at 1 February 2006, and increased by the net income earned by the relevant companies and by the capital transactions between the shareholder and the companies during the year 2007. The \$74,466 due to shareholder was repaid in July 2007.

Interest at 5.2% per annum was due on the outstanding balance of amounts due to shareholder for the period 1 February 2007 to 31 July 2007, the date that the amount was repaid. Interest expense included in operations for the year ended 31 January 2008 is \$1,936 and is included in interest payable and similar charges, which was paid to the shareholders on 9 November 2007.