3821514

British Marine plc

Report and Consolidated Financial Statements

31 January 2011

Registered No 03821514

Contents

Registered No 03821514

Directors

Alan Bekhor	(Chief Executive Officer)
Sunil Malhotra	(Chief Operating Officer)
Peter Johnson	(Chief Financial Officer)

Secretary

Harish Chikhlia

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Registered Office

11 Manchester Square
London
W1U 3PW

Registered No 03821514

Directors' report

The directors present their report and the audited financial statements of the Company and Group for the year ended 31 January 2011 All amounts are shown in U S Dollars, unless otherwise stated

Review of activities and business review

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

The Group's key financial and other performance indicators during the year were as follows

	2011	*2010*	*Change*
	$'000	*$'000*	*%*
Group turnover	293,090	260,284	12 6
Total operating profit	10,068	31,698	(68 2)
Profit after tax	1,387	23,099	(94 0)
Freight rates			
Average Supramax per day	$21,562	$19,206	12 3
Fleet average age	8 5 yrs	7 5 yrs	13.3
Gearing	36 6%	36 6%	(0 0)

The Group made a profit for the year, after taxation, of $1,387k (2010 $23,099k)

The dry bulk market in the fiscal year ending 31 January 2011 was reasonably steady with average freights for supramax and panamax averaging $21,562 per day and $23,662 per day respectively Turnover increased from $260,284 to $293,090 reflecting an increase in the volume of operating business, particularly in the Atlantic

The Group made a modest profit during the year of $1,387k It had always been anticipated that profits would be squeezed during this particular year on account of a mismatch between FFA hedges taken for calendar 2010 and contract of affreightment ("COA") revenues which were spread over a 3 year period covering 2010, 2011 and 2012 This had arisen originally because of a lack of liquidity for the forward years when the hedges were taken in 2007 and 2008, as a result of this the Group had been obliged to take hedges in 2010 for positions that would not materialize until 2011 and 2012 The effect of this mismatch was exaggerated by certain one-off factors that curtailed the COA revenues in 2010, specifically the iron ore export ban in Karnataka, India (which was lifted in April 2011) which meant shipments on profitable COAs were suspended for much of the year, and the particular circumstances surrounding a large COA contract which was converted to panamax from supramax, where shipments were not taking place while the negotiations were in progress In both cases, the suspensions have now been lifted, allowing COA shipments to resume

The dry bulk market has been weak in the first part of 2011 This may partly be explained by the long anticipated problem of overcapacity because of over-ordering of ships during the boom, but there are very specific reasons which we expect to be short-lived firstly the Queensland floods which dramatically cut the volume of coal exports from Australia in the first quarter of 2011, secondly the significant reduction in congestion which has the effect of putting capacity back into

Directors' report

the market, thirdly the disruption to the supply chain because of the Japanese floods, and finally the monetary tightening in China which has curbed demand growth In the second half of the year, we expect these setbacks to be rectified and freight business to return to normality, while the supramax and panamax markets in particular will be assisted by the resumption of the iron trade from India While we believe prices will remain subdued over the next year or so, we believe the medium term prospects for the market are good, on the supply side, we note that the high price of steel inputs is encouraging a record amount of scrapping of older vessels, and on the demand side, the Asian fuelled boom in industrial commodities is continuing apace These are conditions which should allow a soft landing for the dry freight market, and a recovery of prices in the medium term

Future developments

The Group is well placed to weather difficult trading conditions over the short term because of its COA book and FFA hedges These will limit the Group's freight exposure till the end of 2012, and ensure that lower expected returns from the owned fleet should be negated by profitable contracts The Company is not proposing the payment of a dividend and is setting aside excess cash to fund additional acquisitions in the dry bulk space as and when opportunities arise

The Group continues to follow a strategy of seeking to expand its fleet and its operating business over the long term through organic growth The Group is well placed to build on its reputation and track record and plans in particular to further expand its Atlantic desk business

Results and dividend

The Group made a profit on ordinary activities before taxation of $1,415k for the year (2010 $23,222k) The directors do not recommend the payment of a dividend (2010 $Nil)

Going concern

The Group has prepared and reviewed forecasts based on which, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Directors

Alan Bekhor, Sunil Malhotra and Peter Johnson served as directors throughout the year

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

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 Overall exposure is kept under constant review and the Group does participate in currency hedging where considered appropriate

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Directors' report

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 to its banks The Group seeks to manage liquidity risk by forecasting cash flow and establishing appropriate long term loans, managing operations and using revolving credit facilities thereby ensuring sufficient liquidity is available to be able to finance its operations and investments for the foreseeable future

Credit risk

The Group closely manages its receivables and always seeks to find mutually acceptable agreements for any disputed items that may otherwise cause delays to payments For this reason the Group considers that there are no material exposures in respect of trade and other receivables

Risks and uncertainties

Over the last year a number of major economies around the world have experienced volatile capital and credit markets As a consequence, there remain economic uncertainties around the continual availability and cost of finance for current and future development

The shipping market is not immune to the above mentioned problems in the capital and credit markets as the demand for shipping is dependent on the global economy In addition to demand, other factors including new build contracts and scrapping rates combine to create uncertainty

The Group identifies profitable business and then applies its hedging strategy by using FFA and Bunker derivatives to minimise the impact of volatility

Creditor payment policy

The Group pays its suppliers in accordance with the maximum credit periods acceptable to the suppliers For the Company the average number of days which trade and other creditors are settled in relation to third party suppliers is 30 days (2010 30 days), and for the group is 22 days (2010 30 days)

Directors' report

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Group and 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

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

By Order of the Board
H CHIKHLIA
Secretary
Date 27 May 2011

Independent auditor's report to the members of British Marine plc

We have audited the financial statements of British Marine Plc for the year ended 31 January 2011 which comprise the group balance sheet and company balance sheet, the group profit and loss account, the group cash flow statement, the group statement of total recognised gains and losses and the related notes
The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Principles, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

BDO LLP
London
United Kingdom
Date 27 May 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Group profit and loss account
for the year ended 31 January 2011

	Note	2011 $'000	2010 $'000
Turnover	1(c)	293,090	260,284
Cost of sales		(276,595)	(225,602)
Gross profit		16,495	34,682
Administrative expenses		(6,427)	(3,754)
Administrative expenses – IPO costs		-	770
Total administrative expenses		(6,427)	(2,984)
Operating profit	2	10,068	31,698
(Loss) / Profit on disposal of tangible fixed assets		(19)	3,329
Interest receivable and other income	4	285	31
Interest payable and similar charges	5	(8,919)	(11,836)
Profit on ordinary activities before taxation		1,415	23,222
Taxation on profit on ordinary activities	6	(28)	(123)
Profit on ordinary activities after taxation	16	1,387	23,099

All activities are continuing activities

Group statement of total recognised gains and losses
for the year ended 31 January 2011

	2011 *$'000*	*2010* *$'000*
Profit for the year and total gains and losses relating to the year	1,387	23,099
Prior year adjustment	-	(2,705)
Total gains and losses recognised since last annual report.	1,387	20,394

Group balance sheet
at 31 January 2011

	Note	2011 $'000	2010 $'000
Fixed assets			
Tangible fixed assets	7	266,319	280,992
Current assets			
Stock	9	5,479	9,695
Debtors	10	16,931	40,907
Cash at bank and in hand	11	30,632	44,806
		53,042	95,408
Creditors: amounts falling due within one year	12	(37,350)	(75,406)
Net current assets		15,692	20,002
Total assets less current liabilities		282,011	300,994
Creditors: amounts falling due after more than one year	14	(116,868)	(137,238)
Net assets		165,143	163,756
Capital and reserves			
Called up share capital	15	18,251	18,251
Share premium account	17	595	595
Profit and loss account	16	146,297	144,910
Shareholders' funds	18	165,143	163,756

The financial statements were approved by the Board and authorised for issue on 27 May 2011

P G Johnson
Chief Financial Officer

Parent company balance sheet
at 31 January 2011

	Note	2011 $'000	2010 $'000
Fixed assets			
Tangible fixed assets	7	7,514	7,514
Investment in subsidiaries	8	7,843	7,753
		15,357	15,267
Current assets			
Debtors	10	134,765	144,785
Cash at bank and in hand	11	23,699	42,637
		158,464	187,422
Creditors: amounts falling due within one year	12	(35,012)	(50,605)
Net current assets		123,452	136,817
Total assets less current liabilities		138,809	152,084
Creditors. amounts falling due after more than one year	14	(108,131)	(127,107)
Net assets		30,678	24,977
Capital and reserves			
Called up share capital	15	18,251	18,251
Share premium account	17	595	595
Profit and loss account	16	11,833	6,131
Shareholders' funds	18	30,679	24,977

The financial statements were approved by the Board and authorised for issue on 27 May 2011

P G Johnson
Chief Financial Officer

Group cash flow statement
for the year ended 31 January 2011

	Note	2011 $'000	2010 $'000
Net cash Inflow from operating activities	19	24,144	8,751
Returns on investments and servicing of finance	20	(8,443)	(11,557)
Taxation paid		(46)	(338)
Capital expenditure and financial Investment	21	(1,594)	43,682
Cash flow before financing		14,061	40,538
Financing	22	(28,235)	(49,701)
Decrease in Cash in the Year		(14,174)	(9,163)

Reconciliation of net cash flow to movement in net debt

	Note	2011 $'000	2010 $'000
Decrease in Cash in the Year		(14,174)	(9,163)
Cash outflow from decrease in debt and lease financing		28,235	49,701
Change in net debt resulting from cash flows		14,061	40,538
Other		(191)	(248)
Movement in net debt		13,870	40,290
Net debt at 1 February	23	(124,668)	(164,958)
Net debt at 31 January	23	(110,798)	(124,668)

Notes to financial statements
at 31 January 2011

1 Accounting policies

(a) Basis of preparation

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 U S Dollars, being the functional currency of the Group

In preparing the financial statements in the current year, the classification of interest rate swap gain or loss has been changed from the financial statements for the year ended 31 January 2010 Previously the gain or loss was reported within cost of sales, however it is considered that the presentation of the gain or loss within interest payable and similar charges is a more appropriate reflection of the nature of the balance The impact of this reclassification in the Group profit and loss account is that cost of sales has decreased by $3,864k (2010 $4,611k), with an increase in operating profit and interest payable and similar charges of $3,864k (2010 $4,611k)

(b) Basis of consolidation

The Group's financial statements consolidate the financial statements of British Marine plc and its subsidiary undertakings drawn up to 31 January 2011 No profit and loss account is presented for British Marine plc as permitted by section 408 of the Companies Act 2006 The profit for the year for the Company was $5 7m (2010 profit $28 3m), net of dividends received from Group companies of $25 4m (2010 $75 5m)

(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 voyages are provided for in full at the time such losses become evident Voyages in progress at the year end are accounted for on a percentage completion basis

Deferred voyage or charter revenues relate to amounts received prior to being earned These amounts are recognised as revenues over the related voyage or charter period and include both amounts received from charterers and compensation for acquiring a vessel with an existing charter at below market rate (see note 13)

The Group employs its vessels 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 for off-hire when the vessel is unavailable to the charterer

Notes to financial statements

at 31 January 2011

1 **Accounting policies** (continued)

(d) Tangible fixed assets and depreciation

Tangible fixed assets, including 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 asset, after allowing for an estimated residual value, over its estimated useful life For ships, the expected useful life is 25 years from date of construction and for plant and machinery the expected useful life is 5 to 15 years The expected useful life of freehold and long leasehold property is determined as the shorter of 50 years or to the expiry of the leasehold 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 and are recognised when the Group's right to receive payment is established

(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, lubricating oil, 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 Monetary 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 results of overseas subsidiary undertakings are translated at the average rates of exchange during the year and the balance sheet is translated 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

Notes to financial statements

at 31 January 2011

1 **Accounting policies** (continued)

(i) Derivatives

The group enters into 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

(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 three of its subsidiaries are resident in the United Kingdom Two subsidiaries not resident in the United Kingdom are resident in India and the third in 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 Group earns in the United Kingdom, India and Singapore outside the tonnage tax regime are taxed under normal corporation tax rules

Notes to financial statements
at 31 January 2011

1 **Accounting policies** (continued)

(m) Taxation (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

(n) Related parties

The Company 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 profit and loss account 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

Notes to financial statements
at 31 January 2011

2 Operating profit

Operating profit is stated after charging	*2011* *$'000*	*2010* *$'000*
Depreciation of owned tangible fixed assets	16,248	16,993
Depreciation of tangible fixed assets held under finance leases	-	669
Payment to auditors – audit remuneration	125	124
– taxation services	90	90
Operating lease rentals – property	227	348
– any hired in vessels	154,949	83,548
Foreign exchange differences	89	543

3. Directors and employees

	2011 *$'000*	*2010* *$'000*
Wages and salaries	5,531	6,701
Social security costs	270	177
Pension costs	64	64
	5,865	6,942

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

	2011 *No*	*2010* *No*
Administrative	26	24
Operations	168	236
	194	260

Notes to financial statements
at 31 January 2011

3. Directors and employees (continued)

Directors' remuneration, included above, is summarised as follows

	2011	*2010*
	$'000	*$'000*
Directors' emoluments	711	1,176
Pension costs	35	34
	746	1,210

Remuneration of the highest paid director, excluding pension contributions, was $255k (2010 $ 693k) Pension contributions in respect of the highest paid director are $12k (2010 $12k)

During the year there were 3 directors (2010 3) accruing pension benefits under the Group's money purchase pension scheme

4 Interest receivable and similar income

	2011	*2010*
	$'000	*$'000*
Bank interest receivable	23	31
Other income	262	-
	285	31

5. Interest payable and similar charges

	2011	*2010*
	$'000	*$'000*
Bank interest payable	4,864	6,191
Swap charges	3,864	4,611
Deferred finance charges	191	248
Finance lease charges	-	786
	8,919	11,836

Interest rate swap charges have been reclassified in the current year from cost of sales to interest payable and similar charges, as it is considered to be a more appropriate reflection of the nature of the balance The comparative balance as at 31 January 2010 has also been reclassified from cost of sales, as detailed within note 1

Notes to financial statements
at 31 January 2011

6. Taxation on profit on ordinary activities

The Group has entered the U K tonnage tax regıme under whıch ıts shıp ownıng and operatıng actıvıtıes are taxed based on the net tonnage of vessels operated Any ıncome and profits outsıde the tonnage tax regıme are taxed under the normal UK corporatıon tax rules

The Group's Sıngaporean operatıons have been granted the status of the Approved Internatıonal Shıppıng Enterpnse ("AIS") whıch exempts certaın ıncome from Sıngapore Income Tax Income not qualıfyıng for ıncentıve wıll be taxable at the exıstıng corporate ıncome tax rate

The Group's Indıan operatıons are subject to transfer prıcıng regulatıons set by the Indıan tax authorıtıes and corporatıon ıncome taxes at a rate of 33% on ımputed profits

	2011 *$'000*	*2010* *$'000*
Corporatıon tax charge for the year	123	106
Over provısıon ın prevıous years	(84)	(5)
Dıfference ın tax rates	(11)	22
Current tax charge	28	123

Factors affectıng the taxatıon charge for the year

The effectıve rate of tax ıs lower than the standard rate of corporatıon tax ın the UK 28% (2010 28%)

The dıfferences are explaıned below

	2011 *$'000*	*2010* *$'000*
Profit on ordınary actıvıtıes before tax	1,415	23,222
Profit on ordınary actıvıtıes multıplıed by the standard rate of corporatıon tax ın the UK of 28% (2010 28%)	396	6,502
Profits attrıbutable to tonnage tax	(9,472)	(16,178)
Losses / (Profits) attrıbutable to AIS for the year	3,701	(3,491)
Unutılısed tax losses	5,495	13,273
Adjustments ın respect of prıor perıods	(84)	(5)
Dıfference ın tax rates	(11)	22
Expenses not deductıble for tax purposes	3	-
	28	123

The Group has tax losses of $19m (2010 $57 4m) The avaılabılıty of the losses ıs subject to HMRC's agreement and as such no deferred tax has been recognısed

Notes to financial statements
at 31 January 2011

7. Tangible fixed assets

Group

	Vessels $'000	Dry docking costs $'000	Assets under construction $'000	Office property $'000	Office equipment $'000	Total $'000
Cost						
At 1 February 2010	307,070	3,927	7,514	7,263	437	326,211
Additions	-	1,323	-	29	242	1,594
Disposals	-	(1,135)	-	-	(124)	(1,259)
At 31 January 2011	307,070	4,115	7,514	7,292	555	326,546

	Vessels $'000	Dry docking costs $'000	Assets under construction $'000	Office property $'000	Office equipment $'000	Total $'000
Depreciation						
At 1 February 2010	43,243	1,622	-	-	354	45,219
Charge for the year	14,664	1,514	-	11	59	16,248
Disposals	-	(1,135)	-	-	(105)	(1,240)
At 31 January 2011	57,907	2,001	-	11	308	60,227
Net book value						
At 31 January 2011	249,163	2,114	7,514	7,281	247	266,319
At 31 January 2010	263,827	2,305	7,514	7,263	83	280,992

Company

	Assets under construction $'000
Cost	
At 1 February 2010 and 31 January 2011	7,514

Assets under construction represent a vessel under construction, see note 25

Notes to financial statements
at 31 January 2011

7. Tangible fixed assets (continued)

Details of the Group's owned vessels at 31 January 2011 are as follows

Vessel Name	dwt	Year built
Marylebone	48,377	2001
Britannia	48,337	2001
Aquitania	55,932	2006
Clementine	50,248	2004
Gwendolen	50,248	2004
Gloriana	52,056	2000
Volumnia	76,015	2002
Excalibur	73,796	1999

Included in the above table are two vessels, *Clementine* and *Gwendolen*, which were subject to long-term leases accounted for as finance leases until 29 June 2009 when the Group agreed a refinancing that enabled it to buy out the encumbered leases The two subsidiaries Clementine Shipping Limited and Gwendolen Shipping Limited were established and bank loans advanced to them in order that they could buy the encumbered leases from the Ocean Clementine Limited Partnership and Ocean Gwendolen Limited Partnership The Group now owns the vessels (note 14)

8. Investments in subsidiaries

Company

	2011 *$'000*	*2010* *$'000*
Shares in subsidiary companies		
Cost		
At 1 February	7,753	7,018
Additions	90	735
At 31 January	7,843	7,753

The following companies were directly held subsidiaries during the year All the companies are registered in England, except British Marine (India) Private Limited and OBC Shipping and Chartering Private Limited which are both registered in India and British Marine (Asia) Pte Limited which is registered in Singapore

Notes to financial statements
at 31 January 2011

8. Investments in subsidiaries (continued)

Name	*Percentage shareholding (Ordinary shares)*	*Principal activity*
Anglia Maritime Limited	100%	Shipowner
Pride Shipping Limited	100%	Shipowner
BR Ships Limited	100%	Shipowner
Oceanic Transport Limited	100%	Shipowner
Gloriana Limited	100%	Shipowner
Flagships Limited	100%	Shipowner
Volumnia Shipping Limited	100%	Shipowner
Excalibur Shipping Limited	100%	Shipowner
British Marine (Asia) Pte Limited	100%	Ship Operator
British Marine (India) Pvt Limited #	99 99%*	Property Owner
OBC Shipping and Chartering Pvt Limited	99 99%*	Ship Broker
Clementine Shipping Limited	100%	Ship Lessor
Gwendolen Shipping Limited	100%	Ship Lessor

* One share is held by Mr A Bekhor as nominee for the beneficial owner being the Company
# Formerly Oceanic Transport Private Limited

The Company had a 100% ordinary shareholding of the following non-trading companies during the year Miranda Rose Limited, Meridian Navigator Limited, L Bridge Limited, Trafalgar Seaways Limited, Eminence Shipping Limited, Ocean Gwendolen Limited, Ocean Clementine Limited, Britmarine Limited (formerly Trademar Ltd)

9. Stock

Stocks consist of the following

	2011 Group $'000	*2010 Group $'000*	*2011 Company $'000*	*2010 Company $'000*
Bunkers	4,574	8,780	-	-
Lubricating oil	818	809	-	-
Stock under bond	87	106	-	-
	5,479	9,695	-	-

Notes to financial statements
at 31 January 2011

10. Debtors

	2011 Group $'000	2010 Group $'000	2011 Company $'000	2010 Company $'000
Trade debtors	13,211	25,646	514	1,657
Amounts due from subsidiary undertakings	-	-	133,707	141,336
Amount due from parent company	-	398	-	398
Other debtors and prepayments	2,057	7,007	225	950
Accrued income	1,136	2,563	-	-
Corporation tax - UK	315	343	319	444
Prepaid hire	212	4,950	-	-
	16,931	40,907	134,765	144,785

The Company provides financing to its subsidiaries, whereby the loans provided are unsecured and repayable on demand Interest is computed in line with market rates

11. Cash at bank and in hand

Cash at bank and in hand includes the following amounts

	2011 Group $'000	2010 Group $'000	2011 Company $'000	2010 Company $'000
Cash at bank	17,660	12,687	10,012	10,518
Restricted cash at bank	12,972	32,119	13,687	32,119
	30,632	44,806	23,699	42,637

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

Notes to financial statements
at 31 January 2011

12. Creditors: amounts falling due within one year

	2011 Group $'000	2010 Group $'000	2011 Company $'000	2010 Company $'000
Bank loans (note 14)	24,562	32,236	23,167	30,916
Trade creditors	8,783	22,240	1,443	8,248
Other creditors	94	154	-	40
Amounts due to subsidiary undertakings	-	-	9,023	9,150
Amounts due to parent company	355	-	355	-
Corporation tax – non UK	121	167	-	-
Accruals	3,333	13,283	1,024	2,251
Deferred income (note 13)	102	7,326	-	-
	37,350	75,406	35,012	50,605

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

13. Deferred income

	2011 $'000	2010 $'000
Included in creditors amounts falling due within one year	102	7,326

Toward the end of the year certain charter invoices were raised in the normal course of business of which related to income after the year end The sum of $102k (2010 $4,198k) has been treated as deferred income above

The additional balance of $3,128k recorded in the year ended 31 January 2010 was in respect of compensation received for acquiring vessels with existing below market time charters which were recorded as deferred revenue and released over the life of the time charter This balance was released in full during the year ended 31 January 2011

Notes to financial statements
at 31 January 2011

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

Amounts falling due in more than one year are as follows

	2011 Group $'000	2010 Group $'000	2011 Company $'000	2010 Company $'000
Financing				
Loan agreements				
$85,000 DSB loan agreement	61,667	68,333	61,667	68,333
$110,000 Nordea loan agreement	40,590	55,590	40,590	55,590
$50,000 DVB loan agreement	39,507	46,076	29,375	34,625
Deferred financing costs	(334)	(525)	(334)	(525)
Total long-term debt	141,430	169,474	131,298	158,023
Less current portion (note 12)	(24,562)	(32,236)	(23,167)	(30,916)
	116,868	137,238	108,131	127,107

Bank loans

The Group has borrowing facilities with Nordea Bank Finland plc ("Nordea"), Deutsche Schiffsbank Atiengesellschaft, ("DSB") and DVB Bank AG ("DVB")

DSB

On 23 November 2007 the Company drew down the remaining funds under a $85m loan facility with DSB that was repayable in eighteen semi-annual instalments of $3 3m commencing November 24, 2007 with a final instalment of $25 0m due 24 May 2017 On 2 January 2008, DSB agreed to convert its loan facility into a revolving credit facility and 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 The loan bears interest at LIBOR plus 2 5% (previously LIBOR plus 0 7%) and is secured by the *Marylebone*, *Britannia* and *Aquitania* vessels

Nordea

On 31 July 2007 the Company drew down funds under a $110m loan facility with Nordea repayable in twenty-seven quarterly instalments of $1 6m commencing 31 October 2007, and a final instalment of $7 8m due 31 July 2014

In July 2009 the Company completed the renegotiation of the facility and in particular the loan financial covenants This new agreement set new covenants and waived the original covenants from the beginning of January 2009 The facility then consisted of a fully drawn

Notes to financial statements
at 31 January 2011

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

down term loan of $44m, a revolving credit facility of $28 9m and a new loan facility of $10m The term loan is repayable by 5 quarterly instalments of $4m followed by 8 quarterly instalments of $3m, the final payment due on 24 August 2012 The revolving credit facility which terminates on 24 August 2012 was further reduced by $9 3m to $19 6m in September 2009 when the *London Bridge* was sold The new facility of $10m was also reduced by $6m on the sale of the *London Bridge* and the balance of $4m had been drawn down at the year end The loan was subsequently repaid in March 2010 The loan bears interest at LIBOR plus 2 25% to 2 75% to the extent that the company meets the more relaxed covenants (previously LIBOR plus 0 7%) and is secured by the *Gloriana*, *Volumnia* and *Excalibur* vessels

DVB
On 24 October 2007, the Company agreed a loan facility of $50m from DVB The facility is secured by first priority mortgages over the *Clementine* and *Gwendolen* vessels and the corporate guarantee of the Company The facility was repayable in 32 consecutive quarterly instalments consisting of 4 instalments of $1 6m followed by 4 instalments of $1 5m, 4 instalments of $1 4m, 8 instalments of $1 1m, 11 instalments of $0 6m and the final instalment of a balloon payment of $16 7m

In July 2009 the terms of the loan were renegotiated and included the advance of funds in order to replace the *Gwendolen* and *Clementine* finance leases (see below) The $39m facility is repayable in 26 consecutive quarterly instalments consisting of 2 instalments of $1 5m, 4 instalments of $1 4m, 8 instalments of $1 1m, 11 instalments of $0 6m and the final instalment of a balloon payment of $15 2m in October 2015 Interest is at LIBOR or bank funding cost (if higher) plus 2 0% per annum (previously LIBOR plus 0 7%)

The two new facilities of $6 2m each are repayable in 32 quarterly instalments such that together with the interest the quarterly payments are maintained at a constant level of $0 25m The fixed interest rate in respect of *Gwendolen* is 6 435% and *Clementine* is 6 32%

Interest rate swaps

The Company 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 January 31, 2011, the Company had the following swap contracts outstanding

Notional amount	Fixed interest rate	Swap period
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
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

Notes to financial statements
at 31 January 2011

14. 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

Future principal maturities of long-term debt as at 31 January 2011 which reflect the changes in the loan terms and additional facilities are as follows

Year ending 31 January	*Loan facilities $'000*
2012	24,562
2013	40,681
2014	10,525
2015	10,614
Thereafter	55,382
	141,764
Less current portion	(24,562)
	117,202

Future principal maturities of long-term debt as at 31 January 2010 which reflect the changes in the loan terms and additional facilities are as follows

Year ending 31 January	*Loan facilities $'000*
2011	32,236
2012	24,562
2013	30,681
2014	10,525
Thereafter	71,995
	169,999
Less current portion	(32,236)
	137,763

Notes to financial statements
at 31 January 2011

15. Issued share capital

	2011 $'000	2010 $'000
Allotted, called up and fully paid		
12,288,998 deferred shares of £1 each	18,250	18,250
14,719,788 ordinary shares of $0 0001 each	1	1
	18,251	18,251

The deferred shares of £1 each have no right to any dividend or distribution and no right to attend or vote at any general meeting of the Company They have the right to receive, after all share capital (including any premium) on the ordinary shares in issue has been paid, one cent for every $100,000,000,000 of capital returned The Company is entitled to repurchase the deferred shares for a sum of one cent in aggregate payable to each deferred shareholder of deferred shares

The ordinary shares of $0 0001 have one vote per share on all matters submitted to a vote of shareholders Each ordinary share is entitled to participate equally in the income of the Company and 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, ordinary shareholders are entitled to receive pro rata the Company's remaining assets available for distribution The ordinary shares are not redeemable

16. Profit and loss account

	2011 Group $'000	2010 Group $'000	2011 Company $'000	2010 Company $'000
At 1 February	144,910	121,811	6,131	(22,174)
Profit/(loss) for the financial year	1,387	23,099	(19,698)	(47,195)
Dividends received from group companies	-	-	25,400	75,500
At 31 January	146,297	144,910	11,833	6,131

Notes to financial statements
at 31 January 2011

17. Share premium account

	$'000
At 31 January 2010 and 2011	595

18. Movement in shareholder's funds

	2011 Group $'000	2010 Group $'000	2011 Company $'000	2010 Company $'000
At 1 February	163,756	140,657	24,977	(3,328)
Profit /(loss) for the financial year	1,387	23,099	(19,698)	(47,195)
Dividends received from group companies	-	-	25,400	75,500
At 31 January	165,143	163,756	30,679	24,977

19. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2011 $'000	2010 $'000
Operating profit for the year	10,068	31,698
Depreciation and amortisation	16,248	17,662
Decrease / (Increase) in inventories	4,216	(7,097)
Decrease / (Increase) in debtors	23,948	(14,733)
Decrease in creditors	(23,112)	779
Decrease in deferred revenue	(7,224)	(19,558)
	24,144	8,751

20. Returns on investments and servicing of finance

	2011 $'000	2010 $'000
Interest received	285	31
Interest paid	(8,728)	(11,588)
Net cash outflow	(8,443)	(11,557)

Notes to financial statements
at 31 January 2011

21. Capital expenditure and financial investment

	2011 $'000	2010 $'000
Payments to acquire tangible fixed assets	(1,594)	(7,721)
Receipts from sales of tangible fixed assets	-	51,403
Net cash outflow	(1,594)	43,682

22. Financing

	2011 $'000	2010 $'000
Secured loans drawn down	-	12,394
Repayment of secured loans	(28,235)	(49,395)
Repayment of finance leases	-	(12,700)
Net cash outflow	(28,235)	(49,701)

23. Analysis of net debt

	At 1 February 2010 $'000	Cash flow $'000	Non-cash changes $'000	At 31 January 2011 $'000
Cash at bank and in hand	44,806	(14,174)	-	30,632
Debt within one year	(32,236)	7,674	-	(24,562)
Debt after one year	(137,763)	20,561	-	(117,202)
Deferred financing cost	525	-	(191)	334
	(124,668)	14,061	(191)	(110,798)

Notes to financial statements
at 31 January 2011

24. 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, net of commissions, amounted to \$10 0m in the year ended 31 January 2011 (2010 Loss \$37 6m)

(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 loss from bunker futures, net of commissions, amounted to \$5 2m in the year ended 31 January 2011 (2010 Loss \$5 3m)

(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, net of commissions, amounted to \$3 9m in the year ended 31 January 2011 (2010 Loss \$4 6m)

(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

Notes to financial statements
at 31 January 2011

24. Derivatives (continued)

Unrealised (loss)/gain on derivatives

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

	2011	*2010*
	$'000	*$'000*
FFA liabilities	(6,564)	(27,487)
Bunker hedges assets / (liabilities)	127	(6,507)
Interest rate hedges liabilities	(6,007)	(7,962)
Foreign exchange assets	3,811	1,825
	(8,633)	(40,131)

25. 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

As at 31 January 2011, the Group has a commitment to purchase an aggregate of 101,960 metric tons of bunker fuel (2010 41,200 metric tons) covering it's forward COA commitments over the period to 31 December 2011 at prices ranging from $385 to $614 per ton (average $485)

Notes to financial statements
at 31 January 2011

25. 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 26m) representing 10% of the purchase price in July 2007 On 28 May 2009 the Company paid 38 8 million yen and on 31 January 2010 the Company paid a further 349 6 million yen (a total of $4 25m) The remaining balance of 3,108 million yen ($ 33 2m at contracted forward currency and spot rates as of January 31, 2010) is expected to be paid in 2011 In addition there may be an early delivery bonus of 300k yen per day, capped at 27 million yen ($298k) due to the shipbuilder in the event that the ship is delivered in advance of 1 October 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 2011, the Company had the following obligations under operating leases for its offices in London, Mumbai and New Delhi year ending 31 January 2012 $224k, 2013 $185k, and 2014 $Nil

As at 31 January 2011 the Company has $Nil (2010 $Nil) of outstanding letters of credit issued under the Nordea Loan Agreement

26. Charters and contracts of affreightment

As at 31 January 2011 the Group had 13 chartered-in vessels (2010 33 chartered-in vessels) These charters are accounted for as time charters and at 31 January 2011 the contracted future commitments, net of commissions for vessel charters in, were $1 0m for the year ended 31 January 2011 (2010 $7 3m) No existing minimum charters are for more than one year

As at 31 January 2011 the contracted minimum revenues expected to be earned on non-cancellable time charters, voyage charters and contracts of affreightment ("COAs") are as follows

Year ending 31 January	*Charters $'000*	*COAs $'000*	*Total $'000*
2012	3,789	186,034	189,823
2013	-	96,458	96,458
2014	-	39,762	39,762
Thereafter	-	3,756	3,756
Total	3,789	326,010	329,799

Notes to financial statements
at 31 January 2011

26. Charters and contracts of affreightment (continued)

As at 31 January 2010 the contracted minimum revenues expected to be earned on non-cancellable time charters, voyage charters and contracts of affreightment ("COAs") are as follows

Year ending 31 January	*Charters $'000*	*COAs $'000*	*Total $'000*
2011	25,573	133,450	159,023
2012	6,569	80,071	86,640
2013	2,176	62,041	64,217
Thereafter	-	18,143	18,143
Total	34,318	293,705	328,023

27. Related party transactions

Related parties of the Group comprise the principal direct and indirect owners of the Company and companies controlled by them The related parties were previously part of the same operational group and payments were made on behalf of other group companies in the normal course of business being recognised through the intercompany accounts This practice continued after the Group reorganisation when some group companies became related companies At the end of the year ended 31 January 2010 the remaining balances were settled through the holding company Britmar (UK) Limited by agreement of all the parties

	Payments to related party $'000	*Payments from related party $'000*	*Amounts owed from related party $'000*	*Amounts owed to related party $'000*
Auckland Shipping Limited				
2011	-	-	-	-
2010	-	7	-	-
Britmar Limited				
2011	-	-	-	-
2010	-	63	-	-
Britmar (Asia) Pte Limited				
2011	-	-	-	-
2010	319	-	-	-

No dividends were paid to the ultimate parent company, Britmar (UK) Limited (2010 $Nil)

Notes to financial statements
at 31 January 2011

28. Subsequent events

There were no reportable subsequent events

29. 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 is 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

30. Ultimate controlling party

Mr Alan Bekhor is the ultimate controlling party of the Company